

**Metro Technology Center School
District No. 22
Oklahoma County, Oklahoma**

**Financial Statements
With Independent Auditors' Report**

June 30, 2018



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

**Metro Technology Center School
District No. 22
Oklahoma County, Oklahoma
June 30, 2018**

School District Officials

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Vice-President

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Clerk

Ms. Elizabeth A. Richards

Member

Ms. Miriam Campos

Member

Mr. Ron Perry

Member

Dr. Linda Ware Toure

Member

Mr. Jimmy McKinney

Superintendent of Schools

Mr. Bob Parrish

School District Treasurer

Dr. James Branscum

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22

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INDEPENDENT AUDITOR'S REPORT



**HINKLE &
COMPANY**

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Business Advisors

Independent Auditors' Report

To the Board of Education
Metro Technology Center School District No. 22
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Metro Technology Center School District No. 22 (the District), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's 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 this financial statement 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.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.hinklecpas.com

Emphasis of a Matter

As described in Note 14 to the financial statements, Metro Technology Center School District No. 22 restated building fund balance to correct transactions related to the 2009 lease purchases and to restate beginning net position in the government-wide financial statements to reflect the effects of implementation of GASB 74 related to OPEB Other Than Pension Plans at year end 2017. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the General Fund budgetary comparison schedule, the schedule of the District's proportionate share of the net pension liability and the schedule of the District's contributions to Teachers' Retirement System of Oklahoma, 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 Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statement of changes in assets and liabilities — agency funds, as listed in the table of contents and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Office Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The accompanying schedule of accountants' professional liability insurance affidavit, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2019 (under separate cover) on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Tulsa, Oklahoma
March 29, 2019

Hill & Company, PC



METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018

Our discussion and analysis of the Metro Technology Center, School District #22's (the District), performance provides an overview of the School District's financial activities for the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follows this section.

USING THIS ANNUAL REPORT

The District is governed by a seven member elected board. The District is one of 29 technology centers under the coordinating body of the Oklahoma State System for Career and Technology Education. The District has four campuses and two satellite training sites. The District serves two public school districts, Oklahoma City and Crooked Oak, as well as business and industry and post-secondary students of the District.

The District provides three basic types of instruction:

Full-time Career Majors – The District offers over 100 full-time career majors within 15 of the 16 career clusters. These career majors are designed to lead to industry certifications, licensure, employment and/or continuing education.

Adult and Continuing Education – These classes are designed around specific curriculum providing an introduction to or enhanced knowledge of specific topics. Continuing education and licensure classes are offered within 12 of the 15 career clusters.

Business and Industry Services – This division strives to meet the training and development needs of business and industry in the Oklahoma City metropolitan area.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements report the School District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds. For governmental activities, the fund statements tell how these services were financed in the short term as well as what remains for future spending.

FINANCIAL HIGHLIGHTS

The District's financial status was improved from last year.

- Overall revenues were \$42.1 million and overall expenses were \$39.9 million
- The total costs of all District programs increased 11%.
- The general fund reported a decrease in fund balance of 3.53%.
- The building fund reported a decrease in fund balance of 4.45%

Reporting the School District as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018

activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in them. You can think of the School District's net position – the difference between assets and liabilities – as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we report the following:

Governmental activities – The School District's basic services are reported here, including the educational activities for daytime high school and adults, short term training for adults, services and training for business and industry, and general administration. Also, the School District charges a fee to customers to help defray expenses involved in providing the services.

The format that is significantly different than a typical statement of revenues, expenses and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program report to the right. The result is a net (expense)revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the District's taxpayers. It also identifies how much each function draws from general revenues or if it is self-financing through fees, contributions and grants.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Some funds are required to be established by State law and by bond covenants. All of the School District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required and other supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018

THE SCHOOL DISTRICT AS A WHOLE

	<u>2017</u>	<u>2018</u>
Current and Other Assets	\$ 12,733,974	\$ 13,640,512
Capital Assets	<u>34,729,423</u>	<u>34,541,595</u>
Total Assets	<u>\$ 47,463,397</u>	<u>\$ 48,182,107</u>
Deferred Outflows of Resources	<u>9,211,713</u>	<u>6,111,731</u>
Long-term Liabilities	\$ 42,805,043	\$ 35,539,226
Other Liabilities	<u>2,793,911</u>	<u>2,745,788</u>
Total Liabilities	<u>\$ 45,598,954</u>	<u>\$ 38,285,014</u>
Deferred Inflows of Resources	<u>742,346</u>	<u>3,439,912</u>
Net Position		
Invested in capital assets, net of debt	\$ 24,964,423	\$ 25,666,595
Restricted	5,068,143	5,822,811
Unrestricted	<u>(19,698,756)</u>	<u>(18,920,494)</u>
Total Net Position	<u>\$ 10,333,810</u>	<u>\$ 12,568,912</u>

Net Position. The District's combined net position was greater on June 30, 2018, than the year before – increasing by \$2.2 million to \$12,568,912. Most of this change is due positive change in net position. Note that 2017 amounts have been adjusted for the reporting of OPEB net asset due to implementation of GASB 75.

