

**ANNUAL FINANCIAL REPORT
CANADIAN VALLEY TECHNOLOGY CENTER NO. 6
CANADIAN COUNTY, OKLAHOMA
JULY 1, 2017 TO JUNE 30, 2018**

**AUDITED BY
KERRY JOHN PATTEN, C.P.A.**

**CANADIAN VALLEY TECHNOLOGY CENTER NO. 6
CANADIAN COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2018**

Board of Education

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Vice-President	Mrs. Christy Stanley
Clerk	Mr. Jimmie Vickrey
Deputy Clerk	Mrs. Penny Jones
Member	Mr. George Fina

Superintendent of Schools

Ms. Gayla Lutts

School District Treasurer

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Canadian Valley Technology Center School District No. 6
Canadian County
Report on Audit of Financial Statements
June 30, 2018

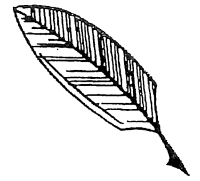
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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Canadian Valley Technology Center No. 6
Canadian, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canadian Valley Technology Center No. 6, Canadian County, Oklahoma, as of and for the year ended June 30, 2018, which collectively comprise the 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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 the Canadian Valley Technology Center as of June 30, 2018, and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance 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 the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

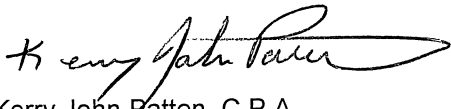
Other Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basis financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting 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 and other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information including the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 8, 2019, on my consideration of Canadian Valley Technology Center No. 6, Canadian County, Oklahoma's, internal control over financial reporting and on my 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 my 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 my audit.



Kerry John Patten, C.P.A.
Broken Arrow, OK
February 8, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Canadian Valley Technology Center School District No. 6
Canadian County
Management Discussion and Analysis (Unaudited)

June 30, 2018

Within the management’s discussion and analysis of the Canadian Valley Technology Center, District No. 6 (the District) annual financial report, the District’s management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. The District’s financial performance is discussed and analyzed within the context of the accompanying financial statements following this section.

I. Financial Highlights

- Total net position \$50,295,731
- Change in total net position \$2,578,578
- Fund balances, governmental funds \$20,584,883
- Property valuation of the district for fiscal year ended 2018 is up 3.1 % from the prior year.

A major change occurred from the implementation of Governmental Accounting Standards Board (GASB) Statement No 74 “Financial Reporting of Postemployment Benefit Plans Other Than Pension Plans: This statement requires separate presentation of the financial information related to Other Post-Employment Benefits (OPEB). The Teachers’ Retirement System of Oklahoma pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month provided the member has ten years of Oklahoma service prior to retirement.

The District also determined that food services, bookstore services and child care services were not self-sustaining from user fees and thus would no longer be presented as business-type proprietary activities. All these services are now carried within the general fund and governmental activities.

II. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Canadian Valley Technology Center, District No. 6’s basic financial statements. The District’s basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

1) District-wide Financial Statements. The district-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The Statement of Net Position represents district-wide information on all of the District’s assets and liabilities, with the difference between assets and liabilities reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Canadian Valley Technology Center School District No. 6
Canadian County
Management Discussion and Analysis (Unaudited)

The statement of activities presents district-wide information showing how the District's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, some revenues and expenses reported in this statement will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave which is available for redemption upon retirement).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include vocational and technical education focusing on career development and administration. The business-type activities include food service, bookstore and child care.

The district-wide financial statements can be found on pages 11-12 in this report.

2) Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Since there is only one non-major fund, the activity fund, it is reported alongside the major funds.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spending resources available at the end of the fiscal year. Such information may be useful in evaluating the District's short-term financing requirements. Most of the District's basic services are included here, such as vocational and technical education focusing on career development and administration. Property taxes, bond proceeds, federal grants, state grants, and state formula aid finance most of these activities.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Canadian Valley Technology Center School District No. 6
Canadian County
Management Discussion and Analysis (Unaudited)

The District internally maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, building fund, capital projects fund and sinking fund, all of which are considered to be major funds.

General Fund: The general fund is the chief operating fund of the District. The general fund accounts for all financial resources not accounted for within another fund. This includes funds included within the internal Sturm fund which includes amounts committed by Board resolution to be maintained permanently but without a defined purpose.

Special Revenue Funds: Special revenue funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. The proceeds of specific revenue sources are the foundation for the fund. The District reports the building fund and the insurance fund as special revenue funds.

Capital Projects Fund: Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays. The District reports unspent bond proceeds in the capital projects fund

Debt Service Fund: Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. The District reports resources collected from property taxes levied for bond payments in the debt service fund along with interest earnings on funds accumulated.

The District adopts an annual appropriated budget for its general, building and sinking funds. Budgetary comparison statements have been provided for the general fund and building fund to demonstrate compliance with these budgets.

Proprietary funds are reported in the fund financial statements and encompass essentially the same functions reported as business-type activities in the district-wide financial statements. The same type of information as the district-wide financial statements is reported, only in more detail.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of these funds are not available to support the District's own programs.

The basic governmental fund financial statements can be found on pages 13-19 of this report.

3) Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. Notes to the financial statements can be found on pages 20-43 of this report.

Canadian Valley Technology Center School District No. 6
Canadian County
Management Discussion and Analysis (Unaudited)

Other information, in addition to the basic financial statements and accompanying notes, includes certain required supplementary information including budgetary comparison schedules for the general and building funds and schedules for the Oklahoma Teacher Retirement system

Required supplementary information can be found on pages 42-47 of this report.

III. Financial Analysis of the District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in Net Position may be observed and used to discuss the changing financial position of the District as a whole.

The net position of the District's governmental activities increased by 12.61% from \$44,663,761 to \$50,295,731. The business-type activities net position was transferred into governmental activities due to programs not being financially self-sustaining.

The District's share of the net OPEB asset reported for the year with implementation of GASB 74 was \$151,018.

An additional portion of the District's Net Position, \$7,095,907 (14.11% of total Net Position), represents resources that are subject to external restrictions on how they may be used or are not in expendable form. The remaining balance of Net Position, \$43,404,734 is the investment in capital assets less related debt. The District uses these capital assets to provide instruction, support, and transportation services; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the District is able to report positive a balance in Net Position. The same situation held true for the prior fiscal year. Comparative data is accumulated and presented to assist analysis.

The following provides a summary of the District's Net Position for the year ended 2018 and 2017:

Canadian Valley Technology Center School District No. 6
Canadian County
Management Discussion and Analysis (Unaudited)

Net Position Summary

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 26,094,671	\$ 26,267,686	\$ -	\$ 114,670	\$ 26,094,671	\$ 26,382,356
Capital Assets	66,909,656	65,371,681	-	3,189,568	66,909,656	68,561,249
Other Assets	151,018	-	-	-	151,018	-
Total assets	93,155,345	91,639,367	-	3,304,238	93,155,345	94,943,605
Deferred Outflows of Resources	4,501,552	7,790,203	-	-	4,501,552	7,790,203
Liabilities due within a year	6,039,249	5,568,433	-	23,493	6,039,249	5,591,926
Long-term liabilities	38,327,267	48,573,469	-	-	38,327,267	48,573,469
Total liabilities	44,366,516	54,141,902	-	23,493	44,366,516	54,165,395
Deferred Inflows of Resources	2,994,650	623,907	-	-	2,994,650	3,618,557
Net Position						
Invested in capital assets	43,404,734	40,640,542	-	3,189,568	43,404,734	43,830,110
Restricted	7,095,097	7,499,820	-	-	7,095,097	7,499,820
Unrestricted	(204,100)	(3,476,601)	-	91,177	(204,100)	(3,385,424)
Total net position	50,295,731	44,663,761	-	3,280,745	50,295,731	47,944,506

The following table provides a summary of the District's operating results for the year ended June 30:

Net Activities

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
General Revenues						
Advalorem taxes	\$ 30,245,947	\$ 30,317,048	\$ -	\$ -	\$ 30,245,947	\$ 30,317,048
Other	397,002	235,732	-	-	397,002	235,732
State sources	3,798,854	3,914,046	-	-	3,798,854	3,914,046
Federal sources	69,895	36,198	-	-	69,895	36,198
Program Revenues						
Charges for services	1,631,681	1,346,052	-	499,362	1,631,681	1,845,414
Operating grants	848,452	769,890	-	39,335	\$ 848,452	809,225
Total revenue	36,991,831	36,618,966	-	538,697	36,991,831	37,157,663
Expenses						
Instruction	13,923,485	13,965,601	-	-	13,923,485	13,965,601
Support services	16,889,599	17,147,978	-	-	16,889,599	17,147,978
Other outlays	2,596,463	7,575,696	-	-	2,596,463	7,575,696
Interest expense on long-term debt	1,003,705	765,663	-	-	1,003,705	765,663
Food services	-	-	-	709,175	-	709,175
Bookstore services	-	-	-	285,873	-	285,873
Child care services	-	-	-	231,199	-	231,199
Total expenses	34,413,252	39,454,938	-	1,226,247	34,413,252	40,681,185
Change in Net position	2,578,579	(2,835,972)	-	(687,550)	2,578,579	(3,523,522)
Transfers	3,280,743	(3,043,941)	(3,280,743)	3,043,941	-	-
Restatement	(227,352)	-	-	-	(227,352)	-
Net position, beginning of year	44,663,761	50,543,674	3,280,743	924,354	47,944,504	51,468,028
Net position, end of year	\$ 50,295,731	\$ 44,663,761	\$ -	\$ 3,280,745	\$ 50,295,731	\$ 47,944,506

IV. Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with budgetary and finance-related legal requirements.

