

**ANNUAL FINANCIAL REPORT  
INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
JULY 1, 2018 TO JUNE 30, 2019**

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

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
SCHOOL CENTER OFFICIALS  
JUNE 30, 2019**

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**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
JUNE 30, 2019**

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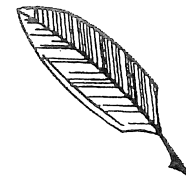
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## INDEPENDENT AUDITOR'S REPORT

The Board of Education  
Indian Capital Technology Center No. 4  
Muskogee, 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 Indian Capital Technology Center No. 4, Muskogee County, Oklahoma, as of and for the year ended June 30, 2019, 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 Indian Capital Technology Center as of June 30, 2019, 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.

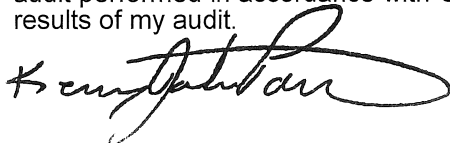
### Other Supplementary Information

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 additional analysis as required by U.S. Office of Management and Uniform Guidance, *Audits of States, Local Governments, and Nonprofit Organizations* and is 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 11, 2020, on my consideration of Indian Capital Technology Center No. 4, Muskogee 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 11, 2020

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**Indian Capital Technology District**  
**Muskogee County, Oklahoma**  
Management's Discussion and Analysis  
June 30, 2019

Management of Indian Capital Technology Center School District No. 4 (the District) provides this Management's Discussion and Analysis of the Indian Capital Technology District Annual Financial Report for readers of the District's financial statements. This narrative overview and analysis of the financial activities of the District is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the District's financial statements.

**Using This Report**

The District is in its thirteenth year of implementing reporting standards with significant changes in content and structure from years prior to fiscal year ended June 30, 2019. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 9 and tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as an agent for the benefit of those outside of the government.

**Government-Wide Financial Statements**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the regulatory basis of accounting prescribed by the State of Oklahoma.

These two statements report the District's net assets and changes in them. One could think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. For the 2018-19 fiscal year, the District's net assets increased by \$4,027,474.

In government-wide financial statements, activities are normally divided into two categories – governmental activities and business-type activities. The District had no business-type activities for the 2018-19 fiscal year, thus it is not discussed in detail.

Governmental activities – Basic services provided by the District, including educational activities for daytime high school and adults, short term training for adults, services and training for business and industry, and general administration.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the District's operation in more detail than government-wide financial statements. Because the focus of District funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for District funds with similar information presented for District activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the District's fund balance sheet and the District's fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between funds and the activities of each. The District has three different fund accounts. They are the general fund, the building fund, and the activity fund. Each major fund is presented in a separate column in the District's fund balance sheet and in the District's statement of revenues, expenditures, and changes in fund balances. The fund financial statement provides more detailed information about the District's funds, focusing on its most significant or major fund – the general fund

## **Fund Balances**

As of the close of fiscal year 2019, the District funds reported governmental funds ending fund balances of \$20.23 million, an increase of \$1,398,906 in comparison with the prior year. Of this total increase amount, \$151,602 was general fund increase and \$1,247,304 was building fund increase. Total revenue for the year less activity fund was \$22.14 million. Total expenditures for like funds were \$20.74 million, leaving a net balance of \$1,398,906 of revenues over expenditures for these type funds, before prior year adjustments.

	<u>2019 Fund Balances</u>	<u>2018 Fund Balances</u>	<u>Dollar Change</u>	<u>Percent Change</u>
General Fund	\$ 8,083,074	\$ 7,931,472	\$ 151,602	1.91%
Building Fund	\$ 12,155,750	\$ 10,908,446	\$ 1,247,304	11.43%
Totals	\$ 20,238,824	\$ 18,839,918	\$1,398,906	7.42%

## **Long-term Debt**

At June 30, 2019, the District had no long-term debt other than \$564,975 in compensated absences and \$159,133 in Voluntary Retirement Incentive.

**Indian Capital Technology Center**  
**Muskogee County, Oklahoma**  
Management's Discussion & Analysis  
June 30, 2019

**Financial Analysis**

**Statement of Net Position**

	<u>2018</u>	<u>2019</u>
Assets		
Current assets	\$ 19,851,201	21,490,449
Capital assets	<u>18,364,187</u>	<u>20,195,719</u>
Total	<u>38,215,388</u>	<u>41,686,168</u>
Deferred outflows	<u>3,247,933</u>	<u>2,112,289</u>
Liabilities		
Current liabilities	510,866	505,530
Non-current liabilities	<u>14,722,290</u>	<u>13,053,031</u>
Total	<u>15,283,156</u>	<u>13,558,561</u>
Deferred outflows	<u>2,239,080</u>	<u>2,271,337</u>
Net Position		
Invested in capital assets	17,261,923	20,063,044
Restricted	10,908,446	
Unrestricted	<u>(4,229,284)</u>	<u>7,905,515</u>
Total	<u>23,941,085</u>	<u>27,968,559</u>
<u>Revenues</u>	<u>2018</u>	<u>2019</u>
Program Revenues:		
Charges for services	\$ 1,672,175	1,672,175
Operating grants & contributions	2,186,248	2,186,248
General Revenues:		
Property Taxes	12,743,151	12,743,151
State aid	3,831,773	3,831,773
Reimbursements	358,079	358,079
Investment earnings	83,177	83,177
Other	-	-
Total	<u>\$ 20,874,603</u>	<u>22,270,812</u>

See Auditor's Disclaimer of Opinion

## **Fixed Assets**

The District currently tracks all assets with a value of \$2,500 or more. The District employed American Appraisal Associates to do an initial investigation and appraisal of District assets. The Summary Appraisal Report complied with the reporting requirements set forth by the Uniform Standards of Professional Appraisal Practice. The report was presented to the District on February 22, 2002. Internal records have been compiled on District software since the time of that report. For the 2018-19 fiscal year, \$2,973,689 of fixed assets were added to the District's financial statements, with large purchases including the administration building, several transportation vehicles and technology equipment.

	Historical Cost
Land	\$ 322,902
Building and improvements	\$ 22,059,433
Machinery and equipment	\$ 5,157,591
Vehicles	<u>\$ 4,546,494</u>
Total	<u>\$ 32,086,420</u>

The net book value, which includes \$13,221,548 of accumulated depreciation, as of June 30, 2019 was \$20,063,044.

## **Net Pension Liability**

Although legally the pension is a State of Oklahoma obligation, implementation of GASB Statement 68 (See note 6), resulted in the recognition of the District's long-term obligation for pension benefits as a liability. The District's recognition of the Teachers' Retirement System's net pension liability as of June 30, 2019 was \$12,408,445. This was a decrease of \$1,749,361 from the prior year (2018) primarily due to investment gains by the Teachers' Retirement System in 2019, which was the measurement year for the net pension liability as of June 30, 2019. See Note 4 for additional information on the net pension liability.