For the years ended June 30, 2018 and 2017, net position changed as follows:

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018

	<u>2017</u>	<u>2018</u>	<u>Percent</u>
Beginning net position	\$ 2,785,577	\$ 10,333,810	<u>Change</u>
Revenues			
Program revenues			
Charges for services	2,425,255	2,159,633	
Operating Grants /contributions	5,065,662	4,083,273	
General revenues			
Property taxes	31,145,020	30,868,985	
Federal and State grants	3,452,015	2,877,604	
Gain (Loss) from disposals	-	-	
Investment earnings	39,005	98,944	
Other Revenue	<u>1,258,021</u>	<u>2,027,161</u>	
Total revenues	<u>\$ 43,384,978</u>	<u>\$ 42,115,600</u>	<u>-2.93%</u>
Expenses			
Program expenses			
Instruction	\$ 9,799,794	\$ 11,404,193	
Support services	20,483,260	22,855,359	
Non-instruction	326,208	316,838	
Facilities and construction	567,012	1,417,295	
Other uses	2,243,738	1,668,955	
Interest on long-term debt	422,837	135,363	
Depreciation-unallocated	<u>2,019,329</u>	<u>2,082,495</u>	
Total expenses	<u>\$ 35,862,178</u>	<u>\$ 39,880,498</u>	<u>11.20%</u>
Increase (Decrease) in net position	<u>7,522,800</u>	<u>2,235,102</u>	<u>-70.29%</u>
Restatement for OPEB	<u>25,433</u>		
Ending net position	<u>\$ 10,333,810</u>	<u>\$ 12,568,912</u>	<u>21.63%</u>

Changes in Net Position. The District's total revenues decreased 2.93 percent to \$42.1 million. Property taxes and federal and state grants accounted for most of the decrease. Total expenses were less than revenues, increasing net position \$2.2 million over the past year. The District's total expenditures increased by 11 percent to \$39.9 million.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is provided. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the School District's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

District Sources of Revenue:

Ad Valorem property tax Taxes for current year and prior years, revenue in lieu of taxes

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018

Interest	Interest earning of investments and taxes
Tuition and Fees	Tuition and fees for Full-time adult classes, Short-term adult classes, Safety Training, Industry Specific, Assessment, Quality Management, and Health Certification
Local Sources	Rental of school facilities and property, sale of surplus equipment, bookstore revenue, reimbursement for insurance loss recoveries, damages to school property, rebates, and fiscal agent expenses.
State Revenue	Formula operation, Existing Industry Initiative, training for industry programs, Safety Training, Welfare to Work, and Professional Development
Federal Revenue - Grants	TANF Grant and Carl Perkins Grants

THE SCHOOL DISTRICT'S FUNDS

The following schedule presents a summary of general, special revenue (building fund), other governmental fund (activity fund), and expenditures for the fiscal year ended June 30, 2018 and 2017.

Revenues:	2017	Percent	2018	
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>Percent</u>
Property Taxes	\$ 28,890,668	71.74%	\$ 29,468,225	74.37%
Interest	34,459	0.09%	98,944	0.25%
Tuition and Fees	1,845,694	4.58%	1,638,965	4.14%
State Revenue	4,032,879	10.01%	3,224,945	8.14%
Federal Sources	3,631,997	9.02%	2,596,910	6.55%
Miscellaneous	1,838,211	4.56%	2,597,823	6.56%
Total Revenues	<u>\$ 40,273,908</u>	<u>100%</u>	<u>\$ 39,625,812</u>	<u>100%</u>

Total revenue decreased due to decreases in federal and state revenue and tuition and fees.

Expenditures

Instruction	Expenditures for direct classroom activities
Support Services	Expenditures for administrative, technical and logistical support to facilitate and enhance education.
Non-Instructional Services	Activities concerned with providing non-instructional services to students, staff, or community.
Facilities	Activities involved with the acquisition of land buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment;

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018

improvements to sites; and equipment. These expenditures are included below in capital outlay and debt service.

	2017	Percent	2018	Percent
Expenditures:	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>
Instruction	10,735,201	26.31%	11,132,441	27.72%
Support Services	21,212,670	52.00%	22,405,877	55.79%
Non-Instructional Services	329,879	0.81%	316,837	0.79%
Capital Outlay and Debt Service	6,275,720	15.38%	4,639,577	11.55%
Other Outlays	<u>2,243,738</u>	<u>5.50%</u>	<u>1,668,955</u>	<u>4.16%</u>
Total Expenditures	<u>\$ 40,797,208</u>	<u>100.00%</u>	<u>\$ 40,163,687</u>	<u>100.00%</u>

The decrease in expenditures is primarily due to an ongoing construction project at the South Bryant Campus being close to completion.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the General Fund budget had to be revised due to increase in local revenue sources. Additional collections of prior year ad valorem and adjustment to initial fund balance estimate contributed to the budget revisions. State revenue decreased due to declining collections. Employees and departments were asked to spend their assigned budget wisely as economic conditions continued to show instability. The District was able to have a \$4.1 million budgetary fund balance at the end of the fiscal year.

Metro Technology Center formally adopted a budget on June 6, 2017. An amended budget was adopted on June 26, 2018 which increased the overall budget by \$2.4 million. There were increases in beginning fund balance of \$.8 million and Ad Valorem of \$1.2 million with the final revised ad valorem tax certification. State funding increased \$.48 million.

CAPITAL ASSETS

At the end of June 30, 2018, the School District had \$34.5 million invested in capital assets (see table below). This represents a net decrease of \$.18 million or .54 percent, over the previous fiscal year.

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018

	Capital Assets at Year-end (Net of depreciation)	
	<u>2017</u>	<u>2018</u>
Land	\$ 1,700,590	\$ 1,700,590
Construction in Progress	5,863,288	5,397,041
Computers	104,489	58,092
Buildings	25,034,308	25,446,905
Equipment	1,448,256	1,279,631
Furniture	9,736	16,048
Vehicles/Buses	568,757	643,290
	<u>\$ 34,729,424</u>	<u>\$ 34,541,597</u>

LONG-TERM LIABILITIES

On December 1, 2009, the District entered into a lease purchase agreement with Oklahoma Industries Trust. The agreement called for the Trust to issue \$13.4 million in Lease Revenue Bonds. The proceeds of these bonds was used to fund the construction of the Metro College and Career Academy Building.

