

ANNUAL FINANCIAL REPORT
MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY, OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

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

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY, OKLAHOMA
SCHOOL CENTER OFFICIALS
JUNE 30, 2016**

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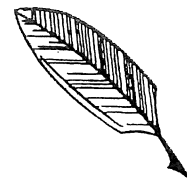
MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY, OKLAHOMA
JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Meridian Technology Center No. 16
Stillwater, 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 Meridian Technology Center No. 16, Payne County, Oklahoma, as of and for the year ended June 30, 2016, 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 Meridian Technology Center No. 16 as of June 30, 2016, 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.

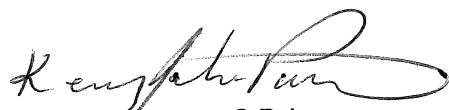
Other Supplementary Information

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, 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 27, 2017, on my consideration of Meridian Technology Center No.16, Payne 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 27, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MERIDIAN TECHNOLOGY CENTER
Management's Discussion and Analysis (MD&A)
June 30, 2016

This section of Meridian Technology Center's annual financial report presents discussion and analysis of Meridian Technology Center's financial performance during the fiscal year ended June 30, 2016. To fully understand Meridian Technology Center's financial performance, read it in conjunction with the basic financial statements and the notes to the financial statements.

ORGANIZATION

Meridian Technology Center School District 16 is a political subdivision of the Oklahoma Department of Career and Technology Education. The school is located in Stillwater, Oklahoma and operates under the local control of a five member board of education with a designated chief executive officer. The Meridian Technology Center School District includes portions of five counties, Lincoln, Logan, Noble, Pawnee and Payne, and includes the public school districts of Agra, Carney, Glencoe, Guthrie, Morrison, Mulhall-Orlando, Pawnee, Perkins-Tryon, Perry and Stillwater.

The district offers three basic types of instruction, Full Time Programs, Adult and Career Development and Business and Industry Services, as well as entrepreneurial services offered through the Center for Business Development. The full time programs division includes 62 career major offerings designed to lead to industry certifications, licenses, employment and/or continuing education. The course offerings in the Adult and Career Development instruction are designed to enhance knowledge of specific topics, while the Business and Industry Services division strives to meet the training and development needs of business and industry. The Center for Business Development provides customized support, education and training for entrepreneurs and small businesses in the district.

FINANCIAL STATEMENTS

The financial statements consist of three parts: management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of Meridian Technology Center. The first two statements, pages 11 and 12, are district-wide financial statements, the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about Meridian Technology Center's overall financial status.

The remaining statements are fund financial statements, pages 13-15, that focus on individual parts of Meridian Technology Center's operations in more detail than the district-wide statements. The governmental fund statements tell how basic services were financed in the short term as well as what remains for future spending. The governmental funds are the General Fund, and Special Revenue or Building Fund.

The financial statements also include notes, beginning on page 16, that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains the financial statements.

MERIDIAN TECHNOLOGY CENTER
Management's Discussion and Analysis (MD&A)
June 30, 2016

OVERVIEW OF FINANCIAL STATEMENTS

District-Wide Statements

The district-wide statements report information about Meridian Technology Center as a whole. The Statement of Net Position includes all of the district's assets and liabilities, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities.

The two district-wide statements report Meridian Technology Center's net position and how they have changed. Net position, the difference between Meridian Technology Center's assets and liabilities, is one way to measure Meridian Technology Center's financial health or position.

Over time, increases or decreases in Meridian Technology Center's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall financial health of Meridian Technology Center, you need to consider additional factors, such as changes in the ad valorem valuation and the projected student enrollment.

Fund Financial Statements

Meridian Technology Center's fund financial statements provide detailed information about each fund – not Meridian Technology Center as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs; state law requires certain funds.

- Governmental funds – Most of Meridian Technology Center's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. The governmental fund statements provide a detailed short-term view of Meridian Technology Center's operations and the services it provides.
- Fiduciary funds - Meridian Technology Center is the trustee, or fiduciary, for assets that belong to others, such as student activity funds. Meridian Technology Center is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Meridian Technology Center excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

MERIDIAN TECHNOLOGY CENTER
Management's Discussion and Analysis (MD&A)
June 30, 2016

FINANCIAL ANALYSIS OF MERIDIAN TECHNOLOGY CENTER AS A WHOLE

Net Assets

Meridian Technology Center's total assets remained constant from fiscal year 2015 to fiscal year 2016. Although current assets increased slightly over the previous year, due to an increase in cash and cash equivalents, capital assets decreased slightly. As has been Meridian's business practice, the district utilizes cash and investments rather than the issuance of bonds for construction or expansion projects. Because no construction projects were in process, the district was able to allow cash and investments in the building fund to begin accumulating in order to fund future construction projects.

Total liabilities remained substantially unchanged from the previous year, however unrestricted net assets increased approximately \$2.6 million as a result of the overall net impact of pension adjustments required by the June 30, 2015 adoption of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires that historical differences between projected and actual earnings on pension plan investments be deferred and recognized in expense in future years.

The increase in deferred outflows of resources of \$596,532 is primarily attributed to the deferral to a future year of the expense related to pension payments made by Meridian Technology Center in 2016 and changes in actuarial assumptions.

The decrease in deferred inflows of resources of approximately \$1.2 million in fiscal year 2016 compared to fiscal year 2015 is primarily due to differences between expected and actual experiences and investment earnings related to pension.

