

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

Financial Statements

June 30, 2022
(With Independent Auditors' Reports Thereon)

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

FINANCIAL STATEMENTS

Table of Contents

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Management's Discussion and Analysis</u>	I-1
<u>Financial Statements:</u>	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in <u>Accordance with <i>Government Auditing Standards</i></u>	12



INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the South Oklahoma City Area School District (the "District"), which is a component unit of the State of Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District and its discretely presented component unit, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

Edmond, Oklahoma
October 13, 2022



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

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2022

Introduction

The management’s discussion and analysis of the activities and financial performance of South Oklahoma City Area School District (the “District”) provides an overview of the District’s financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the accompanying financial statements of the District.

Financial Highlights

- During the year ended June 30, 2022, the District’s net position increased to \$7.1 million from \$26.6 million in 2021 primarily due to an increase in tax revenue held for future operational needs. While in FY22 the District also had a decrease in Technical Education expense. The District building levy funds increased and are being held for future capital needs.
- Operating revenues remained the same, while nonoperating revenues increased by \$101 thousand. This increase is due primarily to a capital gain on the sale of the Capital Hill building.
- Operating expenses decreased to \$2.2 million in 2022 from \$4.5 million in 2021 primarily as a result of a \$2.2 million decrease in technical education reimbursement to Oklahoma City Community College.

Using this Annual Report

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

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

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

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

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

The District’s Net Position

The District’s net position is the difference between its assets and liabilities reported in the statement of net position. The District’s net position increased in 2022 from 2021 as shown:

Table 1: Assets, Liabilities, and Net Position

	June 30, <u>2022</u>	June 30, <u>2021</u>	Increase (Decrease)	% Change
Assets				
Current assets	\$ 13,129,141	8,221,343	4,907,798	60%
Noncurrent assets:				
Noncurrent restricted cash	15,857,310	13,078,780	2,778,530	21%
Capital assets, net	<u>4,793,893</u>	<u>5,312,819</u>	<u>(518,926)</u>	(10)%
Total assets	<u>33,780,344</u>	<u>26,612,942</u>	<u>7,167,402</u>	27%
Liabilities				
Current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	0%
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	0%
Net Position				
Net investment in capital assets	4,793,893	5,312,819	(518,926)	(10)%
Restricted for capital expenditures	15,857,310	13,078,780	2,778,530	21%
Unrestricted	<u>13,129,141</u>	<u>8,221,343</u>	<u>4,907,798</u>	60%
Total net position	<u>\$ 33,780,344</u>	<u>26,612,942</u>	<u>7,167,402</u>	27%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The District's Net Position, Continued

Table 2: Operating Results and Changes in Net Position

	Years Ended June 30,		Increase	%
	<u>2022</u>	<u>2021</u>	<u>(Decrease)</u>	<u>Change</u>
Operating revenues	\$ -	1	(1)	(100)%
Operating expenses	<u>(2,241,516)</u>	<u>(4,535,328)</u>	<u>2,293,812</u>	(51)%
Operating loss	<u>(2,241,516)</u>	<u>(4,535,327)</u>	<u>2,293,811</u>	(51)%
Nonoperating revenues:				
Operational and incentive levy	6,734,771	6,897,125	(162,354)	(2)%
Building levy	2,296,845	2,360,283	(63,438)	(3)%
Investment income	<u>377,302</u>	<u>50,651</u>	<u>326,651</u>	645%
Total nonoperating revenues	<u>9,408,918</u>	<u>9,308,059</u>	<u>100,859</u>	1%
Change in net position	7,167,402	4,772,732	2,394,670	50%
Net position at beginning of year	<u>26,612,942</u>	<u>21,840,210</u>	<u>4,772,732</u>	22%
Net position at end of year	<u>\$ 33,780,344</u>	<u>26,612,942</u>	<u>7,167,402</u>	27%

During the year ended June 30, 2022, nonoperating revenues increased by \$100 thousand. This increase is due primarily to a capital gain on the sale of the Capital Hill building.

Overall expenses decreased by \$2.2 million due primarily to a decrease in technical education reimbursement.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The District's Net Position, Continued

Table 3: Analysis of Net Position

	June 30,		Increase	%
	<u>2022</u>	<u>2021</u>	<u>(Decrease)</u>	<u>Change</u>
Net position:				
Net invested in capital assets	\$ 4,793,893	5,312,819	(518,926)	(10)%
Restricted for capital expenditures	15,857,310	13,078,780	2,778,530	21%
Unrestricted assets	<u>13,129,141</u>	<u>8,221,343</u>	<u>4,907,798</u>	60%
Total net position	<u>\$ 33,780,344</u>	<u>26,612,942</u>	<u>7,167,402</u>	27%

The District's net position increased from \$26.6 million in 2021 to \$33.7 million in 2022, an increase of \$7.1 million or 27%. This increase was primarily due to increase in cash held for future capital and operational needs and decrease in Technical Education expense.