By the terms of the agreement, the lease payments are guaranteed with Metro Technology Center’s Building Fund ad valorem collections. The payments are approximately 1.03 million per year for 22 years. Semi-annual payments were made in the year ended June 30, 2018. The amount of the capitalized lease at June 30, 2018 was \$8,875,000.

Net Pension Liability

The District’s share of the Teachers’ Retirement System’s net pension liability as of June 30, 2018 was \$25,865,711. This was a decrease of \$6.2 million from the prior year (2017) primarily due to investment gains from the 2017 market recovery. The measurement year for the net pension liability as of June 30, 2018 was June 30, 2017. See Note 4 for additional information on the net pension liability.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

There are many factors that may have a positive or negative impact on the District financial status in the future. The District is utilizing attrition as a cost savings effort to offset possible negative impacts to the financial status. The Tax Increment Financing reimbursement agreement for capital improvement projects at the District’s South Bryant Campus will save the District 23% on related capital expenditures.

CONTACTING THE SCHOOL DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, Business Office at Metro Technology Center, 1900 Springlake Drive, Oklahoma City, Oklahoma 73111.

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash	\$ 8,959,772
Property taxes receivable (net)	4,042,223
Due from other governments	449,053
Other receivables	3,598
Restricted cash	11,662
Nondepreciated capital assets	7,097,631
Depreciated capital assets, net of depreciation	27,443,964
Net OPEB asset	174,204
	<hr/>
Total assets	48,182,107
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to debt refunding	641,013
Deferred outflows of resources related to pensions	5,470,718
	<hr/>
Total deferred outflows of resources	6,111,731
LIABILITIES	
Accounts payable and other current liabilities	1,277,014
Employee related payable	33,946
Accrued interest payable	135,363
Long-term obligations	
Due within one year	1,299,465
Due beyond one year	35,539,226
	<hr/>
Total liabilities	38,285,014
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	3,439,912
	<hr/>
NET POSITION	
Net Investment in capital assets	25,666,595
Restricted for:	
Buildings	5,729,030
Debt service	11,662
School organizations	82,119
Unrestricted	(18,920,494)
	<hr/>
Total Net Position	\$ 12,568,912
	<hr/> <hr/>

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net position
				Total Governmental Activities
Governmental activities:				
Instruction	\$ 11,404,193	\$ 1,794,645	\$ 2,140,561	\$ (7,468,987)
Support services	22,855,359	174,762	-	(22,680,597)
Non-instruction services	316,838	190,226	-	(126,612)
Facilities and construction	1,417,295	-	-	(1,417,295)
Student Financial Aid	1,435,511	-	1,942,712	507,201
Other uses	233,444	-	-	(233,444)
Interest on long-term debt	135,363	-	-	(135,363)
Depreciation - unallocated	2,082,495	-	-	(2,082,495)
Total school district	<u>\$ 39,880,498</u>	<u>\$ 2,159,633</u>	<u>\$ 4,083,273</u>	<u>(33,637,592)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				19,784,327
Property taxes, levied for building purposes				11,084,658
State aid - formula grants				2,877,604
Other revenue				2,027,161
Interest income				98,944
Total general revenues				<u>35,872,694</u>
Change in Net position				2,235,102
Net position, beginning of year, as restated				<u>10,333,810</u>
Net position, end of year				<u>\$ 12,568,912</u>

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Building	Other Governmental Fund	Totals Governmental Funds
ASSETS	Fund	Fund	Activity Fund	Funds
Cash	\$ 273,555	\$ 494,348	\$ 82,119	\$ 850,022
Pooled cash and investments	3,859,750	4,250,000	-	8,109,750
Property taxes receivable, net	1,829,730	2,212,493	-	4,042,223
Restricted cash	-	11,662	-	11,662
Other receivables	3,598	-	-	3,598
Due from other governments	449,053	-	-	449,053
Total assets	\$ 6,415,686	\$ 6,968,503	\$ 82,119	\$ 13,466,308
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	310,441	985,090	-	1,295,531
Compensated absences	475,201	59,264	-	534,465
Payroll liabilities	14,842	585	-	15,427
Total liabilities	800,484	1,044,939	-	1,845,423
Deferred Inflows of resources:				
Deferred intergovernmental	1,838,273	2,084,943	-	3,923,216
Total deferred inflows of resources	1,838,273	2,084,943	-	3,923,216
Fund balances				
Restricted	-	3,833,910	82,119	3,916,029
Assigned	3,776,929	-	-	3,776,929
Unassigned	-	4,711	-	4,711
Fund balances, end of year	3,776,929	3,838,621	82,119	7,697,669
Total liabilities, deferred inflows of resources and fund balances	\$ 6,415,686	\$ 6,968,503	\$ 82,119	
Amounts reported for governmental activities in the statement of net assets 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 \$66,609,661 and the accumulated depreciation is \$31,778,066.				34,541,595
Property taxes receivable and other receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds				3,923,214
Net OPEB asset is not a financial resource so is not reported in the funds				174,204
Net pension obligation is not due and payable in the current period and, therefore is not reported in the funds				(25,865,711)
Deferred outflows related to refunded debt is applicable to future periods and therefore, are not reported in the funds				641,013
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds				2,030,806
Long-term liabilities, including capital leases, 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:				
Capital lease payable			\$ 8,875,000	
Accrued interest			135,363	
Compensated absences			1,563,515	(10,573,878)
Total net assets - governmental activities				<u>\$ 12,568,912</u>