Canadian Valley Technology Center School District No. 6
Canadian County
Management Discussion and Analysis (Unaudited)

The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following schedule presents a summary of general fund and building fund revenues and expenditures:

	2018	Percent of Total	2017	Percent of Total	Increase (Decrease) from Prior Year	Percent Change
Revenues:						
Property Taxes	\$ 27,849,877	82.58%	\$ 26,272,858	83.00%	\$ 1,577,019	6.00%
Tuition and Fees	1,083,012	3.21%	998,040	3.15%	84,972	8.51%
Intergovernmental State Sources	2,698,853	8.00%	2,987,618	9.44%	(288,765)	-9.67%
Intergovernmental Federal Sources	918,346	2.72%	823,445	2.60%	94,901	11.52%
Miscellaneous	975,753	2.89%	535,622	1.69%	440,131	82.17%
Investment Income	200,753	0.60%	35,015	0.11%	165,738	473.33%
	<u>\$ 33,726,594</u>	100.00%	<u>\$ 31,652,598</u>	100.00%	<u>\$ 2,073,996</u>	6.55%

- Increases in property taxes resulted in the funding increase.

	2018	Percent of Total	2017	Percent of Total	Increase (Decrease) from Prior Year	Percent Change
Expenditures						
Instruction	\$ 11,831,450	32.17%	\$ 12,082,595	29.93%	\$ (251,145)	-2.08%
Support services	15,802,961	42.96%	15,384,621	38.11%	418,340	2.72%
Operation of noninstruction	2,311,956	6.29%	1,829,154	4.53%	482,802	26.39%
Facilities	5,276,965	14.35%	9,489,872	23.51%	(4,212,907)	-44.39%
Debt Service	1,558,613	4.24%	1,585,313	3.93%	(26,700)	-1.68%
	<u>\$ 36,781,945</u>	100.00%	<u>\$ 40,371,555</u>	100.00%	<u>\$ (3,589,610)</u>	-8.89%

- Decreases in expenditure functions were due primarily to the use of bond proceeds for various purposes in prior year.

V. General Fund Budgetary Highlights

During the year, the Board adopted amendments to the budget. Budget amendments are approved once final property tax valuation and allocations are received.

General fund revenues exceeded budget by \$1.8 million, most of which resulted from increases in property taxes and other local sources.

VI. Capital Asset and Debt Administration

Canadian Valley Technology Center School District No. 6
Canadian County
Management Discussion and Analysis (Unaudited)

Capital Assets. The District's investment in capital assets as of June 30, 2018 and 2017 amounted to \$66,909,656 and \$68,561,249, respectively, net of accumulated depreciation. This investment in capital assets includes land, buildings, equipment, vehicles and mineral interests.

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,013,987	\$ 986,987	\$ -	\$ -	\$ 1,013,987	\$ 986,987
Construction in progress	-	-	-	-	-	-
Total capital assets not depreciated	1,013,987	986,987	-	-	1,013,987	986,987
Buildings	73,835,816	69,978,733	-	3,857,083	73,835,816	73,835,816
Furniture and small equipment	183,139	130,673	-	11,221	183,139	141,894
Machinery and equipment	6,068,165	5,802,789	-	437,300	6,068,165	6,240,089
Vehicles	1,241,814	1,063,761	-	-	1,241,814	1,063,761
Total capital assets being depreciated	81,328,934	76,975,956	-	4,305,604	81,328,934	81,281,560
Less accumulated depreciation	(15,433,265)	(12,591,262)	-	(1,116,036)	(15,433,265)	(13,707,298)
	65,895,669	64,384,694	-	3,189,568	65,895,669	67,574,262
Total capital assets	\$ 66,909,656	\$ 65,371,681	-	3,189,568	\$ 66,909,656	\$ 68,561,249

Additional information concerning the District's capital assets is contained in the notes to the financial statements.

Debt. At year-end, the District had the following debt outstanding.

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 8,010,000	\$ 9,345,000	\$ -	\$ -	\$ 8,010,000	\$ 9,345,000
Capital Lease Obligations	38,320,904	15,494,922	-	-	38,320,904	15,494,922
	<u>\$ 46,330,904</u>	<u>\$ 24,839,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,330,904</u>	<u>\$ 24,839,922</u>

Oklahoma statutes limit the general obligation debt that can be issued to 10% of the assessed valuation for the District. The District's imposed limit is approximately \$183,964,025.

More information about the District's long-term liabilities is presented in the notes to the financial statements.

The District's share of the Teacher Retirement System's net pension liability as of June 30, 2018 was \$22,470,710. This was a decrease of \$4.5 million from fiscal year 2017 primarily due to investment gains excess of expected by the Teacher Retirement System in 2017, which was the measurement year for the net pension liability.

Canadian Valley Technology Center School District No. 6
Canadian County
Management Discussion and Analysis (Unaudited)

VII. Contacting the District's Financial Management

This financial report is designed to provide our citizens, 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 Finance Officer, Canadian Valley Technology Center, District No. 6, 6505 E. Highway 66, El Reno, Oklahoma 73036.

BASIC FINANCIAL STATEMENTS

Canadian Valley Technology Center School District No. 6
Canadian County
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities
ASSETS		
Cash and cash investments	\$ 21,407,331	\$ -
Accounts receivable, net	4,567,290	-
Inventory	120,050	-
Capital assets not being depreciated	1,013,987	-
Capital assets being depreciated, net of depreciation	65,895,669	-
Net OPEB Asset	151,018	-
Total assets	93,155,345	-
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	4,501,552	-
LIABILITIES		
Accounts payable and accrued expenses	1,637,719	-
Accrued interest payable	776,863	-
Long-term Liabilities		
Due within one year	3,624,667	-
Due in more than one year	38,327,267	-
Total liabilities	44,366,516	-
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	2,994,650	-
NET POSITION		
Net investment in capital assets	43,404,734	-
Restricted - nonexpendable	120,050	-
Restricted for:		
Building fund	5,891,245	-
Debt service	1,083,802	-
Unrestricted	(204,100)	-
Total net position	\$ 50,295,731	\$ -

The accompanying notes are an integral part of these financial statements

Canadian Valley Technology Center School District No. 6
Canadian County
Statement of Activities
For the Year Ended June 30, 2018

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government Functions/Programs:						
Governmental activities:						
Instruction	\$ 13,923,485	\$ 1,272,699	\$ 79,845	\$ -	\$ (12,570,941)	\$ -
Support services - instructional	4,066,432	-	205,964	-	(3,860,468)	-
Support services -operational	12,823,167	-	-	-	(12,823,167)	-
Non-instruction	1,931,943	358,982	-	-	(1,572,961)	-
Other Outlays	157,150	-	-	-	(157,150)	-
Repayments and financial aid	507,370	-	562,643	-	55,273	-
Interest expense	1,003,705	-	-	-	(1,003,705)	-
Total governmental activities	\$ 34,413,252	\$ 1,631,681	\$ 848,452	\$ -	\$ (31,933,119)	\$ -
General Revenues:						
Ad valorem taxes, levied for general purposes					19,185,679	-
Ad valorem taxes, levied for building purposes					9,618,540	-
Ad valorem taxes, levied for debt service purposes					1,441,728	-
Other state taxes					4,951	-
Interest income					212,198	-
Other					179,853	-
State appropriations					3,798,854	-
Federal appropriations					69,895	-
Transfers					3,280,743	(3,280,743)
Total general revenues and transfers					37,792,441	(3,280,743)
Change in net assets					5,859,322	(3,280,743)
Net position, beginning, as restated					44,436,409	3,280,743
Net position, ending					\$ 50,295,731	\$ -

The accompanying notes are an integral part of these financial statements

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2018

Investments	Special Revenue Fund			Debt Service Fund	Total
	General	Building Fund	Insurance Fund		
ASSETS					
Cash and cash investments	\$ 11,169,446	\$ 9,369,271	\$ -	\$ -	\$ 21,407,330
Property tax receivables	2,625,522	1,430,550	-	210,200	4,266,272
Receivables from other governments	191,528	415	-	-	191,943
Other receivables	108,812	263	-	-	109,075
Inventories	120,050	-	-	-	120,050
Total assets	<u>\$ 14,215,358</u>	<u>\$ 10,800,505</u>	<u>\$ -</u>	<u>\$ 1,078,807</u>	<u>\$ 26,094,670</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities:					
Accounts payable	\$ 207,764	\$ 569,813	\$ -	\$ -	\$ 777,577
Other payables	860,141	-	-	-	860,141
Compensated absences	314,011	-	-	-	314,011
Total Liabilities	<u>1,381,916</u>	<u>569,813</u>	<u>-</u>	<u>-</u>	<u>1,951,729</u>
Deferred Inflows of resources:					
Deferred property taxes	2,157,639	1,196,702	-	203,717	3,558,058

Fund Balances:					
Nonspendable	120,050	-	-	-	120,050
Restricted	-	8,987,281	-	875,090	9,862,371
Committed	-	-	-	-	-
Assigned	9,663,935	46,709	-	-	9,710,644
Unassigned	891,818	-	-	-	891,818
Total fund balances	<u>10,675,803</u>	<u>9,033,990</u>	<u>-</u>	<u>875,090</u>	<u>20,584,883</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,215,358</u>	<u>\$ 10,800,505</u>	<u>\$ -</u>	<u>\$ 1,078,807</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in government activities are not financial resources and therefore not reported in the funds.