	Net Assets	
	FY2016	FY2015
Current Assets	\$12,158,923	\$11,374,722
Net Capital Assets	\$20,174,478	\$20,800,787
Total Assets	\$32,333,401	\$32,175,509
Deferred Outflow of Resources	\$1,290,304	\$693,772
Current Liabilities	\$268,950	\$1,346,307
Long term Liabilities	\$10,263,179	\$9,157,777
Total Liabilities	\$10,532,129	\$10,504,084
Deferred Inflow of Resources	\$1,017,709	\$2,285,640
Net Assets Invested in Capital Assets		
Net of Related Debt	\$20,174,478	\$20,800,788
Restricted	\$0	\$0
Unrestricted	\$1,899,389	\$(721,228)
Total Net Assets	\$22,073,867	\$20,079,560

See disclaimer in Auditors' opinion

MERIDIAN TECHNOLOGY CENTER
Management's Discussion and Analysis (MD&A)
June 30, 2016

Net Assets (continued)

Since the majority of Meridian Technology Center's net assets are invested in capital assets (buildings, land, and equipment), the remaining net assets are unrestricted and are used to fund cash flow needs, as well as accumulating in the Building Fund for future expansion plans.

Statement of Activities

The result of this year's operations as a whole are reported in the Statement of Activities. The largest general revenue category is property taxes (ad valorem).

The information below, from the Statement of Activities, page 12, shows the sources of revenues and expenses, resulting in the change in net assets.

Changes in Net Position		
Revenues		
Program Revenues	FY 2016	FY 2015
Charges for Services	\$1,773,927	\$1,995,373
Operating Grants & Contributions	\$520,094	\$925,105
General Revenues		
Property & Other Taxes	\$11,290,798	\$11,267,582
Federal and State Aid	\$2,777,116	\$3,025,326
Interest and Investment Earnings	\$54,516	\$28,943
Miscellaneous	\$77,503	\$55,615
Total Revenues	\$16,493,954	\$17,297,944
Expenses		
Instruction	\$5,633,799	\$5,512,725
Instructional Support Services	\$2,645,773	\$2,776,261
Support Services- Operational	\$4,162,274	\$4,352,645
Non-Instructional	\$524,391	\$609,884
Other Outlays	\$0	\$0
Other Uses	\$107,5672	\$107,226
Capital Outlays	\$74,549	\$144,316
Repayments	\$0	\$563,164
Depreciation - Unallocated	\$1,351,188	\$1,336,281
Total Expenses	\$14,499,646	\$15,402,502
Gain/Loss of Fixed Asset Disposal	\$0	\$0
Increase (decrease) in net position	\$1,994,308	\$1,859,442

MERIDIAN TECHNOLOGY CENTER
Management's Discussion and Analysis (MD&A)
June 30, 2016

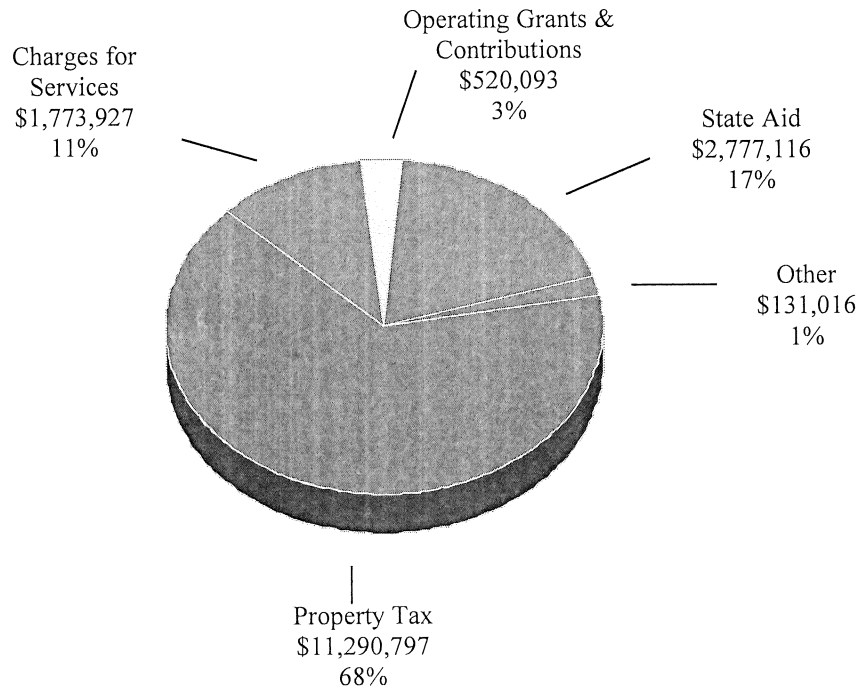
Meridian Technology Center experienced a decrease, approximately 5%, of total revenues during fiscal year 2016. The decrease resulted primarily from decreased state funding for both operations and specific grants. Due to State of Oklahoma budget shortfall and revenue failures, formula funding was cut mid-year and funds were not available, as in previous years, for special projects such as Training for Industry Programs and customized training. However, Meridian Technology Center was able to maintain local revenue sources such as tuition, fees and ad valorem taxes, as well as contain expenditures.

Although no new initiatives were started during fiscal year 2016, Meridian Technology Center was able to continue the initiatives started in fiscal year 2015, including the Adult Basic Education program, a Career Development project designed to reach a younger age population of students to assist with career exploration and development, and the implementation of a BioMedial program utilizing the Project Lead the Way curriculum, as a preparation for college academics.

By the nature of funding for technology centers, the sources of revenue remain relatively constant from year to year. However, as mentioned above, Meridian Technology Center continues to experience decreases in state aid. State aid from formula operations has decreased from 23% of total revenues in FY2008 to 17% of total revenues in FY2016, coupled with the decrease in state operating grants and contributions from 7% of total revenues to 3.5% during the same period. Property taxes, considered a local funding source and the district's largest funding source, continue to increase from 64% of total income in fiscal year 2015 to 68% in fiscal year 2016. Consequently, in fiscal year 2016, 80% of Meridian Technology Center's total revenues were derived from local sources.

MERIDIAN TECHNOLOGY CENTER
Management's Discussion and Analysis (MD&A)
June 30, 2016

**Sources of Revenue
For Fiscal Year 2016**



FINANCIAL ANALYSIS OF MERIDIAN TECHNOLOGY CENTER'S FUNDS

At June 30, 2016, Meridian Technology Center's governmental funds reported combined revenues of \$16,368,223 compared to \$17,075,528 at June 30, 2015; with the decrease resulting from state sources. The primary source of revenue for the governmental funds is property tax (ad valorem). The property tax is not received evenly throughout the fiscal year, with the majority of property tax revenues received between December 15th and March 31st of each year. The governmental funds must carry forward a fund balance large enough to finance the negative cash flow during the first five months of each fiscal year.