Table 4: Condensed Statements of Cash Flows

	Years Ended June 30,		Increase	%
	<u>2022</u>	<u>2021</u>	<u>(Decrease)</u>	<u>Change</u>
Cash (used in) provided by:				
Operating activities	\$ (1,609,597)	\$ (4,138,279)	2,528,682	(61)%
Noncapital financing available	6,721,110	6,958,765	(237,655)	(3)%
Capital and related financing available	2,482,038	2,360,283	121,755	5%
Investing activities	<u>79,116</u>	<u>50,651</u>	<u>28,465</u>	56%
Net increase in cash and cash equivalents	7,672,667	5,231,420	2,441,247	47%
Cash and cash equivalents at beginning of year	<u>21,262,276</u>	<u>16,030,856</u>	<u>5,231,420</u>	33%
Cash and cash equivalents at end of year	<u>\$ 28,934,943</u>	<u>\$ 21,262,276</u>	<u>7,672,667</u>	36%

The District's overall cash and cash equivalents increased by \$7.6 million in 2022, which is primarily the result of the accumulation of the building levy funds retained in the District's cash accounts for ongoing and future capital projects, the accumulation of tax levy cash to cover future operation expenses, in addition to the reduction of technical education expenses.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

Capital Assets and Debt Administration

Table 5: Condensed Summary of Capital Assets, Net

	Years Ended June 30,		Increase	%
	<u>2022</u>	<u>2021</u>	(Decrease)	<u>Change</u>
Capital assets:				
Building and facilities	\$ 14,502,607	\$ 14,761,620	(259,013)	(2)%
Other improvements	1,727,496	1,727,496	-	0%
Infrastructure	1,197,190	1,197,190	-	0%
Furniture and equipment	508,870	561,171	(52,301)	(9)%
Construction in progress	<u>24,444</u>	<u>-</u>	<u>24,444</u>	0%
Total capital assets	17,960,607	18,247,477	(286,870)	(2)%
Less accumulated depreciation	<u>(13,166,714)</u>	<u>(12,934,658)</u>	<u>(232,056)</u>	2%
Capital assets, net	<u>\$ 4,793,893</u>	<u>\$ 5,312,819</u>	<u>(518,926)</u>	(10)%

During 2022, the District’s net investment in capital assets decreased by \$518 thousand. This change was the result of the sale of the Capital Hill building and an increase in accumulated depreciation.

The District had no long-term liabilities as of June 30, 2022 or 2021.

Economic Factors and the District’s Future

The District experienced an approximate average increase of 10.5% in the value of the property in the District during calendar year 2022, which is used to calculate the ad valorem tax receipts for fiscal year 2023. There was no change in the District’s operational millage of 5.08 mills or the incentive levy of 2.5 mills during fiscal year 2022. During fiscal year 2013, the District began receiving allocation of funds from the assessment of the Building Fund Levy by the county tax assessor. This levy is required to be used solely for expenditures for capital projects, which include furniture, fixtures and equipment. This building levy is a permanent assessment and will continue into future fiscal years. The total millage applicable to the Building Fund Levy is 2.5 mills for the area including Metro Tech Technology Center and Francis Tuttle Technology Center and 2.5 mills for the Moore/Norman Technology Center.

Contacting the District’s Financial Management

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

SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

Year Ended June 30, 2022

Assets	
Current assets:	
Cash and cash equivalents	\$ 13,077,632
Ad valorem taxes receivable	51,509
Total current assets	<u>13,129,141</u>
Noncurrent assets:	
Noncurrent restricted cash and cash equivalents	15,857,310
Capital assets, net of depreciation	4,793,893
Total noncurrent assets	<u>20,651,203</u>
Total assets	<u>33,780,344</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Net Position	
Net investment in capital assets	4,793,893
Restricted for capital expenditures	15,857,310
Unrestricted	<u>13,129,141</u>
Total net position	<u>\$ 33,780,344</u>

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

SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2022

Operating revenues:	
Lease revenue	\$ -
Total operating revenues	<u>-</u>
Operating expenses:	
Technical education	1,750,000
Professional fees and other expenses	157,783
Depreciation expense	<u>333,733</u>
Total operating expenses	<u>2,241,516</u>
Operating loss	<u>(2,241,516)</u>
Nonoperating revenues:	
Operational and incentive levy funds	6,734,771
Building levy funds	2,296,845
Interest income and other	<u>377,302</u>
Total nonoperating revenues	<u>9,408,918</u>
Net change in net position	7,167,402
Net position at beginning of year	<u>26,612,942</u>
Net position at end of year	<u><u>\$ 33,780,344</u></u>

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

SOUTH OKLAHOMA CITY AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended June 30, 2022

Cash flows from operating activities:

Operating receipts	\$ -
Payments to suppliers and others	<u>(1,609,597)</u>
Net cash used in operating activities	<u>(1,609,597)</u>

Noncapital financing activities:

Operational and incentive levy funds received	<u>6,721,110</u>
Net cash provided by noncapital financing activities	<u>6,721,110</u>

Capital and related financing activities:

Purchase of capital assets	(24,444)
Building levy funds received	2,296,845
Proceeds from the sale of capital assets	<u>209,637</u>
Net cash provided by capital and related financing activities	<u>2,482,038</u>

Investing activities:

Interest received on investments	<u>79,116</u>
Net cash provided by investing activities	<u>79,116</u>

Increase in cash and cash equivalents

7,672,667

Cash and cash equivalents at beginning of year

21,262,276

Cash and cash equivalents at end of year

\$ 28,934,943

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

Operating loss	\$ (2,241,516)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	333,733
Accounts payable	-
Gain on retirement of capital assets	<u>298,186</u>
Net cash used in operating activities	<u>\$ (1,609,597)</u>

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

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

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

Reporting Entity

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

Basis of Accounting

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

Net Position

The District’s net position is classified as follows:

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

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

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

See Independent Auditors’ Report.

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

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Receivables

The District considers all ad valorem taxes receivable to be fully collectible and, accordingly, has recorded no allowance for uncollectible accounts as of June 30, 2022.

Capital Assets

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

Income Taxes

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

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

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements

Accounting Standards Adopted in Fiscal Year 2022

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District Adopted GASB 87 for FY2022. The District is not currently engaged in any leases. However all activity will be closely monitored and accounted for going forward.

Subsequent Events

Subsequent events have been evaluated through October 03, 2022, which is the date the financial statements were issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

(2) DEPOSITS

Custodial Credit Risk—Deposits

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

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

The District requires that balances on deposit with financial institutions be insured by the FDIC, collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations in the District's name. As of June 30, 2022, there were no uncollateralized deposits.

Deposits and Investments

The District's carrying amount of deposits was \$28,934,950 as of June 30, 2022. Deposits are carried at cost.

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

NOTES TO FINANCIAL STATEMENTS

(3) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Construction in progress	\$ -	24,444	-	-	24,444
Depreciable capital assets:					
Buildings and facilities	14,761,620	-	-	(259,013)	14,502,607
Other improvements	1,727,496	-	-	-	1,727,496
Infrastructure	1,197,190	-	-	-	1,197,190
Furniture and equipment	561,171	-	-	(52,301)	508,870
Total depreciable capital assets	<u>18,247,477</u>	<u>-</u>	<u>-</u>	<u>(311,314)</u>	<u>17,936,163</u>
Accumulated depreciation:					
Buildings and facilities	(11,157,877)	(182,809)	-	57,199	(11,283,487)
Other improvements	(939,581)	(71,492)	-	-	(1,011,073)
Infrastructure	(422,888)	(59,859)	-	-	(482,747)
Furniture and equipment	(414,312)	(19,573)	-	44,478	(389,407)
Total accumulated depreciation	<u>(12,934,658)</u>	<u>(333,733)</u>	<u>-</u>	<u>101,677</u>	<u>(13,166,714)</u>
Capital assets, net	<u>\$ 5,312,819</u>	<u>(309,289)</u>	<u>-</u>	<u>(209,637)</u>	<u>4,793,893</u>

(4) RELATED-PARTY TRANSACTIONS

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

The District provides funding to the College for post-secondary vocational technical education for students in the District. During the year ended June 30, 2022, the District provided \$1,750,000 to the College to provide technical education to students of the District.

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

NOTES TO FINANCIAL STATEMENTS

(5) AD VALOREM TAX LEVIES

Pursuant to Oklahoma Statutes, the District may cause taxes to be levied on all taxable property in the District. For the year ended June 30, 2022, the operational levy was 5.08 mills. There was no change in the District's operational millage of 5.08 mills or the incentive levy of 2.5 mills during fiscal year 2022. The total millage applicable to the incentive levy is for the area including Moore/Norman Technology Center and the Francis Tuttle Technology Center. Such levies are collectible on December 31 and March 31 of each year by the Oklahoma County Treasurer with subsequent remittance to the District. During fiscal year 2013, the District began receiving allocation of funds from the assessment of the Building Fund Levy by the County Assessor. This levy is required to be used solely for expenditures for capital projects, which include furniture, fixtures and equipment. This building levy is a permanent assessment and will continue into future fiscal years. The total millage applicable to the Building Fund Levy is 2.5 mills for the area including Metro Tech Technology Center and Francis Tuttle Technology Center and 2.5 mills for Moore/Norman Technology Center.

(6) CONTINGENCIES AND UNCERTAINTIES

The novel coronavirus ("COVID-19"), which was declared a global health emergency in January 2020 and a pandemic in March 2020, has caused significant changes in political and economic conditions around the world, including disruptions and volatility in the global capital markets.

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



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*

To Board of Trustees
South Oklahoma City School District

We have audited, in accordance with the 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 South Oklahoma City School District (the "District"), collectively a component unit of the State of Oklahoma, which comprises the statement of net position as of and for the year ended June 30, 2022, and the related statements of revenues, expenses and changes in net position and cash flows for the year ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Arledge & Associates, P.C.

Edmond, Oklahoma
October 13, 2022