66,909,656

Compensated absences which are not due and payable in the current period and therefore are not reported in the funds.

(392,397)

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

3,558,058

Net OPEB asset is not a financial resource so is not reported in the funds

151,018

Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds

(22,470,710)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds

1,506,902

Net position of governmental activities

\$ 50,295,731

The accompanying notes are an integral part of these financial statements

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Statement of Revenues, Expenditures,
And Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

	General	Special Revenue Fund		Capital Projects Fund	Debt Service Fund	Total
		Building Fund	Insurance Fund			
REVENUES						
Local sources						
Property taxes	\$ 18,590,796	\$ 9,259,081	\$ -	\$ -	\$ 1,375,541	\$ 29,225,418
Tuition and fees	1,083,012	-	-	-	-	1,083,012
Interest	160,978	39,775	-	-	11,445	212,198
Other local	887,748	88,005	-	-	-	975,753
State sources	2,697,246	1,607	-	-	127	2,698,980
Federal sources	918,346	-	-	-	-	918,346
Total revenues	<u>24,338,126</u>	<u>9,388,468</u>	<u>-</u>	<u>-</u>	<u>1,387,113</u>	<u>35,113,707</u>
EXPENDITURES						
Current:						
Instruction	10,914,267	730,345	1,012	185,826	-	11,831,450
Support services	11,617,599	4,076,539	13,445	95,378	-	15,802,961
Operation of noninstruction	1,683,054	16,207	-	105,324	-	1,804,585
Facilities acquisition and construction services	5,232	4,932,825	47,084	291,824	-	5,276,965
Other outlays	507,371	-	-	-	-	507,371
Debt Service						
Principal	-	-	-	-	1,335,000	1,335,000
Interest	-	-	-	-	223,613	223,613
Total expenditures	<u>24,727,523</u>	<u>9,755,916</u>	<u>61,541</u>	<u>678,352</u>	<u>1,558,613</u>	<u>36,781,945</u>
EXCESS OF REVENUES OVER(UNDER) EXPENDITURES	(389,397)	(367,448)	(61,541)	(678,352)	(171,500)	(1,668,238)
OTHER FINANCING SOURCES (USES):						
Transfers	91,176	-	-	-	-	91,176
NET CHANGE IN FUND BALANCE	(298,221)	(367,448)	(61,541)	(678,352)	(171,500)	(1,577,062)
FUND BALANCES, beginning as restated	10,974,024	9,401,438	61,541	678,352	1,046,590	22,161,945
FUND BALANCES, ending	<u>\$ 10,675,803</u>	<u>\$ 9,033,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 875,090</u>	<u>\$ 20,584,883</u>

The accompanying notes are an integral part of these financial statements

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures,
And Changes in Fund Balances of Governmental Funds to
the Statement of Activities
For the Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of changes in net assets are different because:

Net change in fund balance	\$ (1,577,062)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and net cost from disposition of equipment in the current period.	1,824,723
Losses on the disposal of capital assets that do not use current financial resources are reported as expenses.	(37,337)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead counted as deferred revenues. They are however, recorded as revenues in the statement of activities.	998,088
Governmental funds report district pension contributions as expenditures. However, the Statement of Activities reports the cost of pension benefits earned net of employee contributions as pension expense	(2,041,395)
Support for pension contributions from nonemployer contributing entities not in a special funding situation does not provide current financial resources so are not recorded in governmental fund but are recorded as revenue in the Statement of Activities	1,022,555
The liability for compensated absences does not require the use of current financial resources because it is measured by the amounts earned during the year rather than the amounts actually paid. Therefore, it is not reported as expenditures in the governmental funds.	(23,351)
The issuance of long-term debt provides current financial resources to government funds, while the repayment of principal on long-term debt consumes current financial resources. Some expenses do not require current financial resources therefore are not reported as expenditures in governmental funds.	5,693,101
Change in net position in governmental activities	<u>\$ 5,859,322</u>

The accompanying notes are an integral part of these financial statements

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Statement of Net Position – Proprietary Funds
June 30, 2018

	Food Services	Bookstore Services	Childcare Services	Total
ASSETS				
Current assets				
Other receivables	\$ -	\$ -	\$ -	\$ -
Inventories	-	-	-	-
Total current assets	-	-	-	-
Noncurrent assets				
Buildings	-	-	-	-
Furniture and equipment	-	-	-	-
Less Accumulated depreciation	-	-	-	-
Total noncurrent assets	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Other payables	-	-	-	-
Total current liabilities	-	-	-	-
Total Liabilities	-	-	-	-
Net position				
Net investment in capital assets	-	-	-	-
Unrestricted	-	-	-	-
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position– Proprietary Funds
For the Year Ended June 30, 2018

	<u>Food Services</u>	<u>Bookstore Services</u>	<u>Childcare Services</u>	<u>Total</u>
Nonoperating Income (Expenses)				
Transfer of assets to governmental activities	(1,000,473)	(541,843)	(1,738,427)	(3,280,743)
INCREASE (DECREASE) IN NET POSITION	(1,000,473)	(541,843)	(1,738,427)	(3,280,743)
NET POSITION, beginning as restated	1,000,473	541,843	1,738,427	3,280,743
NET POSITION, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Statement of Cash Flows– Proprietary Funds
For the Year Ended June 30, 2018

	Food Services	Bookstore Services	Childcare Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and others	\$ 922	\$ 7,955	\$ 25,748	\$ 34,625
Payments to suppliers	522	73,730	(2,553)	71,699
Payments to employees	(5,051)	(373)	(9,722)	(15,146)
Net cash provided (used) by operating activities	<u>(3,607)</u>	<u>81,312</u>	<u>13,473</u>	<u>91,178</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfer from/to other funds	<u>3,607</u>	<u>(81,312)</u>	<u>(13,473)</u>	<u>(91,178)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of fixed assets	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-	-
Net Increase (decrease) in cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income(loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ -	-	-	-
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	-	-	-	-
Change in assets and liabilities				
Receivables	922	7,953	25,748	34,623
Inventories	3,415	74,582	2,053	80,050
Accounts payable	(2,893)	(852)	(4,606)	(8,351)
Other payables	(5,049)	(371)	(9,722)	(15,142)
Net cash provided (used) by operating activities	<u>\$ (3,605)</u>	<u>\$ 81,312</u>	<u>\$ 13,473</u>	<u>\$ 91,180</u>

The accompanying notes are an integral part of these financial statements

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Statement of Fiduciary Net Position
June 30, 2018

		Agency Fund Activity Fund
ASSETS		
Cash	\$	141,033
Total assets	\$	141,033
 LIABILITIES		
Due to student activities	\$	62,099
Due to administrative activities		78,934
Total liabilities	\$	141,033

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Notes to Financial Statements
June 30, 2018

I. Organization

Canadian Valley Technology Center, District No. 6, Canadian County, Oklahoma (the District), is a corporate body for public purposes created under Title 70 of *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 Oklahoma Department of Career Technology, and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the *Oklahoma School Code* contained in Title 70, *Oklahoma Statutes*.

The governing body of the District is the board of education, which is composed of five elected members. An appointed superintendent is the chief executive officer of the District.

The Board constituting an on-going entity, is the level of government which has governance responsibilities over all activities within the jurisdiction of the District. The Board receives funding from local, state, and federal sources and must comply with the requirements of these funding sources.

The Board is not included in any other governmental "reporting entity" since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

II. Summary of significant accounting policies

Significant accounting and reporting policies applied in the preparation of the accompanying financial statements are as follows:

Reporting Entity – 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 Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus*. Potential component units are evaluated based on whether the District is financially accountable. The District is considered financially accountable if it appoints a voting majority of the organization's board and (1) it is able to impose its will on the organization or (2) there is the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District. Based upon the application of these criteria, there are no component units included in the District's reporting entity.

The Canadian Valley Technology Education Foundation is not included in the reporting entity. The District does not appoint any board members or exercise any oversight authority over the Foundation.

District-wide and Fund Financial Statements – The district-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. For the most part, the effect of interfund activity has been removed from these statements.

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

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Notes to Financial Statements
June 30, 2018

Major individual funds are reported as separate columns in the fund financial statements.

Measurements Focus, Basis of Accounting, and Financial Statement Presentation – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include 1) tuition and fees charged to students, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated general resources are reported as general revenue rather than as program revenue. Likewise, general revenues include all taxes.

Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds with the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds or that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

For the year ended June 30, 2018, the District reports the following major governmental funds:

The general fund is the District's primary operating fund, which is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding formula. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction, and other long-term liabilities. The general fund includes federal and state restricted monies that must be expended for specific programs.