General Fund

The General Fund balance is set at a level to fund the cash flow needs of the first half of the fiscal year. The district received a decrease in unrestricted funds for operations from state aid and federal restricted sources, but realized an increase of revenue from local sources.

MERIDIAN TECHNOLOGY CENTER
Management's Discussion and Analysis (MD&A)
June 30, 2016

Building Fund

Meridian Technology Center has managed the Building Fund balance in order to fund remodel, expansion, and construction projects of the technology center without the need for a school bond. Although the district is allowing the building fund to accumulate in order to fund future projects, due to decreased state funding the district has utilized building funds for limited operational expenditures.

BUDGETARY HIGHLIGHTS

Meridian Technology Center prepares budgets in compliance with Oklahoma statutes. The preliminary budget is prepared prior to the beginning of the school year when certain factors are uncertain, such as the final net assessed property values. The budget was approved with a general fund budget of \$15,358,286, however the district experienced cuts to state funding in the amount of approximately \$109,000 partially offset by an additional allocation for the state Training for Industry Programs and federal funding for Adult Basic Education totaling almost \$39,000.

CAPITAL ASSETS

At June 30, 2016, Meridian Technology Center had \$20,174,478 invested in a broad range of capital assets including land, school buildings, furniture and equipment, infrastructure, and vehicles. Although the district invested approximately \$721,000 in capital assets, net capital assets decreased slightly due to depreciation.

FACTORS IMPACTING MERIDIAN TECHNOLOGY CENTER'S FUTURE

The district continues to analyze and assess opportunities to increase local funding sources, in anticipation of continuing declines in state aid. Previous legislation capping the annual increase of assessed value of some properties could also affect the future growth of ad valorem revenue. However, Meridian Technology Center is financially positioned so that possible reductions, whether ad valorem or state funding, will not have an immediate adverse impact on the District's future operations. Meridian Technology Center will continue to upgrade equipment and facilities as appropriate for technology training, and will continue to cautiously consider purchases.

CONTACTING MERIDIAN TECHNOLOGY CENTER FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents, students and creditors with a general overview of Meridian Technology Center's finances and to show accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Superintendent's Office, Meridian Technology Center, 1312 South Sangre Road, Stillwater, OK 74074.

MERIDIAN TECHNOLOGY CENTER
Management's Discussion and Analysis (MD&A)
June 30, 2016

FACTORS IMPACTING MERIDIAN TECHNOLOGY CENTER'S FUTURE

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

MERIDIAN TECHNOLOGY CENTER NO. 16
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 11,423,396
Property tax receivable	541,871
Interest receivable	25,452
Due from other governments	90,853
Due from other entities	10,832
Due from activity fund	58,685
Prepaid insurance	7,834
Capital assets	
Construction in Progress	12,764
Land	338,447
Other capital assets, net of accumulated depreciation	<u>19,823,267</u>
Total Assets	<u>\$ 32,333,401</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>	
Deferred pension expense	\$ 1,290,304
<u>LIABILITIES</u>	
Current liabilities	
Accounts payable	\$ 215,070
Wages payable	33,820
Current portion of long-term liabilities	20,060
Long-term liabilities	
Non-current portion of long-term liabilities	266,510
Net pension liability	<u>9,996,669</u>
Total Liabilities	<u>\$ 10,532,129</u>
<u>DEFERRED INFLOW OF RESOURCES</u>	
Deferred inflows of resources related to pensions	\$ 1,017,709
<u>NET POSITION</u>	
Invested in Capital Assets, net of related debt	\$ 20,174,478
Unrestricted	<u>1,899,389</u>
Total Net Position	<u><u>\$ 22,073,867</u></u>

The accompanying notes are an integral part of these financial statements.

MERIDIAN TECHNOLOGY CENTER NO. 16
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2016

	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net (Expenses) Revenue and Changes in Net Assets
Governmental Activities:					
Instruction	\$ (5,633,799)	\$ 865,866	\$ 260,975	\$ -	(4,506,958)
Support Services - Instructional	(2,645,773)	251,149	259,119	-	(2,135,505)
Support Services - Operational	(4,162,274)	656,912	-	-	(3,505,362)
Non Instructional	(524,391)	-	-	-	(524,391)
Other Uses	(107,672)	-	-	-	(107,672)
Capital Outlay	(74,549)	-	-	-	(74,549)
Depreciation - Unallocated	(1,351,188)	-	-	-	(1,351,188)
Governmental Activities	\$ (14,499,646)	\$ 1,773,927	\$ 520,094	\$ -	(12,205,625)

General revenues

Taxes:

Property taxes, levied for general purposes \$ 11,285,992

Other Taxes 4,805

Federal and State aid not restricted to specific purposes: 2,777,116

General -

Interest and investment earnings 54,516

Miscellaneous 77,504

Total general revenues 14,199,933

Changes in net position 1,994,308

Net position - beginning 20,079,559

Net position - ending \$ 22,073,867

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**MERIDIAN TECHNOLOGY CENTER NO. 16
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Building Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 3,470,701	\$ 7,952,696	\$ 11,423,397
Property taxes receivable	361,171	180,700	541,871
Interest receivable	25,452	-	25,452
Due from other governments	101,319	366	101,685
Due from activity fund	58,685	-	58,685
Prepaid insurance	7,834	-	7,834
Total assets	<u>\$ 4,025,162</u>	<u>\$ 8,133,762</u>	<u>\$ 12,158,924</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 160,122	\$ 54,947	\$ 215,069
Accrued wages payable	31,611	2,209	33,820
Deferred revenue	245,465	122,819	368,284
Total liabilities	<u>\$ 437,198</u>	<u>\$ 179,975</u>	<u>\$ 617,173</u>
Fund balances:			
Nonspendable Fund Balances:			
Prepaid Items	\$ 7,834	\$ -	\$ 7,834
Restricted Fund Balances:			
<i>Restricted by Statute</i>	-	6,738,342	6,738,342
Committed Fund Balances:			
<i>Contractual Obligations</i>	344,532	1,215,445	1,559,977
Assigned Fund Balances:			
<i>Other Assigned Fund Balances</i>	-	-	-
Unassigned	<u>3,235,598</u>	<u>-</u>	<u>3,235,598</u>
Total Fund Balances	<u>\$ 3,587,964</u>	<u>\$ 7,953,787</u>	<u>\$ 11,541,751</u>
Total Liabilities and Fund Balances	<u>\$ 4,025,162</u>	<u>\$ 8,133,762</u>	