## **Contacting the District's Financial Management**

This report is designed to provide our citizens, taxpayers, customers 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 Administration office at 2403 N. 41<sup>st</sup> Street East, Muskogee, Oklahoma, 74403, telephone at (918) 686-7565, or visit our website at [www.ictctech.com](http://www.ictctech.com).

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	Governmental Activities
<b><u>ASSETS</u></b>	
Cash	\$ 13,392,947
Investments	6,661,415
Property taxes receivable	892,968
Miscellaneous receivable	170,177
Interest receivable	18,677
Due from other governments	339,112
Prepaid insurance	15,153
Capital assets	
Land	322,902
Construction in process	191,263
Other capital assets, net of accumulated depreciation	19,548,879
Net OPEB asset	132,675
 Total Assets	 \$ 41,686,168
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>	
Deferred amounts of resources related to pensions	2,099,162
Deferred amounts of resources related to OPEB	13,127
Total deferred outflows of resources	2,112,289
<b><u>LIABILITIES</u></b>	
Current liabilities	
Accounts payable	\$ 426,007
Voluntary retirement incentive - current	79,523
Total current liabilities	505,530
Non-current liabilities	
Voluntary retirement incentive	79,611
Compensated absences	564,975
Net pension liability	12,408,445
Total non-current liabilities	13,053,031
 Total Liabilities	 \$ 13,558,561
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>	
Deferred amounts of resources related to pensions	2,179,400
Deferred amounts of resources related to OPEB	91,937
Total deferred inflow of resources	2,271,337
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	\$ 20,063,044
Restricted for Building	-
Unrestricted	7,905,515
 Total Net Position	 \$ 27,968,559

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

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Revenues			Capital Grants & Contributions	Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions		
<b>Governmental Activities:</b>					
Instruction	\$ (5,945,397)	\$ 1,161,575	\$ 2,618,493	\$ -	\$ (2,165,329)
Support Services	(8,469,282)	724,258	-	-	(7,745,024)
Non-Instructional	(543,478)	-	-	-	(543,478)
Capital Outlay	(304,001)	-	-	-	(304,001)
Other Outlays	(129,900)	-	-	-	(129,900)
Other Uses	(1,664,980)	-	-	-	(1,664,980)
Repayments	(6,823)	-	-	-	(6,823)
Depreciation - Unallocated	(1,179,477)	-	-	-	(1,179,477)
<b>Governmental Activities</b>	<b>\$ (18,243,338)</b>	<b>\$ 1,885,833</b>	<b>\$ 2,618,493</b>	<b>\$ -</b>	<b>\$ (13,739,012)</b>

**General revenues**

Taxes:

Property taxes, levied for general purposes \$ 13,119,824

Other Taxes -

Federal and State aid not restricted to specific purposes:

General 4,104,190

Other 67,822

Interest and investment earnings 261,695

Miscellaneous 212,955

Total general revenues 17,766,486

Changes in net position 4,027,474

Net position - beginning 23,941,085

Net position - ending \$ 27,968,559

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

**FUND FINANCIAL STATEMENTS**

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	Governmental Fund Types		
	General Fund	Special Revenue Fund	Total
<b>ASSETS</b>			
Cash	\$ 4,829,483	\$ 8,563,464	\$ 13,392,947
Investments	2,850,371	3,811,044	6,661,415
Property tax receivable	706,635	186,333	892,968
Interest receivable	17,905	772	18,677
Due from other governments	339,112	-	339,112
Miscellaneous receivables	147,639	22,538	170,177
Prepaid Insurance	15,153	-	15,153
<b>Total assets</b>	<b>\$ 8,906,298</b>	<b>\$ 12,584,151</b>	<b>\$ 21,490,449</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 152,580	\$ 273,427	\$ 426,007
Early Retirement Incentive Current Portion	79,523	-	79,523
<b>Total liabilities</b>	<b>\$ 232,103</b>	<b>\$ 273,427</b>	<b>\$ 505,530</b>
<b>Deferred inflow of resources:</b>			
Deferred property taxes	\$ 591,121	\$ 154,974	\$ 746,095
<b>Total deferred inflow of resources</b>	<b>\$ 591,121</b>	<b>\$ 154,974</b>	<b>\$ 746,095</b>
<b>Fund balances:</b>			
<b>Nonspendable Fund Balances:</b>			
<i>Prepaid Items</i>	\$ 15,153	\$ -	\$ 15,153
<b>Restricted Fund Balances:</b>			
<i>Restricted by Statute</i>	-	11,066,540	11,066,540
<i>Other Restrictions of Fund Balance</i>	-	-	-
<b>Committed Fund Balances:</b>			
<i>Contractual Obligations</i>	-	-	-
<b>Assigned Fund Balances:</b>			
<i>Encumbrances</i>	533,449	1,089,210	1,622,659
Unassigned	7,534,472	-	7,534,472
<b>Total Fund Balances:</b>	<b>\$ 8,083,074</b>	<b>\$ 12,155,750</b>	<b>\$ 20,238,824</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,906,298</b>	<b>\$ 12,584,151</b>	<b>\$ 21,490,449</b>

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$33,284,592 and accumulated depreciation is \$13,221,548.	20,063,044
Property taxes receivable will be collected this year, but are not available soon enough to pay current period's expenditures, therefore they are deferred in the funds.	746,095
Compensated absences and voluntary retirement incentive are not due and payable in the current period and, are not reported in the funds.	(644,586)
Net Pension obligations are not due and payable in the current period and, are not reported in the funds.	(12,408,445)
Net OPEB asset is not a financial resource, therefore not reported in funds	132,675
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.	(159,048)
<b>Net Position of governmental activities</b>	<b>\$ 27,968,559</b>

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

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Fund Types		Total
	General	Special Revenue	
<b>Revenues</b>			
Local sources	\$ 12,473,540	\$ 2,881,877	\$ 15,355,417
Intermediate sources	-	-	-
State sources	4,633,661	-	4,633,661
Federal sources	2,156,844	-	2,156,844
<b>Total revenues</b>	<b>\$ 19,264,045</b>	<b>\$ 2,881,877</b>	<b>\$ 22,145,922</b>
<b>Expenditures</b>			
Instruction	\$ 6,847,629	\$ 496,266	\$ 7,343,895
Support services	9,915,776	425,961	10,341,737
Non-instructional services	543,478	-	543,478
Capital outlay	3,857	712,346	716,203
Other outlays	1,296	-	1,296
Other uses	1,665,285	-	1,665,285
Repayments	6,518	-	6,518
Reimbursements	128,604	-	128,604
<b>Total expenditures</b>	<b>\$ 19,112,443</b>	<b>\$ 1,634,573</b>	<b>\$ 20,747,016</b>
<b>Excess of revenues over (under) expenses before adjustments to prior year encumbrances</b>	<b>\$ 151,602</b>	<b>\$ 1,247,304</b>	<b>\$ 1,398,906</b>
<b>Other financing sources (uses):</b>			
Bond sale proceeds	\$ -	\$ -	\$ -
Operating transfers in/(out)	-	-	-
Bank charges	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Excess (deficiency) of revenue over expenditures and other financing sources (uses)</b>	<b>\$ 151,602</b>	<b>\$ 1,247,304</b>	<b>\$ 1,398,906</b>
<b>Fund balances, beginning of year</b>	<b>\$ 7,931,472</b>	<b>\$ 10,908,446</b>	<b>\$ 18,839,918</b>
<b>Fund balances, end of year</b>	<b>\$ 8,083,074</b>	<b>\$ 12,155,750</b>	<b>\$ 20,238,824</b>