The building fund is a special revenue fund used to account for revenue sources restricted or committed to expenditure for specified purposes. Building fund monies are derived from property taxes levied for the following purposes: erecting, remodeling, repairing, or maintaining school buildings; purchasing furniture, equipment, and computer software to be used on or for school district property; paying energy and utility costs; purchasing telecommunications services; paying fire and

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Notes to Financial Statements
June 30, 2018

casualty insurance premiums for school facilities; purchasing security systems; and paying salaries of security personnel. Restricted Net Position are restricted by enabling legislation.

The insurance fund consists of monies from insurance proceeds for the purpose of replacing buildings, furniture and equipment lost in the tornado on May 31, 2013.

Capital project funds are used to account for proceeds from long-term financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

The debt service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Proprietary Fund

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes three activities reported in the Enterprise Fund. They are Food Services, Book Store Service, and Child Care Services. For the year ended June 30, 2018, the District has determined that user charges are not intended to fully support the programs, so programs have been absorbed by the general fund.

Fiduciary Fund (Not included in government-wide statements)

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. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Agency Fund - The activity fund is a fund used to account for the proceeds of revenue sources from student activities that are restricted by law. This fund is administered by the District's administrative staff, under the authority of the board of education, for collecting, disbursing, and accounting for specific activities to further the educational programs of the District.

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Notes to Financial Statements
June 30, 2018

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, and fund equity, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

Budget – The following is the budget development process for all funds. A public hearing is held within 45 days of the beginning of the fiscal year. The budget shall be approved by the board of education within 30 days of the beginning of the fiscal year. The District shall amend the budget after July 1 whenever the State Incentive Aid and certified property tax valuations become available.

The board of education will not exceed the level of appropriation for each fund as established by the budget and may amend the budget by budget amendment, according to law. The budget is updated and reported to the superintendent and board of education in the fiscal year, as needed. At the end of the fiscal year, unencumbered appropriations (balances) lapse and become a part of fund balance.

The following is the budget administration and management process. Each fund has a budget that is assigned by project, allocated to a control account by function (to third digit) and object. The District's budget is administered by a person authorized by the superintendent to monitor and control the budget as per board of education policy. Budget expenditures are monitored through the financial management system to prevent expenditures from increasing above appropriated budget or project levels within the budget unless authorized within total available appropriations. Requisitions are submitted for purchase orders along with blanket salary reserves and employee contracts to the board of education as encumbrances against legal appropriations by fund.

Cash and cash investments – The District considers all cash on hand, demand deposits, and interest-bearing checking accounts and certificate of deposits, held at an individual bank which are subject to early withdrawal penalties no matter what the maturity period, to be cash.

Investments – State statutes authorize the District to invest in direct obligations of the United States government and agencies; savings accounts; and warrants, bonds, or judgments of the District. All investments are carried at fair value. The District had no investments as of June 30, 2018.

Receivables – Uncollected taxes assessed on valuations made each year are recorded in the District's governmental fund financial statements. All accounts receivable are recorded net of estimated uncollectible amounts.

Inventories – Inventories in the governmental funds are carried at cost and are recorded as expenditures when consumed on a first-in/first-out (FIFO) method rather than when purchased. The Food Service inventory consists of food held for resale. The bookstore inventory consists of books, paper, and office supplies. The Child Care Service inventory consists of food supplies. All inventory is recorded at the lower of cost or market. The cost of other consumable materials and supplies on hand are immaterial to the financial statements, and the District has therefore chosen to report these items as expenditures/expenses at the time of purchase.

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Notes to Financial Statements
June 30, 2018

Restricted Net Position – Amounts that can be spent on only specific purposes because of Oklahoma State law, or externally imposed conditions from private and governmental grantors are classified as restricted assets.

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset’s life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The District incurred no interest expense for construction of capital assets for business-type activities during the year ended June 30, 2018.

Capital assets are depreciated using the straight-line method over the following useful lives:

Type of Asset	Years
Land	N/A
Buildings	25-50
Furniture	15-20
Machinery and Equipment	5-20
Vehicles	8

In the government-wide financial statements all machinery, equipment, furniture and automobiles costing \$5,000 or more has been capitalized and depreciated over the estimated useful life. Repairs, remodeling and/or construction costing \$25,000 or more has been capitalized and depreciated over the estimated useful life.

Deferred Outflows of Resources – The District reports decreases in net assets that related to future periods as deferred outflows of resources on the statement of net position. A deferred outflow is reported for (1) contributions made to Oklahoma Teacher Retirement System (TRS the Plan) between the measurement date of the net pension liabilities (June 30, 2017) and the end of the current fiscal year (June 30, 2018). (2) A loss from changes in assumptions used by the actuary is amortized to pension expense over the average expected remaining service life of the Plan (3) the actual pension plan investment earnings less than the expected amounts included in determining pension expense. This deferred inflow of resources is amortized to pension expense over a total of 5 years, including the current year (4) A loss in changes in assumptions used by the actuary is amortized to pension expense over the average expected remaining service life of the Plan.

Deferred Inflows of Resources – The District’s statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period.

Deferred inflows of resources are reported in the statement of net position for (1) A gain from difference between expected and actual experience that the pension plan actuary uses to develop expectations such as future salary increases and inflation. This deferred inflow of resources is amortized to pension expense over the average expected remaining service life of the Plan.

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Notes to Financial Statements
June 30, 2018

In its governmental funds, the only deferred inflow of resources is for revenues not considered available. The District will not recognize the related revenues until available (collected no later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting that qualifies to be reported in this category. Accordingly, deferred property taxes are reported in the governmental funds balance sheet.

Long-Term Liabilities – In district-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net position.

Pensions – For purposes of measuring the net pension liability and the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are recorded based on the District's prorated share of the Oklahoma Teacher Retirement System. Information about the fiduciary net position of the Oklahoma Teacher Retirement System (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported to TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences – The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. A maximum of ten days may be carried over to the next anniversary year. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

The Board/District will provide one day of sick leave per month of duty contract. The right to such leave shall vest at the beginning of the contract period. The maximum number of days of accumulated sick leave that may be carried forward from one contract year to the next shall be 60 days. Unused sick leave is paid when the employee retires if they have been employed by the District for 10 years or more and have a minimum of 30 days accrued. Amounts are paid out to an employer sponsored 403(b) plan at 2% of salary.

The general fund is used to liquidate compensated absences.

Fund Equity

Government-wide Statements and Proprietary funds

Equity is classified as Net Position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets net of accumulated depreciation and capital asset debt
- b. Restricted net position – consists of net position with constraints on the use either by (1) external groups or (2) law through constitutional provisions or enabling legislation(3) amounts that are in nonspendable form.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "Net investment in capital assets".

II. Summary of significant accounting policies - continued

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Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Building Fund revenue from levy as being restricted because the use is restricted by State Statute for capital expenditures. Debt service resources are to be used for future servicing of the general obligation bonds and are restricted through debt covenants. Capital project revenue from bond proceeds are restricted by State Statute and are legally segregated for funding of voter approved uses. Funds received from certain student activities are restricted by State Statute.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the superintendent through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned interest earnings to the funds where earned for the purposes defined by the fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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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 Oklahoma Department of Career Technology 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 Oklahoma Department of Career Technology may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenues of the year when the adjustment is made.

The District receives revenues from the State to administer certain categorical educational programs. Oklahoma Department of Career Technology rules require that revenues earmarked for these programs be expended only for the program for which the money is provided and require that 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 Oklahoma Department of Career Technology requires that categorical educational program revenues be accounted for in the general fund.

Property Tax Revenue – 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 Canadian 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 15 days of receipt of the tax rolls. The first half of taxes is due prior to January 1 and the second half is due prior to April 1.

If the first half of tax payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes are delinquent on April 1 of the year following the year of assessment. If not for a period of three years or more as of the date such taxes first become due, the property is offered for sale for the amount of taxes due.

On-behalf Payments – The State of Oklahoma makes direct payments to Oklahoma Teachers Retirement System on behalf participating schools. The pro rata portion of the payment attributable to the District is recognized in these financial statements as an addition to state revenues and recording the related expense.

Subsequent Event - The District has evaluated subsequent events through December 31, 2018, the date which the financial statements were available to be issued.

III. Deposits, investments, and collateral

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

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

Concentration of Investment Credit Risk: The District places no limit on the amount it may invest in any

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one issuer.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest changes. The District has no policy on interest rate risk.