Reconciliation to the Statement of Net Position

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 \$37,406,344 and accumulated depreciation is \$17,231,865. 20,174,478

Long-Term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term liabilities at year-end consist of:
Compensated Absences (286,570)

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. 368,284

Deferred outflows and inflows of resources related to pensions and applicable to future periods and, therefore not required in funds 272,595

Net pension obligations are not due and payable in the current period and, therefore are not reported in the funds. (9,996,671)

Total Net Position \$ 22,073,867

The accompanying notes are an integral part of these financial statements

MERIDIAN TECHNOLOGY CENTER NO. 16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Local sources	\$ 9,345,138	\$ 3,721,071	\$ 13,066,209
Intermediate sources	-	-	-
State sources	3,040,989	1,906	3,042,895
Federal sources	<u>259,119</u>	<u>-</u>	<u>259,119</u>
Total revenues	\$ <u>12,645,246</u>	\$ <u>3,722,977</u>	\$ <u>16,368,223</u>
Expenditures:			
Instructional	\$ 5,557,024	\$ 661,828	\$ 6,218,852
Support services - Instructional	2,825,652	3,379	2,829,031
Support services - Operational	3,798,110	824,439	4,622,549
Non-instructional	538,314	-	538,314
Capital outlay	-	312,540	312,540
Other uses	107,531	-	107,531
Repayments	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	\$ <u>12,826,631</u>	\$ <u>1,802,186</u>	\$ <u>14,628,817</u>
Excess of revenues over (under) expenditures	\$ <u>(181,385)</u>	\$ <u>1,920,791</u>	\$ <u>1,739,406</u>
Other financing sources (uses):			
Bank charges	\$ <u>(141)</u>	\$ <u>-</u>	\$ <u>(141)</u>
Excess of revenues and other sources of funds over (under) expenditures and other financing sources (uses)	\$ <u>(181,526)</u>	\$ <u>1,920,791</u>	\$ <u>1,739,265</u>
Fund balance, beginning of year	\$ <u>3,769,490</u>	\$ <u>6,032,996</u>	\$ <u>9,802,486</u>
Fund balance, end of year	\$ <u><u>3,587,964</u></u>	\$ <u><u>7,953,787</u></u>	\$ <u><u>11,541,751</u></u>

The accompanying notes are an integral part of these financial statements

MERIDIAN TECHNOLOGY CENTER NO. 16
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, 2016

Net change in fund balances - governmental funds	\$ 1,739,265
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 assets 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	\$ 724,879
Depreciation expense	<u>(1,351,188)</u>
	(626,309)
Governmental funds report district pension contributions as expenditures. However, the Statement of Activities reports the cost of pension benefits earned net of employee contributions as pension expense.	709,725
Expenses for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	45,897
Property taxes receivable will be collected this year, but are not available soon enough to pay current period's expenditures, therefore they are counted as deferred in flows of revenue. They are however, recorded as revenue in the statement of activities.	<u>125,730</u>
Change in Net Position of Governmental Activities	<u>\$ 1,994,308</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

1. Summary of Significant Accounting Policies

The financial statements of the Meridian Technology Center No. 16 (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 Center has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. 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 2015 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 assets 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:

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS - GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

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 the Foundation and Incentive Aid Program. 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.

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

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.

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 90 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.

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

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. Net Assets and Fund Balance

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

Investment in Fixed Assets (net of related debt) – is intended to reflect the portion of net assets, which are 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 Assets – 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 assets 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 Assets – represent unrestricted liquid assets.

Governmental Fund Financial Statements – The District 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 District 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 District'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.

The District commits a portion of the fund balance to honor the commitments made by the District 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 District 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.

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

The District 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.

F. Assets, Liabilities and Cash Fund Balances

Cash – Cash consists of currency and checks on hand and demand deposit accounts with banks and other financial institutions.

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 lives are as follows:

Buildings and structures	40 years	Improvements	Remaining Life
Equipment	3-20 years	Furniture and fixtures	10 years

Compensated Absences – A twelve-month salaried employee excluding directors, chief financial officer, deputy superintendent, superintendent and assistant superintendent is eligible for ten (10) days paid vacation each year accrued at the rate of 6.7 hours per month. Directors, chief financial officer, deputy superintendent, assistant superintendents and the superintendent are eligible for twelve (12) days paid vacation each year accrued at the rate of 8 hours per month.

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

Vacation days can be accumulated and carried forward one fiscal year and must be used by July 31 of the subsequent fiscal year. Upon retirement or termination, the Center will purchase any leave accumulated under policy guidelines. The Center accrues vacation leave when the benefits are earned and it is probable that the employee will be compensated through paid time off or some other means.

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

Fund Equity – Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

G. 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 - Instructional 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 entities within them.

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

Support Services - Operational Expenditures – Activities that support the overall administration of the district, the operation and maintenance of the plant and student transportation.

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

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.

Repayment Expenditures – Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayments, non-qualified expenditures, and other refunds to be repaid from Center funds.

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, 2016, the center's deferred outflows of resources were comprised of deferred outflows related to pensions.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the center that are a future reporting period. At June 30, 2016, the center's deferred inflows of resources were comprised of deferred inflows to pensions.