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Other Governmental Fund Activity Fund	Totals Governmental Funds
Revenues				
Property taxes	\$ 19,277,547	\$ 10,190,678	\$ -	\$ 29,468,225
Interest	94,233	4,711	-	98,944
Tuition and fees	1,638,965	-	-	1,638,965
State revenue	3,224,945	-	-	3,224,945
Federal revenue	2,596,910	-	-	2,596,910
Other	975,777	1,431,820	190,226	2,597,823
Total revenues	27,808,377	11,627,209	190,226	39,625,812
Expenditures				
Current				
Instruction	10,102,059	695,608	334,774	11,132,441
Support services	15,761,707	6,644,170	-	22,405,877
Non-instruction services	304,431	12,406	-	316,837
Capital outlay	-	2,708,072	-	2,708,072
Student Financial Aid	1,435,511	-	-	1,435,511
Other outlays	233,444	-	-	233,444
Debt service				
Interest paid	-	206,787	-	206,787
Principal retirement	-	1,724,718	-	1,724,718
Total expenditures	27,837,152	11,991,761	334,774	40,163,687
Other Financing Sources (Uses)				
Operating Transfers In	-	-	104,659	104,659
Operating Transfers Out	(104,659)	-	-	(104,659)
Payment to refunded bond escrow agent	-	(8,681,295)	-	(8,681,295)
Proceeds of Capital Lease	-	8,875,000	-	8,875,000
Total Other Financing Sources (Uses)	(104,659)	193,705	104,659	193,705
Net Change in Fund Balance	(133,434)	(170,847)	(39,889)	(344,170)
Beginning fund balance, as restated	3,910,363	4,009,468	122,008	8,041,839
Ending fund balance	\$ 3,776,929	\$ 3,838,621	\$ 82,119	\$ 7,697,669

See Notes to Financial Statements

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Total net changes in fund balances - governmental funds \$ (344,170)

The change in net assets reported in the statement of activities is 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 allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceed capital outlays during the period.

Capital Outlays	\$ 1,946,021	
Depreciation Expense	<u>(2,082,494)</u>	(136,473)

Because the cost of capital assets acquired are reported in governmental funds as expenditures in the year of purchase, the proceeds from their sale are reported as revenue. However, the costs of these assets must be included as a reduction of the sales proceeds in the statement of activities. (51,355)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead counted as deferred revenues. They are however, recorded as revenues in the statement of activities. 1,400,760

Because some receipts of grant revenue will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead counted as deferred revenues. They are however, recorded as revenues in the statement of activities. (147,112)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year, vacation and sick leave earned exceeded amounts used. (37,956)

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 (51,029)

The difference between the reacquisition price of current refunded debt and the net carrying amount of the old debt does not provide current financial resources to the governmental funds. However, for governmental activities this difference is treated as a deferred outflow and recognized as a component of interest expense over the shorter of the old debt life or new debt life. 641,013

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources. Some expenses do not require current financial resources so therefore are not reported as expenditures in the governmental funds

Accrued Interest	71,424	
New Capital Leases	(8,875,000)	
Payments on Capital Leases	<u>9,765,000</u>	961,424

Change in net position of governmental activities \$ 2,235,102

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metro Technology Center School District No. 22 (the District) is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Career and Technology Education. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70 of the Oklahoma Statutes.

The Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District. The District has not identified any component units that should be included in the District's reporting entity.

Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental Activities include programs primarily supported by taxes, State aid, grants and other intergovernmental revenue. The District does not have any activities classified as business-type activities.

In the government-wide Statement of Net Position, the District's governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – net investment in capital assets; restricted net position and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's programs and functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Direct expenses are those that are clearly identifiable with a specific function. Program revenues must be directly associated with the function. Charges for services include charges and fees to students, or customers who purchase, use or directly benefit from the goods, services, or privileges provided by a given function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs are normally covered by general revenue (property taxes, State and Federal aid, other taxes etc.).

NOTES TO FINANCIAL STATEMENTS

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

Basic Financial Statements – Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. The fund financial statements provide reports on the financial condition and results of operations of governmental fund category.

The District reports the following major governmental funds:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes and various state appropriations. Expenditures include the costs associated with the daily operations of the District.

Building Fund is used to account for monies derived from the building fund levy and rental of facilities to be used for erecting, remodeling, repairing or maintaining school buildings, paying energy and utility costs; paying fire and casualty insurance premiums for school facilities, security systems and personnel.

Additionally, the District reports the following fund:

Activity Fund – The District accounts for resources collected from student or extracurricular activities including admission fees, concession income, fund raising and dues. The Board of Education exercises control over all of these funds.

Basis of Accounting

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

Accrual: The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred. Property taxes are recognized as revenue in the year in 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.

Modified Accrual: The funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both

NOTES TO FINANCIAL STATEMENTS

measurable and available. “Available” means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

School buildings	50 years
Site improvements	22 years
Equipment and computers	5-10 years
Vehicles	8 years
Other equipment	10-15 years

Compensated Absences

The District accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations.

Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The District by resolution of the Board of Education has adopted the School District Budget Act. This Act requires that within the thirty-day period preceding the beginning of each fiscal year, a budget shall be approved by the governing body. The original budget is to be amended after the June financial activity has been recorded, the annual Foundation and Salary Incentive Aid allocation has been released, and the property tax valuations have been certified for all affected counties within the district.

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Fund that includes revenue and expenditures.