IV. Disaggregated Receivables and Payables

Receivables at June 30, 2018, for the District's individual funds are as follows:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Sinking Fund</u>	<u>Total Receivables</u>
Governmental Activities				
Taxes, gross	\$ 2,783,322.00	\$ 1,473,080	\$ 210,560	\$ 4,466,962
Due from other Governments	191,528.00	415	-	191,943
Other receivables	108,812.00	263	-	109,075
	<u>\$ 3,083,662.00</u>	<u>\$ 1,473,758</u>	<u>\$ 210,560</u>	<u>\$ 4,767,980</u>
Less: Allowance for uncollectables	<u>(157,800)</u>	<u>(42,530)</u>	<u>(360)</u>	<u>(200,330)</u>
	<u>\$ 2,925,862</u>	<u>\$ 1,431,228</u>	<u>\$ 210,200</u>	<u>\$ 4,567,650</u>

Payables at June 30, 2018, for the District's individual funds are as follows:

	Vendors	Salaries and Benefits	Total Payables
Governmental Activities			
General Fund	\$ 207,764	\$ 860,142	\$ 1,067,906
Building Fund	569,813	-	569,813
	<u>\$ 777,577</u>	<u>\$ 860,142</u>	<u>\$ 1,637,719</u>

V. Inventories

Inventories consisted of the following as of June 30, 2018:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Books and Supplies held for Resale	\$ 74,582.00	\$ -	\$ 74,582.00
Bulk Supplies	42,053.00	-	42,053.00
Food Commodities	3,415.00	-	3,415.00
Total	<u>\$ 120,050.00</u>	<u>\$ -</u>	<u>\$ 120,050.00</u>

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VI. Long term liabilities

The long-term liability balances and activity for the year were as follows:

	Beginning Balance, As restated	Additions	Reductions	Ending	Amounts Due within One Year
Compensated absences	\$ 675,024	\$ 31,384	\$ -	\$ 706,408	\$ 314,011
General obligation bonds	9,345,000	-	(1,335,000)	8,010,000	1,335,000
Capital lease payable	15,494,922	25,000,000	(2,174,018)	38,320,904	1,975,656
	<u>\$ 25,514,946</u>	<u>\$ 25,031,384</u>	<u>\$ (3,509,018)</u>	<u>\$ 47,037,312</u>	<u>\$ 3,624,667</u>
Less cash held by trustee bank	(108,783)			\$(27,556,088)	
Net pension liability	26,982,302			22,470,710	
Total governmental activity long-term liabilities	<u>\$ 52,388,465</u>			<u>\$ 41,951,934</u>	

The compensated absences are liquidated by the general fund. General obligation bonds are liquidated by the sinking fund. Capital lease payable is liquidated by the building fund.

Canadian Valley Technology Center issued \$12,000,000 in building bonds dated June 1, 2014. The bonds were for the purpose of providing additional resources for the replacement of the El Reno campus that was destroyed in the tornado of May 31, 2013. The bonds are due on June 1, 2016, in the amount of \$1,320,000 and \$1,335,000 is due on June 1 in each of the years 2017 to 2024. These bonds bear interest at a rate of 2% to 3%.

The debt maturity on the building bonds is as follows:

<u>Period Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	1,335,000	196,912	1,531,912
2020	1,335,000	170,212	1,505,212
2021	1,335,000	143,512	1,478,512
2022	1,335,000	113,476	1,448,476
2023	1,335,000	80,100	1,415,100
Thereafter	1,335,000	40,050	1,375,050
	<u>\$ 8,010,000</u>	<u>\$ 744,262</u>	<u>\$ 8,754,262</u>

Canadian Valley Technology Center entered into a lease agreement with Bank of America, N.A. on December 28, 2006. This agreement included a Ground Lease Agreement and a Lease/Purchase Agreement. In March 22, 2005, Canadian Valley Technology Center purchased 30 acres of land for a new east campus location for the school district. This Earl Cowan Campus is located at 12200 S.W. 15th Street,

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Oklahoma City, OK. The District is leasing this campus and the Main Campus in El Reno to the Bank of America, N.A. for the purpose of constructing, renovating, remodeling and repairing properties on behalf of the District. The term of the Ground Lease Agreement is through July 15, 2018. The lease term is \$10.00 per year commencing December 1, 2006. On December 12, 2012, the December 28, 2006 issue was refinanced through the Canadian County Educational Facilities Authority under the same terms and interest rates. This was done to comply with an Oklahoma Attorney General's opinion regarding lease agreements with a ground lease agreement component.

The second part of the agreement involved the Lease/Purchase Agreement, dated May 1, 2007, between the District and Bank of America, N.A. for the school facilities consisting of the new campus building constructed at 12200 S.W. Oklahoma City, OK and the renovation and remodeling of the existing cosmetology facilities at the El Reno Campus. On December 12, 2012, the May 1, 2007, issue was also refinanced through the Canadian County Educational Facilities Authority under the same terms and interest rates. This was done to comply with an Oklahoma Attorney General's opinion regarding lease agreements with a ground lease agreement component.

The third agreement, dated March 3, 2009, involved the Lease/Purchase agreement between the District and Standard Capital Finance, LLC for the re-roofing of two buildings on the El Reno Campus and electrical wiring change out for two buildings on the Chickasha Campus and one building on the El Reno Campus. The term of the lease was 10 years. This agreement included a Ground Lease Agreement and a Lease/Purchase Agreement with UMB Bank N.A. Bank of Union has purchased this Lease/Purchase Agreement. On February 14, 2013, the Lease/Purchase Agreement was paid off with a new Lease/Purchase. This was done to comply with an Oklahoma Attorney General's opinion regarding lease agreements with a ground lease component.

The fourth agreement, dated February 14, 2013, involved the Lease/Purchase Agreement between the District and the Canadian County Educational Facilities Authority for the school facilities consisting of building additions, remodeling of existing buildings, and the purchase of additional equipment. This issue was for the amount of \$9,950,000.00. This construction project was started in 2014. The trustee bank is holding the cash in the construction escrow in the amount of \$227.

The fifth agreement, dated October 1, 2017, involved the Lease/Purchase Agreement between the District and the Canadian County Educational Facilities Authority for the school facilities consisting of acquisition, construction and equipping of new education facilities. This issue was for the amount of \$25,000,000.00. This construction project will be started in fiscal year 2019. The trustee bank is holding the cash in the construction escrow in the amount of \$24,655,957.

The minimum lease payments under these leases are as follows as of June 30,2018:

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Period Ending June 30,	2006	2007	2013c	2017 Lease	Canadian County Ed Facilities Authority Leases
	Refinance	Refinance	Lease		
2019	1,488,980	400,000	525,000	485,750	2,899,730
2020	-	1,693,746	1,250,000	1,000,000	3,943,746
2021	-	1,706,927	1,250,000	1,000,000	3,956,927
2022	-	-	3,162,014	1,000,000	4,162,014
2023	-	-	3,162,014	1,000,000	4,162,014
Thereafter	-	-	-	26,404,216	26,404,216
Total Minimum Lease Payment	\$ 1,488,980	\$ 3,800,673	\$ 9,349,028	\$ 30,889,966	\$ 45,528,647
Less Interest	(57,956)	(355,801)	(904,020)	(5,889,966)	(7,207,743)
Net	<u>\$ 1,431,024</u>	<u>\$ 3,444,872</u>	<u>\$ 8,445,008</u>	<u>\$ 25,000,000</u>	<u>\$ 38,320,904</u>

VII. Capital assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Corrections/ Transfers	Increases	Decreases	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 986,987	\$ -	\$ 27,000	\$ -	\$ 1,013,987
Construction in progress	-	-	-	-	-
Total capital assets not depreciated	986,987	-	27,000	-	1,013,987
Capital assets being depreciated					
Buildings	69,978,733	3,857,083	-	-	73,835,816
Furniture	130,673	11,221	41,245	-	183,139
Machinery and equipment	5,802,789	(1,649)	536,512	(269,487)	6,068,165
Transportation equipment	1,063,761	-	200,553	(22,500)	1,241,814
Total assets	76,975,956	3,866,655	778,310	(291,987)	81,328,934
Less Accumulated depreciation					
Buildings	(9,254,892)	(1,012,617)	(1,613,287)	-	(11,880,796)
Furniture	(31,165)	1,539	(8,637)	-	(38,263)
Machinery and equipment	(2,647,513)	69,514	(449,961)	232,149	(2,795,811)
Transportation equipment	(657,692)	15,066	(98,269)	22,500	(718,395)
Total Accumulated depreciation	(12,591,262)	(926,498)	(2,170,154)	254,649	(15,433,265)
Total Capital assets being depreciated, net	64,384,694	2,940,157	(1,391,844)	(37,338)	65,895,669
Governmental activities capital assets, net	<u>\$ 65,371,681</u>	<u>\$ 2,940,157</u>	<u>\$ (1,364,844)</u>	<u>\$ (37,338)</u>	<u>\$ 66,909,656</u>

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	Beginning Balance	Corrections	Increases	Decreases	Ending Balance
Business-type activities					
Capital assets being depreciated					
Buildings	3,857,083	(3,857,083)		-	-
Furniture	11,221	(11,221)		-	-
Machinery and equipment	437,300	(437,300)		-	-
Total assets	<u>4,305,604</u>	<u>(4,305,604)</u>	-	-	-
	Beginning	Increases	Increases	Decreases	Ending
Less Accumulated depreciation					
Buildings	(1,061,216)	1,061,216		-	-
Furniture	(11,726)	11,726		-	-
Machinery and equipment	(43,094)	43,094		-	-
Total Accumulated depreciation	<u>(1,116,036)</u>	<u>1,116,036</u>	-	-	-
Total Capital assets being depreciated, net	<u>3,189,568</u>	<u>(3,189,568)</u>	-	-	-
Business-type activities capital assets, net	<u>\$ 3,189,568</u>	<u>(3,189,568)</u>	\$ -	\$ -	\$ -

Depreciation expense for the year ended June 30, 2018, was charged to functions of the District as follows:

General government	
Instruction	\$ 1,586,112
Support services - instructional	394,582
Support services -operational	191,639
Non-instructional services	28,295
Total depreciation expense - governmental activities	<u><u>\$ 2,200,628</u></u>

For the year ended June 30, 2018, the District has determined that user charges are not intended to fully support the programs that had been reported as business-type activities, so programs have been absorbed by the general fund and all assets transferred.