New accounting pronouncements adopted in fiscal year 2016: The center adopted the following new accounting pronouncement during the year ended June 30, 2016:

Statement No. 72, Fair value Measurement and Application (GASB No. 72) was issued in February 2015 and requires investments to be measured at fair value. Investments are defined as any security or other asset that (a) the government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. The statement requires measurement at acquisition value for donated capital assets, donated works of art, historical treasures and similar assets and capital assets received in a service concession arrangement. This statement is effective for financial statements for periods beginning after June 15, 2015.

Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

New accounting pronouncements issued not yet adopted: The GASB has also issued several new accounting pronouncements which will be effective for the center in future fiscal years. A description of the new accounting pronouncements and the centers consideration of the impact of these pronouncements are described below:

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB No. 73) was issued in June 2015, will be effective for the vocational technical centers beginning with its fiscal year ending June 30, 2016. Those provisions of the statement that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective beginning with fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans (GASB No. 74) was issued in June 2015 and replaces Statements No. 43 Financial Reporting for Postemployment Benefits Plans Other than Pension Plans, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The provisions of Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB No. 75) was issued in June 2015, will be effective for the center beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

Statement No. 77, Tax Abatement Disclosures, issued August 2015, will be effective for the District beginning with its fiscal year ending June 30, 2017. This statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosure about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

Statement No. 82, Pension Issues, issued April 2016, is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statement No.67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

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 school district 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 school district 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 school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value.
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 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.

Securities pledged as collateral are held by a third party or Federal Reserve Bank. Joint custody safekeeping receipts are held in the name of the depositing institution, but are pledged to the Center. The security cannot be released, substituted, or sold without the Treasurer's approval and release of the security.

Certificates of deposit are collateralized at least by the amount not federally insured. As of June 30, 2016, the Center had no deposits exposed to custodial credit risk.

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Deposit Categories of Credit Risk (continued):

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 District has no formal written policy addressing interest rate risk.

Credit Risk:

The Center's investment policy requires that the investment portfolio be diversified to avoid one class of investment having a disproportionate impact on the portfolio. The District's policy also requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the institution holding the deposits or investments.

At June 30, 2016, the Center has no investments that are not guaranteed by the full faith and credit of the United States Government.

3. Receivables

Receivables at June 30, 2016, for the individual Governmental funds and Fiduciary funds in the aggregate are as follows:

Governmental Funds

	<u>General</u>	<u>Building</u>	<u>Total Governmental</u>
Receivables			
Ad valorem taxes	\$ 361,171	\$ 180,700	\$ 541,871
Federal grants	88,632	-	88,632
State revenues	15,564	366	15,930
Due from Activity Fund	58,685	-	58,685
Other local	10,832	-	10,832
Interest	25,452	-	25,452
	<hr/>	<hr/>	<hr/>
Gross Receivables	560,336	181,066	741,402
Less: deferred revenue	245,465	122,819	368,284
	<hr/>	<hr/>	<hr/>
Net total receivables	\$ 314,871	\$ 58,247	\$ 373,118

Fiduciary Funds

	<u>Activity</u>	<u>Pell Grant Fund</u>	<u>Total Fiduciary</u>
Receivables			
Tuition	\$ 42,727	\$ -	\$ 42,727
Rentals	5,693	-	5,693
School Activities	10,265	-	10,265
Federal Grants	-	13,710	13,710
	<hr/>	<hr/>	<hr/>
Gross Receivables	58,685	13,710	72,395
Less allowance for uncollectible	-	-	-
	<hr/>	<hr/>	<hr/>
Net total receivables	\$ 58,685	\$ 13,710	\$ 72,395

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

4. Capital Assets

A summary of changes in general fixed assets for the year ended June 30, 2016, follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Land	\$ 338,447	\$ -	\$ -	\$ 338,447
Construction in process	8,878	3,886	-	12,764
 Total Assets Not Being Depreciated	 \$ 347,325	 \$ 3,886	 \$ -	 \$ 351,211
 Capital Assets Being Depreciated				
 Building & Improvements	 \$ 29,765,279	 \$ 252,754	 \$ -	 \$ 30,018,034
Furniture	77,802	9,450	-	87,251
Machinery & Equipment	5,045,042	382,536	179,123	5,248,455
Vehicles	1,672,435	76,253	47,296	1,701,392
 Total Capital Assets Being Depreciated	 36,560,558	 720,993	 226,419	 37,055,132
 Less:				
Accumulated Depreciation	(16,107,096)	(1,351,188)	(226,419)	(17,231,865)
 Total Capital Assets Being Depreciated - Net	 \$ 20,453,463	 \$ (630,195)	 \$ -	 \$ 19,823,267
 Total Capital Assets Net	 \$ 20,800,788	 \$ (626,309)	 \$ -	 \$ 20,174,478

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.

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Employee Retirement System (continued)

Basis of Accounting

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements have also been prepared in compliance with the requirements of the Government Accounting Standards Board Statement No. 34. The financial statements are prepared on the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are recognized when due, pursuant to formal commitments. Benefits and refunds are recognized when due and payable. Administrative expenses are funded through investment earnings.

The pension benefit obligation is a standardized disclosure 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. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2016, is as follows:

		<u>Dollars in Millions</u>
Actuarial Accrued Liability	\$	22,193
Actuarial Value of Assets		<u>14,578</u>
Unfunded Actuarial Accrued Liability	\$	<u>7,615</u>

Contributions

The contribution rates for the vocational technical center and its employees, which are prescribed by Oklahoma State statutes, are based on employee's earnings, plus employer-paid fringe benefits. The vocational center is required to contribute 9.5% of applicable employee compensation. The vocational technical center is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contributions for participating members is 7%. The State of Oklahoma, a non-employee contributing entity, provides funds through 5% of the state's sales, use, corporate, and individual income tax collected. The system also receives 1% of the cigarette tax collected by the state and 5% of the net lottery proceeds collected by the state. Employers of OTRS members whose compensation is paid from federal funds are required to match the contributions of these members on that portion of compensation paid from federal funds. The federal match rate is set by the OTRS Board of Trustees and as of April 1, 2015 is 8.25%.