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

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
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, 2019**

Net change in fund balances - governmental funds \$ 1,398,906

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

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

Capital outlay expenditures	2,973,689	
Depreciation expense	<u>(1,179,477)</u>	1,794,212

Some property taxes will not be collected for several months after the fiscal year ends, and are not considered as "available" revenues in the governmental funds, but are deferred. They are, however, recorded as revenues the Statement of Activities. 125,662

Some expenses (compensated absences and voluntary retirement incentive) reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. 89,914

Governmental funds report district pension contributions as expenditure. However, the Statement of Activities reports the cost of pension benefits earned net of employee contributions as pension expense. 618,780

Change in Net Position of Governmental Activities \$ 4,027,474

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

**NOTES TO THE FINANCIAL STATEMENTS**

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**1. Summary of Significant Accounting Policies**

The financial statements of the Indian Capital Technology Center No. 4 (the "Center") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Center's accounting policies are described below.

**A. Reporting Entity**

In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the Center has presented the entities, which comprise the primary government in the fiscal year 2019 basic financial statements.

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

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

As required by accounting principles generally accepted in the United States of America, the basic financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Center's basic financial statements to be misleading or incomplete.

**B. Basis of Presentation**

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

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

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**Fund Financial Statements**

The Technology Center segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Statements for governmental activities present each fund as a separate column on the fund financial statements.

Governmental funds are used to account for all or most of a government's general activities. The measurement focus of governmental funds is on the sources uses and balance of current financial resources. The Center has presented the following governmental funds:



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

Fund Financial Statements

General Fund – The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under Formula Operations. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt.

Special Revenue Fund – The Center's Building Fund is a Special Revenue Fund and consists of monies derived from property taxes levied for the purpose of creating, remodeling or repairing buildings and for purchasing furniture and equipment.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Center. When these assets are held under the terms of a formula trust agreement, either a private purpose trust fund or a permanent fund is used.

Private- Purpose Trust Funds – Private-Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund – The Center's Agency Fund consists of the Activity fund and the Federal Pell Grant fund. The Center's Activity fund is used to account for monies collected that are held on behalf of others as their agent and do not involve the measurement of results of operations. The Federal Pell Grant fund is used to account for student financial aid which is collected by the Center and disbursed to eligible students or to pay educational costs on their behalf. The administration is responsible under the authority of the Board, for collecting, disbursing and accounting for these funds.

The Center's Fiduciary Funds have been excluded from the government-wide financial statements.

Account Groups

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

C. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 government 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.

Property taxes and interest and certain state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

**D. Budgets and Budgetary Accounting**

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Fund that includes revenues and expenditures. These budgets are prepared on a budgetary basis of accounting. Budgetary control is maintained by fund, function, and activity and budgeted expenditures may not exceed appropriations at the fund level.

Amendments may be made to the budget without approval by the governing body at the function and activity levels. Fund level budgetary amendments require approval of the governing body.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable fund balance – is utilized in all governmental funds of the Center. Appropriations which are not spent lapse at the end of the fiscal year and encumbrances are reversed. On the first day of the following fiscal year, the encumbrances are reinstated and the expenditures are applied against that year's budget.

**E. Management Estimates – 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.

**F. Net Position and Fund Balances**

The government-wide financial statements utilize a net position presentation. Net position is categories of investment in fixed assets (net of related debt), restricted net position, and unrestricted net position.

Investment in Fixed Assets (net of related debt) – is intended to reflect the portion of net position, which is associated with non-liquid capital related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position – are liquid assets generated from revenues and not bond proceeds, which have third party (statutory bond covenant or granting agency) limitations on their use. The Center would typically use restricted net position first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted Net Position – represent unrestricted liquid assets.

Governmental Fund Financial Statements – The Center has adopted Governmental Accounting Standards Board Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial 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 Center is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available in the governmental fund financial statements are as follows:

Nonspendable – Amounts that are not in a spendable form such as prepaid expenses, inventory, or required to be maintained intact such as the corpus of permanent fund.

Restricted – Amounts that are designated for specific purposes by their providers such as bondholders, grantors, or imposed by law through constitutional provisions or enabling legislation. The Building Fund is restricted by statute to certain capital related costs.

Committed – Amounts designated for specific purposes by the Center's highest level of decision making authority (Board of Education) and cannot be used for any other purposes unless the same highest level (Board of Education) takes action to remove or change the designation.

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

The Center commits a portion of the fund balance to honor the commitments made by the Center for encumbrances (purchase orders) for which goods or services have not yet been received. The fund balance committed to encumbrances will be equivalent to the purchase orders rolled forward from one fiscal year to the next fiscal year.

Assigned – Amount the Center intends to use for specific purposes; intent can be expressed by the governing body or by an official to which the governing body delegates the authority.

The Center assigns a portion of the fund balance in both the general fund and building fund for funding the cash flow needs during the first half of each fiscal year. The superintendent and the chief financial officer will determine the amount of assigned fund balance at the end of each fiscal year.

Unassigned – Amounts that are available for any purposes; reported only in the general fund. Fund balance represents the funds not restricted in use by statute nor encumbered by purchase order or legal contract.

**G. Assets, Liabilities and Cash Fund Balances**

Cash – The Center considers all cash on hand and demand deposits to be cash.

Investments - Investments consist of direct obligations of the United States Government and Agencies. All investments are recorded at cost, which approximates market value.

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

If the first payment is not made timely, the entire tax becomes due and payable on January 2. The second half of taxes becomes delinquent on April 1 of the year following the year of assessment. If taxes are delinquent and unpaid for a period of three years or more the real estate may be sold for such taxes.

Uncollected taxes assessed on valuations made each year are recorded in the Center's combined financial statements. Uncollectible personal and real property taxes are deemed to be immaterial because the property can be sold for the amount of taxes due.

Inventories – The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the Technology Center has therefore chosen to report these items as expenditures/expenses at the time of purchase.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements.

All purchased capital assets are valued at cost when historical records exist and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets capitalized have an original cost of \$2,500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful life's are as follows:

Buildings and structures	40 years
Equipment	5-10 years
Vehicles	5-10 years

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

Compensated Absences – The Center's policies regarding accumulated unpaid vacation, sick pay, and other employee benefit amounts permit employees to accumulate varying amounts as determined by board policy and/or provided in employee contracts. Full time employees under a 12 month contract may carryover 35 days of annual leave. Upon termination of employment, reimbursement for annual leave will be based on the unused portion in the current year plus a maximum of 35 days from previous year.

Long-Term Debt – Long-term debt is recognized as a liability of the applicable governmental activities statement on net assets.