VII. Employee pension plans

Canadian Valley Technology Center, District No. 6 participates in the state-administered Teachers' Retirement System of Oklahoma (the System), which is a cost-sharing multiple-employer public employee retirement system. Additionally, the District provides an employer-funded pension plan for eligible employees offered an Early Retirement Incentive Plan.

Teachers' Retirement System of Oklahoma

Plan Description – The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is the responsibility of the state legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the

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employees of the District. The System issues a publically available financial report that can be obtained at <http://www.ok.gov/trs/>.

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

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2018, qualifying employee contributions were reduced by a retirement credit of \$82,271 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2018, the District had a statutory contribution rate of 9.5% plus 7.7% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2018, the District contributions to the System for were \$1,521,827.

The State of Oklahoma, a non-employer contributing emnity, provides funds through 5% of the State's sales, use, corporate and individual income taxes collected. The System receives 1% of the cigarette taxes collected by the State and 5% of net lottery proceeds collected by the State. The District's estimated share of these contributions based on their proportionate share for the measurement period was \$1,022,555.

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

At June 30, 2018, the District reported a liability of \$22,470,710 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of the contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.33864845%, as compared to its proportion share of 0.31508982% measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,071,851. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 1,467,702
Changes of assumptions	1,614,294	1,403,579
Net difference between projected and actual earnings on pension plan investments	319,824	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,045,607	-
District contributions subsequent to the measurement date	1,496,963	-
	<u>\$ 4,476,688</u>	<u>\$ 2,871,281</u>

\$1,496,963 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended	
2019	\$ 26,347
2020	869,700
2021	801,541
2022	(377,314)
2023	(245,266)
Thereafter	(966,564)
	<u>\$ 108,444</u>

Actuarial assumptions – The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method – Entry Age Normal

Inflation – 2.5%

Future Ad Hoc Cost-of living increases - None

Salary Increases – Composed of 3.25 %wage inflation, including 2.50 percent price inflation, plus a service-related component ranging from 0.00 percent to 8.00 percent based on years of service.

Investment Rate of Return – 7.5%

Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the TRS Board in May, 2015, in conjunction with five year experience study for the period ending June 30, 2014

Mortality Rates after Retirement – Males: RP-2000 Combined Healthy Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table,

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scaled to 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.

Mortality Rates for Active Members – RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expecting inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	23.50%	6.60%
Domestic Equity	57.50%	6.80%
Private Equity	5.00%	7.90%
Real Estate	7.00%	5.50%
Limited Partnerships	7.00%	7.90%
	100.00%	

Discount rate – A single discount rate of 7.5% was used to measure the total pension liability as of June 30, 2017. This is the same rate as used in the prior year. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	<u>\$ 30,949,217</u>	<u>\$ 22,470,710</u>	<u>\$ 15,373,224</u>

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

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VIII. Other Post-Employment Benefits (OPEB)

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

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

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

Contributions – Employer and employee contributions are made based upon the TRS Plan provisions contained in State Statute Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. The cost of the subsidy averages 0.15% of normal cost, as determined by an actuarial valuation.

OPEB (Assets) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2018, the District reported an asset of (\$151,018) for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of the contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.33864845%, as compared to its proportion share of 0.31508982% measured as of June 30, 2016.

For the year ended June 30 2018, the District recognized OPEB expense (credit) of (\$30,456) At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Canadian Valley Technology Center School District No. 6
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Notes to Financial Statements
June 30, 2018

VIII. Other Post-Employment Benefits (OPEB) (continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	40,535
Net difference between projected and actual earnings on pension plan investments	-	82,834
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	24,864	-
	\$ 24,864	\$ 123,369

\$24,864 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the measurement year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended	
2019	(28,215)
2020	(28,215)
2021	(28,215)
2022	(28,215)
2023	(28,215)
Thereafter	(3,003)
\$	(123,369)

See Note VII. Employee pension plans for Actuarial assumptions, measurement, discount rate, long-term expected rate of return and target asset allocation

An assumption change was made to the OPEB Plan during the current valuation lowering the rate of participation in the supplemental insurance benefit from 100% to 50%, based on historical data. The benefits are only available to those retirees that participate and have at least 10 years of service credit at retirement.

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

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	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's Proportionate share of the net OPEB liability(asset)	\$ (6,321)	\$ (151,018)	\$ (274,731)

Due to the structure of the OPEB plan, healthcare cost trend rate sensitivity analysis is not meaningful.

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

IX. Commitments and contingencies

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

Insurance Coverage

The District purchases commercial insurance policies covering property casualty loss, public liability, school board member and administrator liability, and workers compensation.

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transferor pooling of risks among the participants of that pool. The School reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five years. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years, it is returned to them with no interest.

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June 30, 2018

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program, the District is required to make a deposit based on past experience for potential unemployment claims. The funds for each District are kept separate. The money contributed by each District does not earn interest and is fully insured. If the District has claims in excess of the amount of their account, they would be liable for the excess.

Encumbrances

The District utilizes encumbrance accounting in its governmental funds. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order is issued and accordingly, encumbrances outstanding at year end are report as expenditures in the year issued for budgetary purposes. Significant encumbrances included in the governmental fund balances as committed are as follows:

General Fund	2,022,494
Building Fund	<u>1,196,624</u>
	<u>\$3,219,118</u>

The District has entered into several multi-year operating lease agreements for various items of equipment which contain the escape clause required by Oklahoma Statutes. The details of the operating lease commitments are noted as follows:

	Standley Corporation	Ross Transportation	Totals
Lessor	102 various copiers	6 School Buses	
Property	Various	Various	
Date of Lease	5 years	3 years	
Terms of Lease	\$389,365		
Total Cost	\$6,489/Mo		
Payment			
Annual Commitment			
2018-19	59,803	86,500	146,303
2019-20	54,678	29,000	83,678
2020-21	46,493	-	46,493
2021-22	44,051	-	44,051
2022-23	34,515	-	34,515
			<u>\$ 355,040</u>

X. Fund Balances – Governmental Funds

As of June 30, 2018, fund balances are composed of the following:

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Notes to Financial Statements
June 30, 2018

	General	Building Fund	Insurance Fund	Capital Projects Fund	Debt Service Fund
Nonspendable					
Inventories	\$ 120,050	\$ -	\$ -	\$ -	\$ -
Restricted					
Buildings	-	8,987,281	-	-	-
Capital Projects	-	-	-	-	-
Debt Service	-	-	-	-	875,090
Committed					
Assigned					
Buildings	-	46,709	-	-	-
Capital Projects	-	-	-	-	-
Debt Service	-	-	-	-	-
Next year's budget	7,641,441	-	-	-	-
Cash Flow	-	-	-	-	-
District Programs	2,022,494	-	-	-	-
Unassigned	891,818	-	-	-	-
	<u>\$ 10,675,803</u>	<u>\$ 9,033,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 875,090</u>

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

XI Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between Governmental Fund Balance Sheet and the Statement of Net Position – Governmental Activities

Capital Assets used in governmental funds are not financial and, therefore, are not reported in the funds

Capital assets not being depreciated	
Land	\$ 1,013,987
Construction in progress	-
Total capital assets not depreciated	<u>\$ 1,013,987</u>
Capital assets being depreciated	
Buildings	\$ 73,835,816
Furniture and small equipment	183,139
Tools and large equipment	6,068,165
Vehicles	1,241,814
Total assets	\$ 81,328,934
Less Accumulated depreciation	<u>(15,433,265)</u>
Total Capital assets being depreciated, net	<u>\$ 65,895,669</u>
Capital assets, net	<u>\$ 66,909,656</u>

Canadian Valley Technology Center School District No. 6
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Notes to Financial Statements
June 30, 2018

Explanation of certain differences between governmental fund statement of revenue, expenditures and changes in fund balance and the government-wide statement of activities.

Capital Outlay	\$ 805,310
Transfer from business type activities	3,189,567
Depreciation Expense	<u>(2,170,154)</u>
	<u>\$ 1,824,723</u>
District pension contributions	\$ 1,521,827
Cost of benefits earned net of employee contribution	<u>(3,563,222)</u>
	<u>\$ (2,041,395)</u>
Accrued Interest Change	\$ (263,222)
Payments on general obligation bonds	1,335,000
Payments on lease payables	2,174,018
Issuance of new lease	(25,000,000)
Change in funds held by trustee	<u>27,447,305</u>
	<u>\$ 5,693,101</u>

XII Tax Abatement

The State of Oklahoma has authorized by Oklahoma Statutes 62-850 the creation of tax increment financing (TIF) districts. These districts are intended to provide incentives and exemptions from taxation within certain areas to encourage investment, development and economic growth. The City of El Reno created two districts, Original Town and Crimson Creek North. These TIF districts reduce the ad valorem taxes remitted to the District over the term of the agreements.

Oklahoma Statues title 31 offers a homestead exemption of up to 1 acre property in an urban area or 160 acres in a rural area. These homestead exemptions reduce the ad valorem taxes remitted to the District.

For the year ended June 30, 2018, abated property taxes were \$1,015,629.

XIII Prior Period Correction

The District has determined that certain transactions were recorded incorrectly in a prior year.