Cash

The District considers all cash on hand, demand deposits, money market checking and certificates of deposit, held at an individual bank which are subject to early withdrawal penalties no matter what the maturity period, to be cash. All short-term cash surpluses are maintained in a cash pool, excluding the Activity Fund, and investments are pooled into one common pooled account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash account or

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

investment account has an equity therein. Interest earned on the investment of these monies is deposited to the general fund. An individual fund's pooled cash and investments are available upon demand. State statutes require collateral for deposits in excess of insured amounts. The collateral's market value must exceed the insured deposit.

Investments

The District's investment policies are governed by state statute. Permissible investments include:

1. Direct obligations of the United States Government and Agencies
2. Obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged
3. Certificates of deposit of savings and loan associations and bank and trust companies secured by acceptable collateral
4. Savings accounts or savings certificates of savings and loan associations that are fully insured
5. County, municipal and school district direct debt obligations
6. Money market mutual funds regulated by the Securities and Exchange Commission
7. Warrants, bonds or judgments of the school district
8. Qualified pooled investment programs

Property Tax Revenues

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

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

Property taxes receivable by the District include uncollected taxes assessed as of October 1, 2017 and earlier. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of the property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Property tax receivables are net of an allowance for uncollectible taxes of \$92,900 in the general fund and \$48,510 in the building fund. The allowance represents the estimated amount that is deemed uncollectible based on past collection history.

NOTES TO FINANCIAL STATEMENTS

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

No deferred outflows of resources affect the governmental funds financial statements in the current year.

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

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

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

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

Other Postemployment Benefits (OPEB) - For purposes of measuring the net OPEB asset, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan) and additions to/deductions from the OPEB plans fiduciary net position have been determined on the same basis as they have been reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

State Revenues

Revenues from state sources for current operations are primarily governed by the joint resolution of the Oklahoma House of Representatives and Senate. The Oklahoma Department of Career and Technical Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 14% of the District's revenue comes from state sources.

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

The District receives revenue from the state to administer certain categorical educational programs. Oklahoma Department of Career and Technical Education rules require that revenue earmarked for these programs be expended only for the programs 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 Oklahoma Department of Career and Technical Education requires that categorical educational program revenues be accounted for in the general fund.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting referred to above 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.

Net Position and Fund Balance

District-Wide Financial Statements – When the District incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Buildings – The component of net assets that reports the excess of property taxes and other revenue collected in excess of expenses for operation of the District's buildings. This amount is restricted by enabling legislation.

Restricted for Debt Service – The component of net position that reports assets restricted for debt service.

NOTES TO FINANCIAL STATEMENTS

Restricted for School Organizations – The component of net assets that report the assets restricted for use by student organizations and extracurricular activities.

Unrestricted – The difference between assets and liabilities that is not reported as restricted for any particular purpose.

Governmental Fund 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 used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District does not have any funds classified as nonspendable as of June 30, 2018.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Building Fund revenue from levy as being restricted because the use is restricted by State Statute for capital expenditures.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified school program activities as being committed because their use is imposed by the Board of Education regarding use of the funds.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the superintendent through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned interest earnings to the funds where earned for the purposes defined by the fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

NOTES TO FINANCIAL STATEMENTS

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

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

Subsequent Event - The District has evaluated subsequent events through March 29, 2019, the date which the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

Deposits

At June 30, 2018, the bank balance of deposits, cash investments and cash pools was \$9,648,090.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for all deposits in excess of federally insured amounts. The District policy for custodial credit risk requires compliance with the provisions of state law. At June 30, 2018, the District was not exposed to custodial credit risk.

Investments

As of June 30, 2018, \$11,662 restricted cash consists of combination of government money market mutual funds and FDIC insured savings accounts held by trustee bank. These funds are classified as investments for the purposes of disclosure requirements and therefore, are not subject to custodial credit risk. For presentation on the face of the statement of net position, these funds are classified as cash.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Credit Risk – Investments

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. The District does not have a formal policy limiting its exposure arising from concentrations of investments.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk

The District places no limit on the amount the district can invest in any one issuer other than the limitations on types of investments contained in state law.

NOTE 3 - LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Compensated absences	\$ 2,037,640	\$ 100,034	\$ 39,694	\$ 2,097,980	\$ 534,465
Capital leases					
Oklahoma Industries Trust	9,765,000	8,875,000	9,765,000	8,875,000	765,000
	9,765,000	8,875,000	9,765,000	8,875,000	765,000
	<u>\$ 11,802,640</u>	<u>\$ 8,975,034</u>	<u>\$ 9,804,694</u>	<u>\$ 10,972,980</u>	<u>\$ 1,299,465</u>
Net pension liability				25,865,711	
Total governmental activity long-term liabilities				<u>\$ 36,838,691</u>	

Payments on the leases are made through the building fund with property taxes. Compensated absences are liquidated by the fund where the employee’s normal compensation is recorded.

On November 27, 2017, the District entered into a lease purchase agreement with the Oklahoma Industries Trust (an Oklahoma public trust). The purpose of this agreement was to refund the outstanding amount of the original lease dated December 1, 2009 and pay costs associated with the issuance. The original lease was used construct and equip a new 57,000 square foot facility to house the Metro College and Career Academy. This facility is located on existing Metro Technology Center property and is designed to provide classroom and other space for alternative education students.

The lease purchase agreement requires the District to make monthly base rental payments, commencing December 25, 2017. According to the agreement, the District shall only be liable for the payment of base rental payments according to the amounts scheduled to be due within each of its fiscal years. This obligation is specifically subject to the annual renewals of the lease and the availability of funds in the District’s building fund in sufficient amounts to make required payments under the lease.