H. Revenue, Expenses and Expenditures

Revenues are classified by source as follows:

Local – Revenue from local sources is revenue produced within the Center, which includes ad valorem taxes. It is available for current educational expenses and for other purposes authorized by the Technology Center.

Intermediate – Revenue from intermediate sources is revenue from funds collected by an intermediate administrative unit or political sub-division, like a county or municipality, and redistributed to the Technology Center.

State – Those revenues received from the State, which are dedicated or are appropriated by the State legislature. Some of this aid is restricted for specific purposes.

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

Federal – Revenue from Federal sources is money originating from the Federal government and made available to the Technology Center either as direct grants or under various programs passed-through the State Department of Career & Technology Education.

Expenditures are classified by function as follows:

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Examples of expenditures that might be included here are the activities of teacher assistant of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators, and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objective of instruction, community services and enterprise programs, rather than as entitles within them.

Operation of Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students, staff, and the community.

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

Facilities Acquisition and Construction Services Expenditures – Consist of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

Deferred outflows of resources: Deferred outflows are the consumption of net position by the center that are applicable to a future reporting period. At June 30, 2019, the Center's deferred outflows of resources were comprised of deferred outflows related to pensions and other post-employment benefits.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the center that are applicable to a future reporting period. At June 30, 2019, the Center's deferred inflows of resources were comprised of deferred inflows to pensions and other post-employment benefits.

**2. Deposit Categories of Credit Risk**

Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The Center's investment policies are governed by state statute. Permissible investments include:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the government is pledged.
2. Obligations to the payment of which the full faith and credit of the state is pledged.
3. Certificates of deposits of banks when such certificates of deposits are secured by acceptable collateral as in the deposit of other public monies.
4. Savings accounts or savings certificates of savings and loan associations to the extent that such accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation.
5. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 and 2 of this section including obligations of the United States, its agencies and instrumentalities, and where collateral has been deposited with a trustee of custodian bank in an irrevocable trust or escrow account established for such purposes.
6. County, municipal, or Center direct debt obligations for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality, or Center ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality, or Center is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value.

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**Deposit Categories of Credit Risk (continued)**

7. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States, its agencies and instrumentalities, and investments in those items listed above.
8. Warrants, bonds or judgments of the school Center.
9. Qualified pooled investment programs, the investments of which consist of those items specified above, as well as obligations of the United States agencies and instrumentalities, regardless of the size of the Center's budget. To be qualified, a pooled investment program for school funds must be governed through an Interlocal cooperative agreement formed pursuant to Title 70 Section 5-117b, and the program must competitively select its investment advisors and other professionals. Any pooled investment program must be approved by the Board of Education.

**Custodial Credit Risk:**

Deposits and Investments - The Center's demand deposits are required by law to be collateralized by the amount that is not federally insured. The Center has a written investment policy, which permits investments as authorized by State Statute.

**Interest Rate Risk:**

Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. However, the Center has no formal written policy addressing interest rate risk.

**Credit Risk:**

The Center has no formal written policy addressing credit risk.

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**3. Capital Assets**

A summary of changes in general fixed assets for the year ended June 30, 2019, follows:

	Balance July 1, 2018	Additions	Adjustments	Retirement	Balance June 30, 2019
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 322,902	\$ -	\$ -	\$ -	\$ 322,902
Construction in Process	1,006,909	191,263	(1,006,909)	-	191,263
<b>Total capital assets not being depreciated</b>	<b>\$ 1,329,811</b>	<b>\$ 191,263</b>	<b>\$ (1,006,909)</b>	<b>\$ -</b>	<b>\$ 514,165</b>
Capital assets being depreciated:					
Building Improvements	\$ 22,059,433	\$ -	\$ 1,006,909	\$ -	\$ 22,059,433
Equipment	4,545,080	612,511	(273,395)	-	5,157,591
Vehicles	2,376,579	2,169,915	273,395	-	4,546,494
<b>Total capital assets being depreciated:</b>	<b>28,981,092</b>	<b>2,782,426</b>	<b>1,006,909</b>	<b>-</b>	<b>31,763,518</b>
Less accumulated depreciation:	12,042,071	1,179,477	-	-	13,221,548
<b>Total capital assets being depreciated, net</b>	<b>16,939,021</b>	<b>1,602,949</b>	<b>1,006,909</b>	<b>-</b>	<b>19,548,879</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 18,268,832</b>	<b>\$ 1,794,212</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,063,044</b>

**4. Accounts Receivable**

Accounts receivables of the governmental activities consist of Ad Valorem tax, federal grants, and other miscellaneous revenues. Receivables detail by fund at June 30, 2019, is as follows:

Governmental Funds

	General	Building	Total Governmental
Receivables			
Ad valorem taxes	\$ 706,635	\$ 186,333	\$ 892,968
Interest receivable	17,905	772	18,677
Due from other Governments	339,112	-	339,112
Miscellaneous	147,639	22,538	170,177
<b>Gross Receivables</b>	<b>1,211,291</b>	<b>209,643</b>	<b>1,420,934</b>
Less deferred revenue	591,121	154,974	746,095
<b>Net total receivables</b>	<b>\$ 620,170</b>	<b>\$ 54,669</b>	<b>\$ 674,839</b>

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**5. Interfund Transactions**

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund, or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**6. Employee Retirement System**

Description of Plan

The District participates in the state-administrated Teacher's Retirement System of Oklahoma (the "system"), which is a cost-sharing multiple-employer public employee retirement system. The supervising authority for the management and operation of the System is a 13-member Board of Trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost of living adjustments, death benefits and other benefits to plan members and beneficiaries. Oklahoma State Statutes establish benefit provisions and may be amended only through legislative action. The District has no responsibility or authority for the operation and administration of the system nor has it any liability, except for contribution requirements. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosed measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The matching contribution rate for FY2019 was 7.70%. The District and State are required to contribute 14.5% of applicable compensation. Contributions received by the System from the State of Oklahoma are from its revenues from sales tax, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% and the State of Oklahoma plus the federal contribution contributed the remaining 5.0% during this year. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. The school is required to pay 16.5% for any compensated retired teachers already receiving retirement benefits.

Annual Pension Cost

The Center's total contribution for 2019, 2018, and 2017 were \$1,527,864.82, \$1,447,472 and \$1,452,886, respectively. The Center's total payroll for fiscal year 2018-19 amounted to \$8,829,697.



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**Employee Retirement System (continued)**

On Behalf Contributions

The State of Oklahoma makes retirement contributions each year for teachers employed by Oklahoma School Districts. The contribution amounts are based on the teacher's years of service and amounts paid are prescribed by O.S. 70 Section 17-108.2 subsection A. During fiscal year 2018-19, the State of Oklahoma's contribution was \$61,808. The Center recognized revenue and expenditures of this amount during the year.

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

At June 30, 2019, the Center reported a liability of \$12,408,445 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Center's proportion of the net pension liability was based on the Center's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2018. Based upon this information, the center's proportion was .20529806 percent.