Governmental Activities: In the governmental activities statements, an internal review of property records indicated corrections to fixed assets needed to be recorded.

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June 30, 2018

In addition, during the current year, the District adopted GASB Statement 74, *Financial reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Statement's objective is to improve the usefulness of information for postemployment benefits other than pensions presented in the financial statements.

As a result of the implementation of GASB Statement 74, and the correction, a beginning balance restatement occurred as follows:

	<u>Previously Presented</u>	<u>Restatement</u>	<u>2017 Restated</u>
Governmental Activities			
Capital assets	\$ 65,371,681	\$ (249,409)	\$65,122,272
Net OPEB Asset	-	22,057	22,057
Net position	(44,663,761)	227,352	(44,436,409)

XIV New GASB Standards

The District implemented the following GASB Statements:

- GASB Statement No.75, *Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources and expenses/expenditures. Furthermore, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered by trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The provisions in this statement are effective for fiscal years beginning after December 15, 2016.
- GASB Statement No. 82, *Pension Issues* - an amendment of GASB Statements No. 67, No. 68 and No. 73, seeks to address certain issues that have been raised with respect to those Statements. Specifically, Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in this statement are effective for fiscal years beginning after June 15, 2016, except for where the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for

Canadian Valley Technology Center School District No. 6
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Notes to Financial Statements
June 30, 2018

the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017

The following pronouncements will be effective in the future: Management has evaluated these statements as having an impact on the District.

- GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the future retirement of a tangible capital asset. The provisions of this statement are effective for reporting periods beginning after June 15, 2018.
- GASB Statement No. 84, *Fiduciary Activities* establishes general criteria for determining when a governmental unit has a fiduciary role for managing certain types of assets. The focus of the criteria generally is on (a) whether the government is controlling the assets of the fiduciary activity and (b) the beneficiaries with whom the fiduciary relationship exists. The provisions of this statement are effective for reporting periods beginning after December 15, 2018.
- GASBS Statement No. 87, *Leases*, which supersedes current guidance on leases and establishes that leases are a financing arrangement for the right to use an underlying asset. The standard requires the government to record a lease liability and capitalize and amortize the underlying asset over the shorter of the asset life or the lease term. It provides an exception for short-term leases (e.g., less than 12 months) and requires leases that transfer ownership of the underlying asset to be accounted for as a financed purchase. Lease disclosure requirements are also amended. GASBS No. 87 is effective for periods beginning after December 15, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budget Basis) – General Fund (Unaudited)
For the Year Ended June 30, 2018

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
REVENUES COLLECTED				
Local sources	\$ 17,721,464	\$ 18,999,527	\$ 20,747,450	\$ 1,747,923
State sources	3,014,721	2,646,666	2,677,207	30,541
Federal sources	785,860	851,428	878,515	27,087
Total revenues collected	<u>21,522,045</u>	<u>22,497,621</u>	<u>24,303,172</u>	<u>1,805,551</u>
EXPENDITURES PAID				
Instruction	11,283,439	12,365,629	10,994,887	1,370,742
Support services	10,300,000	10,900,000	12,072,039	(1,172,039)
Noninstruction Services	1,720,000	2,040,000	1,734,728	305,272
Other outlays	7,682,000	7,695,000	854,136	6,840,864
Total expenditures paid	<u>30,985,439</u>	<u>33,000,629</u>	<u>25,655,790</u>	<u>7,344,839</u>
Excess of revenues collected over (under) expenditures paid before adjustments to prior year encumbrances	(9,463,394)	(10,503,008)	(1,352,618)	9,150,390
Adjustments to prior year encumbrances	<u>-</u>	<u>-</u>	<u>1,081,101</u>	<u>1,081,101</u>
Excess of revenues collected over (under) expenditures paid	(9,463,394)	(10,503,008)	(271,517)	10,231,491
FUND BALANCES, beginning	<u>9,463,394</u>	<u>10,503,008</u>	<u>9,418,473</u>	<u>-</u>
FUND BALANCES, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,146,956</u>	<u>\$ 10,231,491</u>

Adjustments to reconcile the ending statutory fund balance to the fund balance reported on the governmental funds balance sheet:

Accounts receivable not recorded on statutory budget basis	2,925,862
Inventory expensed on statutory budget basis	120,050
Deferred revenue not recorded on statutory budget basis	(2,157,639)
Payables not recorded on statutory budget basis	(1,067,909)
Compensated absences not recorded on statutory budget basis	(314,011)
Encumbrances expensed on the statutory budget basis	<u>2,022,494</u>
	<u>\$ 10,675,803</u>

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budget Basis) – Building Fund (Unaudited)
For the Year Ended June 30, 2018

	Budget		Actual	Variance -
	Original	Final		Favorable (Unfavorable)
REVENUES COLLECTED				
Local sources	\$ 7,964,276	\$ 8,679,121	\$ 9,366,041	\$ 686,920
State sources	-	-	1,210	1,210
Total revenues collected	<u>7,964,276</u>	<u>8,679,121</u>	<u>9,367,251</u>	<u>688,130</u>
EXPENDITURES PAID				
Instruction	600,000	674,542	776,595	(102,053)
Support services	5,643,073	6,200,000	4,270,095	1,929,905
Noninstructional	50,000	50,000	16,207	33,793
Facilities acquisition and construction services	3,700,000	4,300,000	4,693,455	(393,455)
Other Outlay	6,500,000	6,500,000	0	6,500,000
Total expenditures paid	<u>16,493,073</u>	<u>17,724,542</u>	<u>9,756,352</u>	<u>7,968,190</u>
Excess of revenues collected over (under) expenditures paid before adjustments to prior year encumbrances	(8,528,797)	(9,045,421)	(389,101)	8,656,320
Adjustments to prior year encumbrances	-	-	-	-
Excess of revenues collected over (under) expenditures paid	(8,528,797)	(9,045,421)	(389,101)	8,656,320
FUND BALANCES, beginning	<u>8,528,797</u>	<u>9,045,421</u>	<u>8,561,754</u>	-
FUND BALANCES, ending	<u>\$ -</u>	<u>\$ -</u>	\$ 8,172,653	<u>\$ 8,656,320</u>
Adjustments to reconcile the ending statutory fund balance to the fund balance reported on the governmental funds balance sheet:				
Accounts receivable not recorded on statutory budget basis			1,431,228	
Deferred revenue not recorded on statutory budget basis			(1,196,701)	
Payables are not recorded on statutory budget basis			(569,813)	
Encumbrances expensed on statutory budget basis			<u>1,196,623</u>	
			<u>\$ 9,033,990</u>	

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budget Basis) – Insurance Fund (Unaudited)
For the Year Ended June 30, 2018

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
REVENUES COLLECTED				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Total revenues collected	-	-	-	-
EXPENDITURES PAID				
Instruction	4,418	11,373	1,012	10,361
Support services	-	4,418	13,445	(9,027)
Noninstructional	-	-	-	-
Facilities acquisition and construction services	-	-	1,334	(1,334)
Other Outlay	-	-	-	-
Total expenditures paid	4,418	15,791	15,791	-
Excess of revenues collected over (under) expenditures paid before adjustments to prior year encumbrances	(4,418)	(15,791)	(15,791)	-
Adjustments to prior year encumbrances	-	11,373	11,373	-
Excess of revenues collected over (under) expenditures paid	(4,418)	(4,418)	(4,418)	-
FUND BALANCES, beginning	4,418	4,418	4,418	-
FUND BALANCES, ending	\$ -	\$ -	\$ -	\$ -
Adjustments to reconcile the ending statutory fund balance to the fund balance reported on the governmental funds balance sheet:				
Accounts receivable not recorded on statutory budget basis			-	
Deferred revenue not recorded on statutory budget basis			-	
Payables are not recorded on statutory budget basis			-	
Encumbrances expensed on statutory budget basis			-	
			<u>\$ -</u>	

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Schedule of District's Proportionate Share of Net Pension Liability
Teachers' Retirement Plan
Last 10 Fiscal Years
For the Year Ended June 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's portion of the net pension liability (asset)	0.338648450%	0.315089820%	0.315089820%	0.301090050%	0.301090050%
District's proportionate share of the net pension liability (asset)	22,470,710	26,982,302	19,134,643	16,198,242	21,670,474
District's covered employee payroll	14,617,989	14,123,189	13,669,375	14,522,085	16,867,104
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	153.72%	191.05%	139.98%	111.54%	128.48%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	62.24%	70.31%	63.19%	57.25%

Note that only years since implementation of GASB 68 are included.

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Schedule of District Contributions
Teachers' Retirement Plan
Last 10 Fiscal Years
For the Year Ended June 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,388,709	\$ 1,341,703	\$ 1,365,303	\$ 1,197,599	\$ 1,120,222
Contributions in relation to the contractually required contribution	1,388,709	1,341,703	1,365,303	1,197,599	1,120,222
Contribution deficiency (excess)	-	-	-	-	-
District's covered payroll	14,617,989	14,123,189	13,669,375	14,522,085	13,867,104
Contributions as a percentage of Covered employee Payroll	9.50%	9.50%	9.50%	9.50%	9.50%

Note that only years since implementation of GASB 68 are included.