Annual Pension Cost

The Center's contribution to the Teachers Retirement System for years ending 2016, 2015, and 2014 were \$1,183,965, \$1,161,799, and \$1,103,815, respectively. The Center's total payroll for fiscal year 2015-16 amounted to \$7,225,633.

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 2015-16, the State of Oklahoma's contribution was \$44,150. The District recognized revenue and expenditures of this amount in the 2015-16 financial statements.

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Employee Retirement System (continued)

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

At June 30, 2016, the center reported a liability of \$9,996,669 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The 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, 2015. Based upon this information, the center's proportion was .16461497 percent.

For the year ended June 30, 2016, the center recognized pension expense of \$709,725. At June 30, 2016, 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	\$	\$ 339,548
Changes of assumptions	478,672	
Net difference between projected and actual earnings on pension plan investments		678,161
Differences in center's proportionate share of contributions and changes in proportion	105,489	
Center contributions subsequent to the measurement date	<u>706,143</u>	
Total	\$ <u>1,290,304</u>	\$ <u>1,017,709</u>

Deferred pension outflows totaling \$1,290,304 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, 2017. The deferred inflows totaling \$678,161 resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense over five years. The deferred inflows totaling \$339,548 resulting from differences between expected and actual experience 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 6.22 years at June 30, 2015 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Employee Retirement System (continued)

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

Year ended,	
2017	\$ 190,222
2018	190,222
2019	190,222
2020	190,222
2021	190,222
Thereafter	<u>66,598</u>
	<u>\$ 1,017,709</u>

Actuarial assumptions: The total pension liability was determined based on an actuarial valuation prepared as of July 1, 2015 using the following actual assumptions:

- Actuarial Cost method-Entry Age Normal
- Amortization Method-Level Percentage of Payroll
- Amortization Period-Amortization over an open 30-year period
- Asset Valuation Method-5 year smooth market
- Inflation-3.0 percent
- Salary Increases-Composed of 3.75 percent wage inflation, including 3.0 percent price inflation, plus a service related component up to 8 percent based on years of service.
- Investment Rate of Return-8.0 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-RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90.0 percent for males and 80.0 percent for females.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.00%	6.1%
Domestic Small Cap Equity	10.00%	6.6%
International Large Cap Equity	11.50%	5.8%
International Small Cap Equity	17.5%	5.8%
Core Plus Fixed Income	6.0%	1.8%
High-yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	<u>7.0%</u>	7.6%
	<u>100.00%</u>	

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Employee Retirement System (continued)

*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).

Discount rate – A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine 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 8.00%, 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 (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Center's proportionate share of the net pension liability	\$ 13,885,043	\$ 9,996,669	\$ 6,815,779

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/> or by writing to the Oklahoma Teachers Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152 or by calling 405-521-2387.

7. 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, 2016, the Center had not incurred any debt under these provisions.

8. Lease Commitments

The Technology Center had no outstanding lease commitments at June 30, 2016.

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, 2016.

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.

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

11. Risk Management

The Center purchases commercial insurance for all types of risk including, but not limited to, property, casualty, workers' compensation, vehicle, unemployment, and employee life.

12. Related Party Transactions

The Center contracts with the Meridian Technology Center Foundation to provide office space, clerical time, and administrator's time to the Foundation. The total annual cost of the contract was minimal for fiscal year 2016. The contract is renewable annually.

13. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. Surety Bonds

The Center has a Public Education Position Schedule Bond with The Ohio Casualty Insurance Company. The bond number is 3811390, it covers the 8 employees listed below, and it is for the term of July 1, 2015, through July 1, 2016.

Position	Bond Amount
Treasurer	\$ 100,000
Deputy Treasurer	100,000
Encumbrance Clerk	100,000
Bursar	100,000
Evening Registrar	100,000
(2) Finance Secretaries	100,000
Financial Aid Officer	1,000

The Superintendent is bonded by The Ohio Casualty Insurance Company, bond number 5057278, for the penal sum of \$100,000.

15. Long-Term Liabilities

The following is a summary of long-term liabilities of the Center for the year ended June 30, 2016.

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due in One Year
Compensated Absences	\$ 332,467	\$ -	\$ 45,897	\$ 286,570	\$ 20,060
Net Pension Liability	8,841,933	1,154,736	-	9,996,669	-
Total	\$ 9,174,400	\$ 1,154,736	\$ 45,897	\$ 10,283,239	\$ 20,060

COMBINING FINANCIAL STATEMENTS

MERIDIAN TECHNOLOGY CENTER NO. 16
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Fund		
	Federal Pell Grant Fund	Activity Fund	Total
ASSETS			
Cash	\$ -	\$ 6,923	\$ 6,923
Miscellaneous Receivables	-	58,685	58,685
Federal Grant Receivables	13,710	-	13,710
Total assets	\$ 13,710	\$ 65,608	\$ 79,318
LIABILITIES			
Due to student groups	\$ -	\$ 6,923	\$ 6,923
Due to other funds	-	58,685	58,685
Due to student aid	13,710	-	13,710
Total liabilities	\$ 13,710	\$ 65,608	\$ 79,318

MERIDIAN TECHNOLOGY CENTER NO. 16
ACTIVITY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