For the year ended June 30, 2019, the Center recognized pension expense of \$935,915. At June 30, 2019, the school district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 857,738
Changes of assumptions	1,163,247	635,555
Net difference between projected and actual earnings on pension plan investments	-	215,698
Changes in proportion	-	457,247
Center contributions during the measurement date	-	13,162
System contributions subsequent to the measurement date	<u>935,915</u>	<u>                    </u>
Total	<u>\$ 2,099,162</u>	<u>\$ 2,179,400</u>

Deferred pension outflows totaling \$652,846 resulting from the Center's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources will be recognized in pension expense over five years. The deferred inflows will be recognized in pension expense using the average expected remaining service life of the plan participants. The average expected remaining life of the plan participants is determined by taking the calculated total future service years of the plan participants divided by the number of people in the Plan including retirees. The total future service years of the plan participants are estimated at 5.59 years at June 30, 2019, and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

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**Employee Retirement System (continued)**

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended,		
2020	\$	263,747
2021		(2,734)
2022		(750,168)
2023		(471,694)
2024		<u>(55,306)</u>
	\$	<u>(1,016,155)</u>

**Actuarial Assumptions** – The total pension liability as of June 30, 2018, was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost method-Entry Age Normal
- Inflation – 2.50 percent
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases-Composed of 3.25 percent wage inflation, including 2.50 percent price inflation, plus a service related component ranging from 0.00 to 8.00 percent based on years of service.
- Investment Rate of Return-7.50 percent
- Retirement Age-Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014
- Mortality 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, scaled at 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 target asset allocation and best estimate of arithmetic expected real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	<u>10.0%</u>	<u>6.1%</u>
Total	<u>100.00%</u>	

\*The Domestic All Cap Equity total expected return is a combination of 3 rates – US Large cap, US Mid Cap and US Small Cap.

\*\*The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered).

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**Employee Retirement System (continued)**

Discount rate – A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2018. 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 total pension liability.

Sensitivity of the Center’s proportionate share of the net pension liability to changes in the discount rate  
The following presents the Center’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Center’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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Center’s proportionate share of the net pension liability	\$ 17,644,062	\$ 12,408,445	\$ 8,025,349

**7. Other Post-Employment Benefits OPEB**

Plan Description – The District as the employer, participates in the Supplemental Health Insurance Program – a cost sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at [www.ok.gov/OTRS](http://www.ok.gov/OTRS)

Benefits Provided – OTRS 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, remitted to the Oklahoma Management Enterprise Services Employees Group Insurance Division, provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions – Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 7; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 1.5% of normal cost, as determined by an actuarial valuation.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2019, the District reported an asset of \$132,675 for its proportionate share of the new OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2018. The District’s proportion of the net OPEB asset was based on the District’s contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2018. Based upon this information, the District’s proportion was 0.20529806% percent.

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

For the year ended June 30, 2019, the District recognized OPEB expense of \$5,941. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$	36,971
Net difference between projected and actual earnings on OPEB plan investments	-		54,966
Changes in proportion	586		-
Contributions during measurement date	6,600		-
District contributions subsequent to the measurement date	5,941		-
<b>Total</b>	<b>\$ 13,127</b>	<b>\$</b>	<b>91,937</b>

The \$13,127 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

	2020	\$	(23,273)
	2021		(23,273)
	2022		(23,273)
	2023		(10,719)
	2024		(3,663)
	Thereafter		(548)
		<b>\$</b>	<b>(84,749)</b>

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**OPEB (continued)**

**Actuarial Assumptions** – The total OPEB liability (asset) as of June 30, 2018, was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost method-Entry Age
- Inflation – 2.50%
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases-Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return-7.50%
- Retirement Age-Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014
- Mortality 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, scaled at 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%.
- Health care trend rate – not applicable as the benefit provided is a set dollar amount not impacted by health care costs.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	<u>100.00%</u>	

\*\* The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered).

**Discount Rate** – A single discount rate of 7.50% was used to measure the total OPRB liability (asset) as of June 30, 2019. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future payments of current plan members. Therefore, the long term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**OPEB (continued)**

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate – The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.5%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's Net OPEB Liability (asset) \$	\$ (46,595)	\$ (132,675)	\$ (206,226)

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at [www.ok.gov/OTRS](http://www.ok.gov/OTRS).

**8. General Long-Term Debt**

State statutes prohibit the Center from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the Center's voters.

At June 30, 2019, the Center had not incurred any debt under these provisions.

**9. Litigation**

The Center is contingently liable for lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the Center at June 30, 2013.

**10. Contingent Liabilities**

The Center receives significant financial assistance from the United States government in the form of grants and other federal assistance. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Center. The Center estimates that no material liabilities will result from such audits.

**11. Risk Management**

The Center 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 Center purchases commercial insurance to cover these risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**12. Surety Bonds**

The treasurer is bonded by Old Republic Surety Co, bond number W150159449, for the sum of \$100,000 for the term of July 1, 2018, to July 1, 2019.

The encumbrance clerk/minutes and activity fund clerk is bonded by Old Republic Surety Co, bond number W150267289, for the sum of \$100,000 for the term of September 1, 2018, to September 1, 2019.

The superintendent is bonded by Old Republic Surety Co., bond number LP02109006, for the penal sum of \$100,000 for the term of July 1, 2018, to July 1, 2019.

The assistant superintendent is bonded by Old Republic Surety Co., bond number W150317585, for the sum of \$100,000 for the term of July 1, 2018, to July 1, 2019.

The payroll clerk is bonded by Old Republic Surety Co., bond number LP02109005 for the sum of \$100,000 for the term of July 1, 2018 to July 1, 2019.

The financial aid officer is bonded by Old Republic Surety Co., bond number W1500267287, for the sum of \$100,000 for September 1, 2018 to September 1, 2019.

**13. Early Retirement Incentive Program**

The Board of Education of Indian Capital Technology Center has approved an Early Retirement Incentive Program. Employees meeting certain criteria of the program receives retirement payments for forty-eight (48) months, or until the retiree attains the age of 65, or until death of retiree, whichever is first to occur. Annual retirement payments are based on 15% of retiree's gross salary to a maximum of \$7,200.00 for the first year of retirement, 90% of that amount for the second year, 80% for the third year and 70% for the fourth year.

At June 30, 2019, the following amounts were outstanding for Early Retirement Incentive.

<u>Fiscal Year</u>	<u>Incentive Payments</u>
2020	79,523
2021	47,111
2022	13,000
2023	12,000
2024	6,000
Thereafter,	<u>7,500</u>
Total	\$ <u><u>159,134</u></u>

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**14. Long-Term Liabilities**

The following is a summary of long-term liabilities of the Center for the year ended June 30, 2019.