Base rental payments are due monthly and are 1/12th of the principal and interest payments due on the certificates of participation for each 12 month period and are reset annually.

The District’s interest expense for 2018 was \$135,363.

Leased buildings in capital assets at June 30, 2018, include the following:

NOTES TO FINANCIAL STATEMENTS

Buildings	\$ 14,012,490
Less accumulated depreciation	<u>(2,479,167)</u>
	<u>\$ 11,533,323</u>

Amortization of leased buildings under capital assets is included with depreciation expense.

The debt matures as follows:

<u>Year Ended June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>	<u>Interest Rate</u>
Oklahoma Industries Trust				
2019	765,000	245,503	1,010,503	3.400%
2020	815,000	204,805	1,019,805	3.600%
2021	835,000	183,566	1,018,566	3.750%
2022	855,000	161,810	1,016,810	3.850%
2023	875,000	139,537	1,014,537	4.000%
2024-2028	<u>4,730,000</u>	<u>343,433</u>	<u>5,073,433</u>	3.6-4.625%
	<u>\$ 8,875,000</u>	<u>\$ 1,278,654</u>	<u>\$ 10,153,654</u>	

Future minimum lease payments are:

<u>Year Ended June 30,</u>	<u>Lease Payments</u>
2019	1,010,503
2020	1,019,805
2021	1,018,566
2022	1,016,810
2023	1,014,537
2024-2028	5,073,433
	<u>\$10,153,654</u>

See Note 11 for details of the refunding.

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM

Teachers' Retirement System of Oklahoma

Plan Description – The Oklahoma Teachers' Retirement Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Teachers' Retirement System (the System)

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is the responsibility of the state legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the employees of the District. The System issues a publicly available financial report that can be obtained at <http://www.ok.gov/trs/>.

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

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2018, qualifying employee contributions were reduced by a retirement credit of \$107,941 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2018, the District had a statutory contribution rate of 9.5% plus 8.25% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2018, the District contributions to the System for were \$1,660,817.

The State of Oklahoma, a non-employer contributing entity, provides funds through 5% of the State's sales, use, corporate and individual income taxes collected. The System receives 1% of the cigarette taxes collected by the State and 5% of net lottery proceeds collected by the State. The District's estimated share of these contributions based on their covered payroll for the measurement period was \$1,179,554.

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

At June 30, 2018, the District reported a liability of \$25,865,711 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of the contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.39064304%, which was a .007% decrease proportion measured as of June 30, 2016.

For the year ended June 30 2018, the District recognized pension expense of \$1,264,523. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 1,777,986
Changes of assumptions	2,976,257	1,519,616
Net difference between projected and actual earnings on pension plan investments	367,670	-
Changes in proportion and differences between District contributions and proportionate share of contributions	438,484	-
District contributions subsequent to the measurement date	1,660,817	-
	<u>\$ 5,443,228</u>	<u>\$ 3,297,602</u>

\$1,660,817 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended	
2019	\$ (650,040)
2020	1,316,124
2021	801,502
2022	(596,878)
2023	(350,128)
Thereafter	(35,771)
	<u>\$ 484,809</u>

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

Actuarial Cost Method – Entry Age Normal

Inflation – 2.5%

Future Ad Hoc Cost-of living increases - None

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

Investment Rate of Return – 7.5%

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

Mortality Rates after Retirement – Males: RP-2000 Combined Healthy Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled to 105%. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.

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

NOTES TO FINANCIAL STATEMENTS

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	23.50%	2.50%
Domestic Equity	38.50%	7.50%
International Equity	19.00%	8.50%
Real Estate	9.00%	4.50%
Alternative Investments	10.00%	6.10%
	<u>100.00%</u>	

Discount rate – A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2017. Previously, a rate of 8.00% was used. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection also assumed the state’s contribution plus the matching contributions will remain a constant percent of the projected member payroll based on the past five years of actual contributions.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's Proportionate share of the net pension liability	\$ 35,701,024	\$ 25,865,711	\$ 17,733,560

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/>.

NOTE 5 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to the retirement plan described in Note 4, the District participates in the state-administered Supplemental Health Insurance Program (OPEB Plan) within Teachers’ Retirement System of
(continued on next page)

NOTES TO FINANCIAL STATEMENTS

Oklahoma (the OPEB System), which is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Teacher Retirement System (TRS).

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

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

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

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

At June 30, 2018, the District reported an asset of (\$174,204) for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of the contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017 the District's proportion was 0.390643%, which was an increase of .007% from its proportion measured as of June 30, 2016.

For the year ended June 30 2018, the District recognized OPEB expense (credit) of (\$33,941) At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTES TO FINANCIAL STATEMENTS

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 46,758
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	95,552
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	27,490	-
	<u>\$ 27,490</u>	<u>\$ 142,310</u>

\$27,490 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the measurement year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended	
2019	\$ (32,547)
2020	(32,547)
2021	(32,547)
2022	(32,547)
2023	(8,659)
Thereafter	(3,463)
	<u>\$ (142,310)</u>

See Note 4. Employee pension plans for Actuarial assumptions, measurement, discount rate, long-term expected rate of return and target asset allocation

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

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

NOTES TO FINANCIAL STATEMENTS

	1% Decrease <u>(6.5%)</u>	Current Discount <u>Rate (7.5%)</u>	1% Increase <u>(8.5%)</u>
District's Proportionate share of the net OPEB liability(asset)	<u>\$ (7,292)</u>	<u>\$ (174,204)</u>	<u>\$ (316,912)</u>

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

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

NOTE 6 - CONTINGENCIES AND COMMITMENTS

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

The District is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District believes the resolution of these matters will not have a material adverse effect on the financial condition of the District. Should a judgment be awarded against the District, it would be levied through the District’s sinking fund over a three-year period pursuant to state law.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The District is a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program, the District is required to, and has, on deposit 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to, but must contribute if their deposits fall below 1.6%. The money contributed by each district earns interest and is fully insured. If the District claims in excess of the amount in its account, it will be liable for the excess.