Activities	Beginning Balance 7-01-15	Revenue	Transfers	Expenditures	Ending Balance 6-30-16
Tuition:					
Business Development	-	-	-	-	-
Business Management	-	170	(170)	-	-
Computer Training Services	-	105,490	(102,993)	2,497	-
Cosmetology	-	36,949	(36,949)	-	-
Daytime Instruction	-	239,006	(213,588)	25,418	-
Educational Enhancement Center	-	-	-	-	-
Health Informatics	-	23,570	(18,740)	4,830	-
Management Services	-	99,569	(98,608)	961	-
Practical Nursing	-	79,656	(71,622)	8,034	-
Radiologic Technology	-	56,236	(52,236)	4,000	-
Safety Training	-	55,436	(54,848)	588	-
Short Term Courses	-	78,934	(73,739)	5,195	-
Short Term Medical	-	96,455	(95,275)	1,180	-
Technical Services	-	28,054	(27,354)	700	-
Livework:					
ACR Livework	-	-	-	-	-
Automotive Technology Livework	-	10	(10)	-	-
Collision Repair Technology Livev	-	617	(617)	-	-
Cosmetology Livework	-	34,720	(34,720)	-	-
Culinary Arts/Terrace	-	145,996	(145,996)	-	-
Information Tech Livework	-	-	-	-	-
Machine Tool/CNC Livework	-	10	(10)	-	-
Masonry Livework	-	-	-	-	-
Meridian Mart	-	59,722	(59,259)	463	-
Powersports Tech Livework	-	5	(5)	-	-
PMF Livework	-	1,754	(1,754)	-	-
Resale-Business Development	-	170	(170)	-	-
Resale Computer Training Service	-	6,085	(5,717)	368	-
Resale - Cosmetology	-	12,489	(12,489)	-	-
Resale - Daytime Programs	-	11,563	(2,508)	9,055	-
Resale-Management Services	-	2,032	(1,984)	48	-
Resale-Miscellaneous	-	-	-	-	-
Resale - Practical Nursing	-	140	(140)	-	-
Resale - Radiologic Technology	-	1,710	(1,710)	-	-
Resale - Safety	-	870	(520)	350	-
Resale - Short Term Courses	-	10,028	(9,256)	772	-
Resale - Short Term Medical	-	38,522	(37,925)	597	-
Resale-Technical Services	-	3,315	(3,315)	-	-
Res.Comm Construction Livework	-	564	(564)	-	-
Skywalk	-	173,240	(173,240)	-	-
Vending Machines	-	29	(29)	-	-
Welding Technology Livework	-	914	(914)	-	-
Youth Organizations:					
BPA	914	1,220	-	1,244	890
FCCLA	779	412	-	358	833
HOSA	1,399	1,898	-	1,691	1,606
Skills USA	2,939	3,897	-	3,243	3,593

(continued)

MERIDIAN TECHNOLOGY CENTER NO. 16
ACTIVITY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

Activities	Beginning Balance 7-01-15	Revenue	Transfers	Expenditures	Ending Balance 6-30-16
Miscellaneous:					
Auction Proceeds	-	47,235	(47,235)	-	-
CBD Clearing Account	-	97,084	(96,754)	330	-
CBD Tenant Reimbursable Costs	-	6,140	(6,140)	-	-
Clearing Account	-	56,635	(404)	56,231	-
Miscellaneous	-	2,311	(2,311)	-	-
Petty Cash	-	-	-	-	-
Total Activitiy Sub-accounts	\$ 6,031	\$ 1,620,862	\$ (1,491,818)	\$ 128,153	\$ 6,922

MERIDIAN TECHNOLOGY CENTER NO. 16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - FEDERAL PELL GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Pell Grant Fund
Revenues	
Federal sources	
Pell Grants	\$ 385,145
Pell Administration Fee	<u>565</u>
Total revenues	\$ <u>385,710</u>
Expenditures	
Student Financial Assistance	
Tuition and Fees	\$ 108,586
Payments to Students	276,559
Administrative Expense to General Fund	<u>565</u>
Total expenditures	\$ <u>385,710</u>
Excess of revenues over expenditures	\$ <u>-</u>
Fund balances, beginning of year	\$ <u>-</u>
Fund balances, end of year	\$ <u><u>-</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

MERIDIAN TECHNOLOGY CENTER NO. 16
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Fund balances, beginning of year	\$ 3,577,308	\$ 3,577,308	\$ 3,577,308
Revenues collected:			
Local sources	\$ 8,438,805	\$ 8,438,805	\$ 9,319,424
Intermediate sources	-	-	-
State sources	3,064,599	3,103,482	3,055,801
Federal sources	<u>277,574</u>	<u>277,574</u>	<u>271,339</u>
Total revenues collected	\$ <u>11,780,978</u>	\$ <u>11,819,861</u>	\$ <u>12,646,564</u>
Expenditures paid:			
Instruction	\$ 6,205,536	\$ 6,244,419	\$ 5,554,113
Support services	7,815,772	7,815,772	6,697,228
Non-instructional services	836,035	836,035	551,029
Capital outlay	10,500	10,500	-
Other uses	115,000	115,000	109,761
Repayments	<u>375,443</u>	<u>375,443</u>	<u>375,443</u>
Total expenditures paid	\$ <u>15,358,286</u>	\$ <u>15,397,169</u>	\$ <u>13,287,574</u>
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,936,298</u>
Adjustments to prior year encumbrances	\$ <u>-</u>	\$ <u>-</u>	<u>190,012</u>
Other financing sources (uses):			
Operating transfers in/out	\$ -	\$ -	\$ -
Bank charges	<u>-</u>	<u>-</u>	<u>(141)</u>
Total other financing sources (uses)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(141)</u>
Cash fund balance end of year - budgetary basis	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,126,169</u>
Reconciliation of Budgetary Basis fund balance and GAAP fund balance:			
Fund balance, June 30, 2016 - Budgetary Basis			\$ 3,126,169
Accounts receivable not recognized as revenue			301,162
Accounts payable not recognized in budgetary basis			(191,733)
Prepaid insurance			7,834
Reserves not recognized as expenses in GAAP basis			<u>344,532</u>
Cash fund balance end of year - GAAP basis			\$ <u>3,587,964</u>