		Balance July 1, 2018		Additions		Retirements		Balance June 30, 2019
Compensated Absences	\$	485,350.00	\$	79,625.00	\$	-	\$	564,975.00
Voluntary Retirement Incentive		249,150.00				90,017.00		159,133.00
 Total	 \$	 734,500.00	 \$	 79,625.00	 \$	 90,017.00	 \$	 724,108.00
 Less: Amounts Due Within One Year								 79,523.00
 Total Long-Term Debt								 644,585.00

**15. Tax Abatement**

The State of Oklahoma has authorized by Oklahoma Statute 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 Muskogee has created a TIF district. This TIF district reduces the ad valorem taxes remitted to the Center over the term of the agreements.

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

For the year ended June 30, 2019, abated property taxes were \$17,409.



**COMBINING FINANCIAL STATEMENTS**

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2019**

	Agency Funds		
	Activity Fund	Pell Grant Fund	Total
<b>ASSETS</b>			
Cash	\$ 426,917	\$ -	\$ 426,917
Investments	26,592	-	26,592
Interest receivable	-	-	-
Total assets	\$ 453,509	\$ -	\$ 453,509
<b>LIABILITIES AND NET POSITION</b>			
Liabilities:			
Due to other funds	-	-	-
Due to student organizations	453,509	-	453,509
Total liabilities	\$ 453,509	\$ -	\$ 453,509
Net position			
Unreserved/undesignated	-	-	-
Total liabilities and net position	\$ 453,509	\$ -	\$ 453,509

INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
 STATEMENT OF CHANGES IN PELL GRANT FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019

	Agency Fund	
<b>Revenues</b>		
Local sources		
Interest	-	-
Miscellaneous	-	-
Federal sources		
Pell Grants	1,535,790	1,535,790
Pell Administration Fees	1,490	1,490
<b>Total revenues</b>	<b>\$ 1,537,280</b>	<b>\$ 1,537,280</b>
<b>Expenditures</b>		
Other outlays		
Administration fee	1,490	1,490
Tuition, Books and Fees	540,366	540,366
Student Financial Assistance	995,424	995,424
<b>Total expenditures</b>	<b>\$ 1,537,280</b>	<b>\$ 1,537,280</b>
<b>Excess of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Transfers In(out)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net position, beginning of year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net position, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

**REQUIRED SUPPLEMENTARY INFORMATION**

**INDIAN CAPITAL TECHNOLOGY DISTRICT NO. 4**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Fund balances, beginning of year	\$ 6,314,724	\$ 6,314,724	\$ 6,314,724	\$ -
Revenues:				
Local sources	\$ 10,608,219	\$ 10,608,219	\$ 12,707,814	\$ 2,099,595
Intermediate sources	-	-	-	-
State sources	4,369,325	4,369,325	4,565,806	196,481
Federal sources	287,889	287,889	2,381,459	2,093,570
Non-Revenue sources	-	-	810	810
<b>Total revenues</b>	<u>\$ 15,265,433</u>	<u>\$ 15,265,433</u>	<u>\$ 19,655,889</u>	<u>\$ 4,390,456</u>
Expenditures :				
Instruction	\$ 7,087,012	\$ 7,087,012	\$ 6,772,255	\$ 314,757
Support services	11,663,972	11,663,972	9,953,743	1,710,229
Non-instructional services	756,909	756,909	608,917	147,992
Capital outlay	38,637	38,637	3,857	34,780
Other Outlays	305,248	305,248	129,900	175,348
Other uses	1,704,213	1,704,213	1,663,534	40,679
Repayments	24,166	24,166	7,518	16,648
<b>Total expenditures</b>	<u>\$ 21,580,157</u>	<u>\$ 21,580,157</u>	<u>\$ 19,139,724</u>	<u>\$ 2,440,433</u>
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ -	\$ -	\$ 6,830,889	\$ 6,830,889
Adjustments to prior year encumbrances			<u>315,517</u>	
Other financing sources (uses):				
Operating transfers in/out			-	
Bank charges			-	
<b>Total other financing sources (uses)</b>			<u>-</u>	
Cash fund balance, end of year - Budgetary basis			<u>\$ 7,146,406</u>	
Reconciliation of budgetary basis fund balance with GAAP fund balance				
Budgetary fund balance, June 30, 2019			\$ 7,146,406	
Accounts receivable not recognized as revenue			629,158	
Prepaid insurance, expensed in Budgetary Basis			6,165	
Expenses not recognized in Budgetary Basis			(232,103)	
Expenses not recognized in GAAP Basis			<u>533,448</u>	
GAAP fund balance, end of year			<u>\$ 8,083,074</u>	

**INDIAN CAPITAL TECHNOLOGY DISTRICT NO. 4**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**BUILDING FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Fund balances, beginning of year	\$ 10,451,264	\$ 10,451,264	\$ 10,451,264	\$ -
Revenues:				
Local sources	\$ 2,408,216	\$ 2,408,216	\$ 2,946,999	\$ 538,783
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	<u>\$ 2,408,216</u>	<u>\$ 2,408,216</u>	<u>\$ 2,946,999</u>	<u>\$ 538,783</u>
Expenditures :				
Instruction	\$ 842,891	\$ 842,891	\$ -	\$ 842,891
Support services	1,990,817	1,990,817	538,185	1,452,632
Non-instructional services	-	-	759,529	(759,529)
Capital outlay	1,717,461	1,717,461	-	1,717,461
Other outlays	8,308,311	8,308,311	935,207	7,373,104
Other uses	-	-	-	-
Total expenditures	<u>\$ 12,859,480</u>	<u>\$ 12,859,480</u>	<u>\$ 2,232,921</u>	<u>\$ 10,626,559</u>
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,165,342</u>	<u>\$ 11,165,342</u>
Adjustments to prior year encumbrances			<u>119,958</u>	
Other financing sources (uses):				
Operating transfers in/out			-	
Bank charges			-	
Total other financing sources (uses)			<u>-</u>	
Cash fund balance, end of year - Budgetary basis			<u>\$ 11,285,300</u>	
Reconciliation of budgetary basis fund balance with GAAP fund balance				
Budgetary fund balance, June 30, 2019			\$ 11,285,300	
Taxes & misc. receivable not recognized as revenue			54,669	
Expenses not recognized in Budgetary Basis (accounts payable)			(273,427)	
Expenses not recognized in GAAP basis (reserves)			1,089,208	
GAAP fund balance, end of year			<u>\$ 12,155,750</u>	

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4**  
**MUSKOGEE COUNTY, OKLAHOMA**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**OKLAHOMA TEACHERS RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS\***  
**FOR THE YEAR END JUNE 30, 2019**

	2015	2016	2017	2018	2019
School's Proportion of the net pension liability	0.21787409%	0.21538489%	0.20965792%	0.21382160%	0.20529806%
School's proportionate share of the net pension liability	\$ 11,721,335	13,079,804	17,497,122	14,157,806	\$ 12,408,445
School's covered-employee payroll	\$ 8,453,210	8,325,592	8,437,901	8,211,100	\$ 8,829,697
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139%	157%	207%	172%	141%
Plan fiduciary net position as a percentage of total pension liability	72.43%	70.31%	62.24%	69.32%	72.74%

\*The amounts present for each fiscal year were determined as of 6/30.

**Note to Schedule:**

Information to present a 10 year history is not readily available.