NOTE 8 - CAPITAL ASSETS

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

NOTES TO FINANCIAL STATEMENTS

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,700,590	\$ -	\$ -	\$ 1,700,590
Construction in progress	5,863,288	1,290,778	1,757,025	5,397,041
Total capital assets not being depreciated	<u>7,563,878</u>	<u>1,290,778</u>	<u>1,757,025</u>	<u>7,097,631</u>
Capital assets being depreciated:				
Buildings and improvements	44,585,478	1,757,025	290,000	46,052,503
Furniture, fixtures and equipment	10,422,384	369,515	207,867	10,584,032
Vehicles/buses	2,299,769	285,728	-	2,585,497
Total capital assets being depreciated	<u>57,307,631</u>	<u>2,412,268</u>	<u>497,867</u>	<u>59,222,032</u>
Less accumulated depreciation for:				
Buildings and improvements	19,551,171	1,293,074	238,646	20,605,599
Furniture, fixtures and equipment	8,859,905	578,225	207,866	9,230,264
Vehicles/buses	1,731,010	211,195	-	1,942,205
Total accumulated depreciation	<u>30,142,086</u>	<u>2,082,494</u>	<u>446,512</u>	<u>31,778,068</u>
Total capital assets being depreciated, net	<u>27,165,545</u>	<u>329,774</u>	<u>51,355</u>	<u>27,443,964</u>
Governmental activity capital assets, net	<u>\$ 34,729,423</u>	<u>\$ 1,620,552</u>	<u>\$ 1,808,380</u>	<u>\$ 34,541,595</u>

Depreciation expense was not allocated to the various functions because the District believes all functions are supported equally.

NOTE 9 – FUND BALANCES – GOVERNMENTAL FUNDS

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

	General	Building Fund	Other Governmental Funds
Restricted			
Buildings	\$ -	\$ 3,838,621	\$ -
Student Activities	-	-	82,119
Assigned			
2019 Budget	3,776,929	-	-
Unassigned	-	-	-
	<u>\$ 3,776,929</u>	<u>\$ 3,838,621</u>	<u>\$ 82,119</u>

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

NOTE 10 – TAX ABATEMENT

Oklahoma Statues Title 31 offers a homestead exemption of up to 1 acre property in an urban area or 160 acres in a rural area. In addition, households with gross income under \$20,000 are entitled to an additional \$1,000 exemption. Honorably discharged veterans who are 100 percent disabled and
(continued on next page)

NOTES TO FINANCIAL STATEMENTS

surviving spouse of veteran killed while on active duty are fully exempted. These homestead exemptions reduce the ad valorem taxes remitted to the District.

For the year ended June 30, 2018, abated property taxes were approximately \$4,516,000.

NOTE 11 – NEW GASB PRONOUNCEMENTS

The District implemented the following GASB Statements:

- GASB Statement No.75, *Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources and expenses/expenditures. Furthermore, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered by trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The provisions in this statement are effective for fiscal years beginning after December 15, 2016.
- GASB Statement No. 82, *Pension Issues* - an amendment of GASB Statements No. 67, No. 68 and No. 73, seeks to address certain issues that have been raised with respect to those Statements. Specifically, Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in this statement are effective for fiscal years beginning after June 15, 2016, except for where the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of GASB statements related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The provisions of this statement are effective for reporting periods beginning after June 15, 2017.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* seeks to improve consistency in accounting and reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The provisions of this statement are effective for reporting periods beginning after June 15, 2017.

NOTES TO FINANCIAL STATEMENTS

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

- GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the future retirement of a tangible capital asset. The provisions of this statement are effective for reporting periods beginning after June 15, 2018.
- GASB Statement No. 84, *Fiduciary Activities* establishes general criteria for determining when a governmental unit has a fiduciary role for managing certain types of assets. The focus of the criteria generally is on (a) whether the government is controlling the assets of the fiduciary activity and (b) the beneficiaries with whom the fiduciary relationship exists. The provisions of this statement are effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements* seeks to improve the information that is disclosed in notes to governmental financial statements related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this statement are effective for reporting periods beginning after June 15, 2018.

NOTE 12 – BOND REFUNDING

Bonds are refunded to retire all or a portion of an outstanding bond issue. Most typically, refundings are done to refinance at a lower interest rate to reduce overall debt service. In an advance refunding transaction, new debt is issued to provide monies to pay interest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date. An advance refunding occurs before the maturity or call date of the old debt, and the proceeds of the new debt are invested until the maturity or call date of the old debt.

As described in Note 3, the debt which the District owed to the Oklahoma Industries Trust was refinanced as an advance refunding. This new agreement reduced the present value of the future debt service payments. The effect of the refunding is summarized as follows:

Refunding bonds issued	\$ 8,875,000
Funds held in Debt Service and bond fund by Trustee	<u>1,724,718</u>
Source of funds	<u>\$ 10,599,718</u>
Purchase Price of Escrowed securities	\$ 9,686,894
Transfer from Bond Funds held by trustee	719,118
Beginning deposit to Escrow fund	<u>1</u>
Total deposit to Escrow	\$ 10,406,013
Issuance costs	192,125
Additional proceeds to District	<u>1,580</u>
Use of funds	<u>\$ 10,599,718</u>

NOTES TO FINANCIAL STATEMENTS

Proceeds of the 2017 issue refunded \$9,765,000 of outstanding debt. The difference between cash flows required to service the old debt and that required to service the new debt and complete the refunding was \$953,485. The economic gain on the refunding was \$137,136.