MERIDIAN TECHNOLOGY CENTER NO. 16
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - (BUDGETARY BASIS)
BUILDING FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Fund balances, beginning of year	\$ 5,626,199	\$ 5,626,199	\$ 5,626,199
Revenues collected:			
Local sources	\$ 3,421,868	\$ 3,421,868	\$ 3,720,562
Intermediate sources	-	-	-
State sources	-	-	1,512
Federal sources	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues collected	\$ <u>3,421,868</u>	\$ <u>3,421,868</u>	\$ <u>3,722,074</u>
Expenditures paid:			
Instruction	\$ 5,703,683	\$ 5,703,683	\$ 640,829
Support services	1,820,620	1,820,620	839,725
Non-instructional services	43,115	43,115	-
Capital outlay	1,292,927	1,292,927	1,109,685
Repayments	<u>187,722</u>	<u>-</u>	<u>187,722</u>
Total expenditures paid	\$ <u>9,048,067</u>	\$ <u>8,860,345</u>	\$ <u>2,777,961</u>
Excess of revenues collected over (under)			
expenses paid before adjustments to prior			
year encumbrances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>6,570,312</u>
Adjustments to prior year encumbrances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>166,939</u>
Other financing sources (uses):			
Operating transfers in/out	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total other financing sources (uses)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Cash fund balance end of year - budgetary basis	\$ <u>-</u>	\$ <u>-</u>	\$ <u>6,737,251</u>
Reconciliation of Budgetary Basis fund balance and GAAP fund balance:			
Fund balance, June 30, 2016 - Budgetary Basis			\$ 6,737,251
Accounts receivable not recognized as revenue			58,247
Accounts payable not recognized in budgetary basis			(57,156)
Reserves not recognized as expenses in GAAP basis			<u>1,215,445</u>
Cash fund balance end of year - GAAP basis			\$ <u>7,953,787</u>

SUPPORTING SCHEDULES

MERIDIAN TECHNOLOGY CENTER NO. 16
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Grantor's Number
<u>U.S. Department of Education</u>		
Direct Programs:		
Pell Grants	84.063	P063P153659
Pell Admin Fee	84.063	P063P153659
Sub-Total		
Passed-Through Oklahoma State Department of Career and Technology Education:		
Carl Perkins	84.048	N/A
Tech Centers That Work	84.048	N/A
Adult Ed & Family Literacy	84.002	N/A
Sub-Total		
<u>US Department of Veterans Affairs</u>		
Direct Programs:		
VA Report Fee	64.115	N/A
Sub-Total		
<u>Nation Science Foundation</u>		
Passed-Through Oklahoma State Department of Career and Technology Education:		
Cyber Security	47.076	N/A
Sub-Total		
TOTAL FEDERAL ASSISTANCE		

The accompanying notes are an integral part of this schedule.

<u>Balance at July 1, 2015</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance at June 30, 2016</u>
\$ -	\$ 385,145	\$ 385,145	\$ -
<u>-</u>	<u>565</u>	<u>565</u>	<u>-</u>
\$ -	\$ 385,710	\$ 385,710	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ 154,620	\$ 154,620	\$ -
-	12,000	12,000	-
<u>-</u>	<u>89,379</u>	<u>89,379</u>	<u>-</u>
\$ -	\$ 255,999	\$ 255,999	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ 54	\$ 54	\$ -
<u>-</u>	<u>54</u>	<u>54</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ 2,500	\$ 2,500	\$ -
<u>-</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ 644,263	\$ 644,263	\$ -
<u>-</u>	<u>644,263</u>	<u>644,263</u>	<u>-</u>

**MERIDIAN TECHNOLOGY CENTER NO. 16
PAYNE COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

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. General and Building Funds are 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 and Agency Funds. 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.

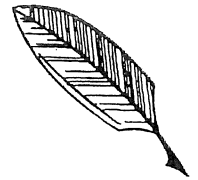
3. The District has not elected to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.
4. Reconciliation of the Schedule of Expenditures of Federal Awards to Statement of Revenue, Expenditures and Changes in Fund Balance is as follows:

Total Federal Revenue as reflected on	
"Schedule of Federal Awards Expended"	\$ <u>644,263</u>
 Total Federal Revenue as reflected on	
"Statement of Revenue, Expenditures and Changes In Fund Balance" \$	259,119
Plus: Federal funds Transacted as Agency Funds	
Student Financial Aid	<u>385,144</u>
 Reconciled Total	 \$ <u>644,263</u>

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

KERRY JOHN PATTEN, C.P.A.

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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
Meridian Technology Center No. 16
Payne 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 Meridian Technology Center No. 16, Payne County, Oklahoma (Center), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center's financial statements, and have issued my report thereon dated February 27, 2017.

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 District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

A handwritten signature in black ink, appearing to read "Kerry John Patten", with a large, sweeping flourish at the end.

Kerry John Patten, C.P.A.
Broken Arrow, OK
February 27, 2017

MERIDIAN TECHNOLOGY CENTER NO. 16
SUMMARY OF PRIOR AUDIT FINDINGS
JULY 1, 2015 TO JUNE 30, 2016

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

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

**MERIDIAN TECHNOLOGY CENTER NO. 16
SCHEDULE OF COMMENTS
JULY 1, 2015 TO JUNE 30, 2016**

Based on my tests of accounting records and related procedures, I found nothing to indicate that Meridian Technology Center No. 16 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 2014-15 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.

MERIDIAN TECHNOLOGY CENTER NO. 16
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2015 TO JUNE 30, 2016

State of Oklahoma)
County of Tulsa)

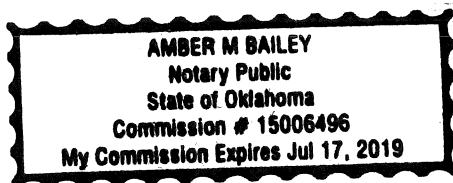
The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Meridian Technology Center Center for the audit year 2015-16.

Kerry John Patten, C.P.A.

AUDITING FIRM

BY *Kerry John Patten*

AUTHORIZED AGENT



Subscribed and sworn to before me on this
27th day of February, 2017

Amber M Bailey

NOTARY PUBLIC

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