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4**  
**MUSKOGEE COUNTY, OKLAHOMA**  
**SCHEDULE OF THE CONTRIBUTIONS**  
**OKLAHOMA TEACHERS RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS\***  
**FOR THE YEAR END JUNE 30, 2019**

	2016	2017	2018	2019
Contractually required contribution	\$ 856,786	855,582	857,876	891,924
Contributions in relation to the contractually required contribution	856,786	855,582	857,876	891,924
Contribution deficiency (excess)	-	-	-	-
School's covered-employee payroll	\$ 9,018,786	9,006,114	9,030,263	9,388,672
Contributions as a percentage of covered-employee payroll	9.50%	9.50%	9.50%	9.50%

Notes to Schedule:  
 Information to present a 10 year history is not readily available.



**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4**  
**MUSKOGEE COUNTY, OKLAHOMA**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)**  
**SUPPLEMENTAL HEALTH INSURANCE PROGRAMS**  
**LAST TEN FISCAL YEARS\* (DOLLAR AMOUNTS IN THOUSANDS)**  
**FOR THE YEAR END JUNE 30, 2019**

	2018	2019
District's portion of the net OPEB liability (asset)	0.21382900%	0.20529806%
District's proportionate share of the net OPEB liability (asset)	\$ (95,355)	\$ (132,675)
District's covered payroll	\$ 8,211,100	\$ 8,829,697
District's proportionate share of the new OPEB liability (asset) as a percentage of its Covered-employee payroll	1.16%	1.50%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%	115.40%

\*The amount present for each fiscal year were determined as of 6/30

**Notes to Schedule:**

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

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4**  
**MUSKOGEE COUNTY, OKLAHOMA**  
**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**  
**SUPPLEMENTAL HEALTH INSURANCE PROGRAMS**  
**LAST TEN FISCAL YEARS\* (DOLLAR AMOUNTS IN THOUSANDS)**  
**FOR THE YEAR END JUNE 30, 2019**

	2017	2018	2019
Contractually required contribution	\$ 13,777	\$ 13,824	\$ 13,127
Contributions in relation to the contractually required contribution	13,777	13,824	13,127
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 8,437,901	8,211,100	\$ 8,829,697
Contributions as a percentage of covered-payroll	0.16%	0.16%	0.14%

**Notes to Schedule:**

Only the current and prior two (2) fiscal years are presented because 10-year data is not yet available.

**SUPPLEMENTARY INFORMATION**

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
SCHEDULE OF FEDERAL AWARDS EXPENDED  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Grantor's Number
<u>U.S. Department of Education</u>		
Direct Programs:		
<u>2018-2019 Programs</u>		
* Pell Grant	84.063	PO63P183286
* Pell Admin	84.063	P063Q183286
Sub-Total		
Passed-Through State Department of Career and Technology Education		
<u>2018-2019 Programs</u>		
* Carl Perkins Secondary	84.048	N/A
Sub-Total		
<u>2018-2019 Programs</u>		
Bid Assistance Center	12.002	N/A
Sub-Total		
Passed -Through State Department of Career and Technology Education		
<u>2018-2019 Programs</u>		
Temporary Assistance for Needy Families	93.558	N/A
Sub-Total		
 <b>TOTAL FEDERAL ASSISTANCE</b>		

The accompanying notes are an integral part of this schedule.

<u>Balance at July 1, 2018</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2019</u>
\$ -	\$ 1,535,790	\$ 1,535,790	\$ -
<u>-</u>	<u>1,490</u>	<u>1,490</u>	<u>-</u>
\$ -	\$ 1,537,280	\$ 1,537,280	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ 287,889	\$ 287,889	\$ -
<u>-</u>	<u>287,889</u>	<u>287,889</u>	<u>-</u>
\$ -	\$ 12,951	\$ 12,951	\$ -
<u>-</u>	<u>12,951</u>	<u>12,951</u>	<u>-</u>
\$ -	\$ 254,885	\$ 254,885	\$ -
<u>-</u>	<u>254,885</u>	<u>254,885</u>	<u>-</u>
\$ -	\$ 2,093,005	\$ 2,093,005	\$ -
<u>-</u>	<u>2,093,005</u>	<u>2,093,005</u>	<u>-</u>

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

1. For all federal programs, the Center uses the fund types prescribed by the Oklahoma State Department of Career and Technology Education and conforms to the system of accounting authorized by the State of Oklahoma. The General Fund is used to account for resources restricted, or designated for, specific purposes by a grantor. Student Financial Assistance funds are transacted through a separate Pell Grant Fund, which the Center has classified as an Agency fund. Agency Funds are considered Fiduciary Fund types.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial measurement focus. All Federal grant funds were accounted for in the General and Agency Funds. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenue in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

3. Reconciliation of the Schedule of Expenditures of Federal Awards to Statement of Revenue, Expenditures and Changes in Fund Balance is as follows:

Total Federal Revenue as reflected on		
"Schedule of Federal Awards Expended"	\$	<u>2,093,005</u>
Total Federal Revenue as reflected on		
"Statement of Revenue, Expenditures and Changes In Fund Balance"	\$	<u>2,093,005</u>
Reconciled Total	\$	<u>2,093,005</u>

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
SCHOOL ACTIVITY FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND SUB-ACCOUNT BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