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Schedule of District's Proportionate Share of Net OPEB (Asset) Liability
Teachers' OPEB Plan
Last 10 Fiscal Years
For the Year Ended June 30, 2018

	<u>2017</u>
District's portion of the net OPEB liability (asset)	0.338648450%
District's proportionate share of the net OPEB liability (asset)	(151,018)
District's covered employee payroll	15,540,004
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	0.97%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Schedule of District's Contribution
Teachers' OPEB Plan
Last 10 Fiscal Years
For the Year Ended June 30, 2018

		<u>2017</u>
Contractually required contribution	\$	22,057
Contributions in relation to the contractually required contribution		22,057
Contribution deficiency (excess)		-
District's covered payroll		15,540,004
Contributions as a percentage of Covered employee Payroll		0.142%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Note 1: Budgeting and Budgetary Control

Oklahoma statutes require the District to prepare an annual budget. The various county excise boards formally approve the annual budget for the general fund, building fund, sinking fund and gifts and endowment fund. The District adopts its budget at the fund level.

Note 2: Budgetary Basis of Accounting

Under the budgetary basis of accounting, revenues are recognized when they are received rather than earned. Purchases of materials, outside services and capital outlays are recognized as expenditures when the commitment to purchase is made (encumbered).

Note 3: Changes of Assumptions

The actuarial assumptions used in the 2015 valuation were based upon 2015 Actuarial Experience Study Report dated May 13, 2015. The current actuarial assumptions were adopted by the TRS Board of Trustees in May, 2015 and first utilized in June 30, 2015 actuarial valuation report. Among the changes since the prior valuation are the treatment of the administrative expenses, payroll growth rate, healthy post-retirement mortality rates, termination rates and rates for unreduced retirement.

An assumption change was made to the OPEB Plan during the current valuation lowering the rate of participation in the supplemental insurance benefit from 100% to 50%, based on historical data. The benefits are only available to those retirees that participate and have at least 10 years of service credit at retirement.

SUPPLEMENTARY INFORMATION

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Supplemental Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Deferred Revenue (Accounts Receivable) 6/30/17	Federal Grant Receipts	Total Grant Expenditures	Matching Expenditures	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) 6/30/18
<u>U.S. Department of Education</u>								
Direct Programs-Student Financial Aid	84.063	474	\$ (37,641)	\$ 516,296	\$ 529,412	\$ -	\$ 529,412	\$ (50,757)
Federal Pell Grant Program			(37,641)	516,296	529,412	-	529,412	(50,757)
Total Student Financial Aid Cluster								
Carl Perkins Vocational Education Act								
Passed through Oklahoma Department of Career and Technology Education								
Carl Perkins Secondary	84.048	423	(63,473)	137,044	124,221		124,221	(50,650)
Career and Technical Education Total			(63,473)	137,044	124,221		124,221	(50,650)
Total Pass Through Programs			(63,473)	137,044	124,221		124,221	(50,650)
Total U.S. Department of Education			(101,114)	653,340	653,633		653,633	(101,407)
<u>U.S. Department of Health and Human Services</u>								
Passed through Oklahoma Department of Human Services and Oklahoma Department of Career and Technology Education								
Temporary Aid to Needy Families	93.558	452	(53,483)	156,456	152,480		152,480	(49,507)
Total U.S. Department of Health and Human Services			(53,483)	156,456	152,480		152,480	(49,507)
<u>U.S. Department of Emergency Management</u>								
Direct Program								
Federal Emergency Management Assistance	97.036	594	-	-	166,599		166,599	(166,599)
Total U.S. Department of Emergency Management			-	-	166,599		166,599	(166,599)
<u>U.S. Department of Agriculture</u>								
Passed through State Department of Education								
Child Nutrition Cluster:								
Cash Assistance	10.555	803	(1,296)	15,193	15,073		15,073	(1,176)
Non-cash assistance: commodities	10.555	803	-	2,921	2,921		2,921	-
Total U.S. Department of Agriculture			(1,296)	18,114	17,994		17,994	(1,176)
Total Expenditures of Federal Awards			\$ (155,893)	\$ 827,910	\$ 990,706	\$ -	\$ 990,706	\$ (318,689)

Canadian Valley Technology Center School District No. 6
Canadian County, Oklahoma
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Canadian Valley Technology Center, District No. 6 under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Canadian Valley Technology Center, District No. 6 it is not intended to and does not present the basic financial statements as listed in the table of contents, of Canadian Valley Technology Center, District No. 6

Note B: Summary of Significant Accounting Policies

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

Note C: Indirect Cost Rate

Canadian Valley Technology Center, District No. 6 has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D: Sub-recipients

Canadian Valley Technology Center, District No. 6 did not have any awards that have been passed through to sub-recipients.

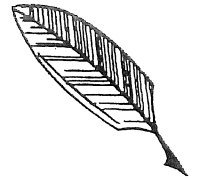
Note E: Federal Emergency Management Assistance

FEMA guidelines state that FEMA expenditures incurred by a non-federal entity prior to FEMA approving the Project Worksheet (PW) should be included on the S.E.F.A. in the fiscal year in which FEMA approves the PW rather than the fiscal year in which the expenditures occurred. The accompanying Schedule of Federal Awards (S.E.F.A.) includes \$166,599.00 of FEMA program expenditures which were actually incurred in fiscal year 2014-15, however, the Project Worksheet for these expenditures was approved in the 2017-18 fiscal year.

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



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
Canadian Valley Technology Center No. 6
Canadian County, Oklahoma

I 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 Canadian Valley Technology Center No. 6, Canadian County, Oklahoma (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued my report thereon dated February 8, 2019.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 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.

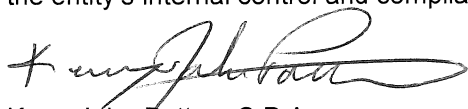
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

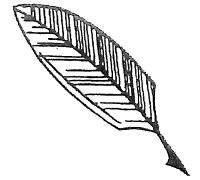
This report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with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



Kerry John Patten, C.P.A.
Broken Arrow, OK
February 8, 2019

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

The Honorable Board of Education
Canadian Valley Technology Center No. 6
Canadian County, Oklahoma

Report on Compliance for Each Major Federal Program

I have audited the compliance of Canadian Valley Technology Center No. 6, Canadian County, Oklahoma (District's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, Canadian Valley Technology Center, No. NO. 6, Canadian County, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Canadian Valley Technology Center No. 6, Canadian County, Oklahoma (District), is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



Kerry John Patten, C.P.A.
Broken Arrow, OK
February 8, 2019

**CANADIAN VALLEY TECHNOLOGY CENTER NO. 6
CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the government-wide financial statements of Canadian Valley Technology Center.
2. There were no audit findings reported of deficiencies in internal control, which the auditor considers to be "significant deficiencies" as defined in A.I.C.P.A. standards.
3. No instances of noncompliance material to the financial statements of Canadian Valley Technology Center which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. There were no audit findings reported of deficiencies in internal control over major programs, which the auditor considers to be "significant deficiencies" as defined by A.I.C.P.A.
5. The auditor's report on compliance for the major federal award programs for Canadian Valley Technology Center expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Uniform Guidance relative to major federal award programs for Canadian Valley Technology Center.
7. The programs tested as major programs included: Title IV, Financial Aid Cluster; Pell (84.063), and Carl Perkins (84.048).
- 8.
9. A threshold for distinguishing Types A and B programs was \$750,000.
10. Canadian Valley Technology Center was determined to be a low-risk auditee for purposes of determining overall percentage of Federal compliance testing.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

1. No matters were reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. No matters were reported.

**CANADIAN VALLEY TECHNOLOGY CENTER NO. 6
CANADIAN COUNTY, OKLAHOMA
SUMMARY OF PRIOR AUDIT FINDINGS
FOR YEAR ENDED JUNE 30, 2018**

The summary of prior audit findings is required to report the status of all audit findings reported in the prior audit's schedule of findings and questioned costs relative to federal awards.

The center had no prior year audit findings relative to federal award programs.

**CANADIAN VALLEY TECHNOLOGY CENTER NO. 6
CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF COMMENTS
FOR YEAR ENDED JUNE 30, 2018**

Based on my tests of accounting records and related procedures, I found nothing to indicate that Canadian Valley Technology Center had not complied with significant compliance rules and regulations of the Oklahoma State Department of Career and Technology Education.

Previous Year's Audit Comments

There were no items in the school's 2016-17 audit report which required correction.

I would like to express my appreciation for the courtesies and cooperation extended to us by District administrators and employees during the course of this audit.

**CANADIAN VALLEY TECHNOLOGY CENTER NO. 6
CANADIAN COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
FOR YEAR ENDED JUNE 30, 2018**

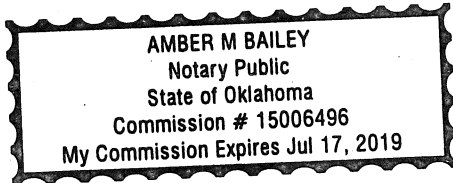
State of Oklahoma)
County of Tulsa)

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 Canadian Valley Technology Center for the audit year 2017-2018.

Kerry John Patten, C.P.A.
AUDITING FIRM

BY *Kerry John Patten*

AUTHORIZED AGENT



Subscribed and sworn to before me on this
11th day of February, 2019

Amber M Bailey

NOTARY PUBLIC

My commission expires on:
17th day of July, 2019