Activities	Balance 7-1-18	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-19
Skills USA Dues	\$ 2,498.49	\$ 7,278.24	\$ -	\$ 7,554.00	\$ 2,222.73
Skills USA Fundraisers	420.00	-	-	-	420.00
HOSA Dues	2,515.05	3,418.68	459.00	3,723.00	2,669.73
HOSA Fundraisers	851.45	230.50	-	-	1,081.95
FCCLA Dues	-	632.41	-	628.00	4.41
BPA Fundraisers	1,168.57	1,288.68	(248.00)	1,112.01	1,097.24
BPA Dues	868.60	1,539.80	304.00	1,680.00	1,032.40
RAD Tech Activities	5,292.40	9,981.28	-	11,119.36	4,154.32
Cafeteria	30.00	131,885.86	1,202.29	130,355.46	2,762.69
Automotive Y.E.S.	435.00	-	(435.00)	-	-
Interest-Citifund	26.43	-	9.08	-	35.51
Miscellaneous	12,294.83	6,297.45	1,430.00	7,090.07	12,932.21
Refund Tuition/Books	-	135,780.95	4,144.75	139,865.70	60.00
Scholarship Fund	4,558.52	-	-	-	4,558.52
Scholarship Fund-Wilson	17,519.67	-	-	-	17,519.67
Scholarship Fund-Sallisaw	560.62	-	-	-	560.62
Scholarship Fund-Tahlequah	353.52	-	-	-	353.52
Scholarship Fund-C. Williams	4,696.84	-	-	250.00	4,446.84
Scholarship Fund-Stilwell	614.98	-	-	-	614.98
Scholarship Fund-Carpentry	4,103.08	845.00	(845.00)	-	4,103.08
Scholarship Fund-Home Builder	750.00	-	-	-	750.00
Health Certification	145,741.73	54,039.06	(11,155.00)	17,084.50	171,541.29
Paraprofessional Certification	2,669.04	455.00	-	775.00	2,349.04
Student Certification	837.50	3,853.56	4,000.00	1,778.00	6,913.06
CPR-First Aid Certification	1,274.63	1,518.00	-	965.00	1,827.63
OSHA 10 Certification	40.00	225.00	-	200.00	65.00
Citifund	26,186.22	-	-	-	26,186.22
Practical Nursing Activities	39,960.57	60,059.71	(10,000.00)	56,837.13	33,183.15
Surg Tech Activities	12,983.91	4,821.00	-	1,993.73	15,811.18
Occupational Therapy Activities	11,800.52	14,169.00	-	5,484.87	20,484.65
Physical Therapy Student Act	8,510.00	17,706.38	-	6,413.08	19,803.30
Student Activities	29,389.83	24,652.55	(176.00)	19,324.56	34,541.82
Student Meals	14,618.64	-	23,037.73	13,656.13	24,000.24
A-Team	3,189.82	-	(929.22)	1,027.19	1,233.41
Board Activities	824.63	-	2,080.00	2,083.21	821.42
Employee Insurance	5,926.03	671.75	59.52	692.57	5,964.73
Technology Superintendents	-	-	-	-	-
Oklahoma Health Care Coalitior	14,889.51	-	-	-	14,889.51
Student Financial	2,565.50	136,749.75	500.00	132,756.75	7,058.50
Gene Haas Scholarship	3,004.10	-	10,000.00	7,550.00	5,454.10
<b>Total Activities</b>	<b>\$ 383,970.23</b>	<b>\$ 618,099.61</b>	<b>\$ 23,438.15</b>	<b>\$ 571,999.32</b>	<b>\$ 453,508.67</b>

**REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**



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Broken Arrow, OK 74012  
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FAX Number (918) 250-9853

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## 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  
Indian Capital Technology Center No. 4  
Muskogee 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, each major fund, and the aggregate remaining fund information of Indian Capital Technology Center No. 4, Muskogee County, Oklahoma (Center), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center's financial statements, and have issued my report thereon dated February 11, 2020.

### **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Center'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 Center's internal control. Accordingly, I do not express an opinion on the effectiveness of the Center'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.

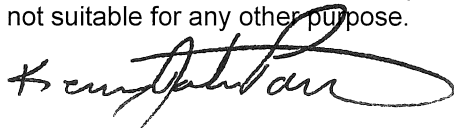
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify 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 Center'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 11, 2020

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## 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 THE UNIFORM GUIDANCE

The Honorable Board of Education  
Indian Capital Technology Center No. 4  
Muskogee County, Oklahoma

### Report on Compliance for Each Major Federal Program

I have audited the compliance of Indian Capital Technology Center No. 4, Muskogee County, Oklahoma (Center'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 Center's major federal programs for the year ended June 30, 2019. The Center'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 Center'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; the standards applicable to financial audits contained 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 Center'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 Center's compliance.

### Opinion on Each Major Federal Program

In my opinion, Indian Capital Technology Center, No. 4 Muskogee 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, 2019.

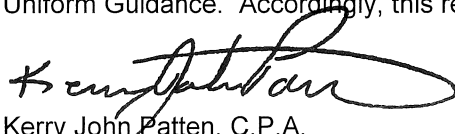
## Report on Internal Control Over Compliance

Management of Indian Capital Technology Center No. 4, Muskogee County, Oklahoma (Center), 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 Center'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 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 Center'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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Kerry John Patten, C.P.A.  
Broken Arrow, OK  
February 11, 2020

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Indian Capital Technology Center.
2. There were no audit findings reported as a deficiency 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 Indian Capital Technology Center which would be required to be reported in accordance with Government Auditing Standards were disclosed in 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. standards.
5. The auditor's report on compliance for the major federal award programs for Indian Capital Technology Center expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to major federal award programs for Indian Capital Technology Center that are required to be reported in accordance with Uniform Guidance.
7. The programs tested as major programs included: Pell (84.063) and Carl Perkins (84.048).
8. The threshold for distinguishing Types A and B programs was \$750,000.00.
9. Indian Capital Technology Center did qualify as a low risk auditee.

**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.

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
SUMMARY OF PRIOR AUDIT FINDINGS  
JULY 1, 2018 TO JUNE 30, 2019**

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.

2018.1

**Significant Deficiency:**

The Center does not appear to have effective controls or procedures in place to provide reasonable assurance that all monies collected within the activity fund daytime account are being deposited.

While reviewing the activity fund daytime collections from the Muskogee Campus we noted a difference of funds received by the receipt books and the deposit slips.

The total funds per the activity fund receipt books totaled \$723,138.13, while the deposit slips totaled \$678,980.94. This amounts to a difference of \$44,157.19 which appears to have been received, but not deposited. Additionally, there were two checks totaling \$34.25 that were deposited but not receipted.

While the daytime collections employee prepares a monthly remittance submitted to the treasurer and the remittance is reconciled to the bank deposits, the receipts are not reconciled to the remittance.

The District issued policies and procedures to ensure measurers were followed to address the above Significant Deficiency.

**Recommendation:**

Management should adopt procedures requiring all receipts written each month be submitted with the monthly remittance, these two should be reconciled to determine all monies received were properly deposited. All receipts should be completely filled out listing the amount of cash, checks, credit card charges, and money orders for each collected. The secretaries should list receipt numbers on each deposit slip for the monies being deposited, as well as noting on the last receipt making up a deposit the date and amount of the deposit. Management should review all financial reports each month, as well as periodically reviewing receipt books and deposit slips.

**Current Status:**

The recommendation was adopted in FY18-19. No similar finding were noted in FY2019 audit.

**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF COMMENTS  
JULY 1, 2018 TO JUNE 30, 2019**

Based on my tests of accounting records and related procedures, I found nothing to indicate that Indian Capital Technology Center No. 4 had not complied with significant compliance rules and regulations of the Oklahoma State Department of Career & Technology Education.

Previous Year's Audit Comments

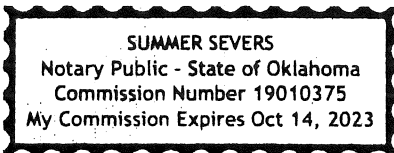
There were no items in the school's 2017-18 audit report, which required correction.

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

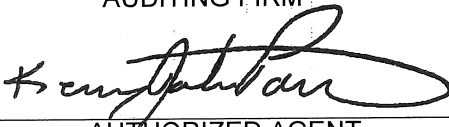
**INDIAN CAPITAL TECHNOLOGY CENTER NO. 4  
MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2018 TO JUNE 30, 2019**

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 Indian Capital Technology Center for the audit year 2018-19.



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

BY   
AUTHORIZED AGENT

Subscribed and sworn to before me on this  
11<sup>th</sup> day of February, 2020

  
NOTARY PUBLIC

My commission expires on:  
14<sup>th</sup> day of October, 2023