NOTE 13 – DEFERED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

As of June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources in connection with Employee Retirement system and Other Post-Employment Benefits (OPEB) as

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employee Retirement System	\$ 5,443,228	\$ 3,297,602
OPEB	<u>27,490</u>	<u>142,310</u>
	<u>\$ 5,470,718</u>	<u>\$ 3,439,912</u>

NOTE 14 – RESTATEMENT

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

Building Fund: Amounts recorded for financial transactions related to the 2009 lease purchase trustee accounts were not included properly at the fund level. This has been corrected.

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

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

	<u>Previously Presented</u>	<u>Restatement</u>	<u>2017 Restated</u>
Building Fund			
Restricted Cash	-	1,519,975	1,519,975
Fund Balance	2,489,493	1,519,975	4,009,468
Governmental Activities			
Net OPEB Asset	-	25,443	25,443
Net position, ending	10,308,367	25,443	10,333,810

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	
	Original	Final		Original to Final	Final to Actual
Budgetary fund balance, July 1	\$ 4,000,000	\$ 4,600,000	\$ 4,856,849	\$ 600,000	\$ 256,849
Resources (inflows)					
Property taxes	18,250,000	19,223,820	19,262,388	973,820	38,568
Interest	25,000	95,000	94,172	70,000	(828)
Tuition and fees	2,500,000	2,079,956	2,146,166	(420,044)	66,210
State revenue	3,454,244	3,379,622	3,245,719	(74,622)	(133,903)
Federal revenue	700,000	405,829	512,232	(294,171)	106,403
Other	700,000	899,674	912,106	199,674	12,432
Total resources	25,629,244	26,083,901	26,172,783	454,657	88,882
Amounts available for appropriation	29,629,244	30,683,901	31,029,632	1,054,657	345,731
Charges to appropriations (outflows)					
Instruction	9,700,000	10,125,000	10,176,391	425,000	(51,391)
Support services - Instructional	4,400,000	4,055,000	4,141,201	(345,000)	(86,201)
Support services - Noninstructional	11,200,000	12,065,000	11,965,505	865,000	99,495
Non-instruction services	250,000	300,000	303,945	50,000	(3,945)
Other outlays	4,079,244	4,138,901	338,103	59,657	3,800,798
Total charges to appropriations	29,629,244	30,683,901	26,925,145	1,054,657	3,758,756
Budgetary fund balance, June 30	\$ -	\$ -	\$ 4,104,487	\$ -	\$ 4,104,487
Accounts receivable not recognized as revenue for budgetary basis			444,107		
Accounts Payable not recognized as expenditures for budgetary basis			(296,464)		
Compensated Absences not recognized as expenditures for GAAP basis			(475,201)		
Fund Balance, End of year GAAP Basis			\$ 3,776,929		

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
BUDGETARY COMPARISON SCHEDULE – BUILDING FUND (UNAUDITED)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	
	Original	Final		Original to Final	Final to Actual
Budgetary fund balance, July 1	\$ 2,900,000	\$ 4,385,000	\$ 3,186,055	\$ 1,485,000	\$ (1,198,945)
Resources (inflows)					
Property taxes	9,415,000	10,163,041	10,183,600	748,041	20,559
Interest	-	-	-	-	-
Other	1,515,000	1,431,820	1,431,820	(83,180)	-
Total resources	10,930,000	11,594,861	11,615,420	664,861	20,559
Amounts available for appropriation	13,830,000	15,979,861	14,801,475	2,149,861	(1,178,386)
Charges to appropriations (outflows)					
Instruction	770,000	330,000	360,588	(440,000)	(30,588)
Support services	120,000	99,135	95,815	(20,865)	3,320
Non-instruction services	6,125,000	6,276,000	6,106,800	151,000	169,200
Capital outlay and Debt Service	6,815,000	9,274,726	3,475,614	2,459,726	5,799,112
Total charges to appropriations	13,830,000	15,979,861	10,038,817	2,149,861	5,941,044
Budgetary fund balance, June 30	\$ -	\$ -	\$ 4,762,658	\$ -	\$ 4,762,658
Net accounts receivable not recognized as revenue for budgetary basis			127,550		
Accounts Payable not recognized as expenditures for budgetary basis			(1,003,983)		
Net effect of lease revenue bond activity not recognized for budgtary basis			11,661		
Compensated Absences not recognized as expenditures for GAAP basis			(59,265)		
Fund Balance, End of year GAAP Basis			\$ 3,838,621		

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
TEACHER RETIRMENT PLAN (UNAUDITED)
YEAR ENDED JUNE 30, 2018

Measurement Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's portion of the net pension liability (asset)	0.390643040%	0.38314764%	0.39873749%	0.41107405%	0.41107405%
District's proportionate share of the net pension liability (asset)	25,865,711	32,104,484	24,844,546	22,115,235	29,422,121
District's covered employee payroll	16,862,379	17,134,579	17,027,758	17,330,242	17,390,474
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	153.39%	187.37%	145.91%	127.61%	169.19%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	62.24%	70.30%	72.43%	62.18%
Information to present a 10 year schedule is not currently available					

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIRMENT PLAN (UNAUDITED)
YEAR ENDED JUNE 30, 2018

Measurement Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,601,926	\$ 1,627,785	\$ 1,617,637	\$ 1,646,373	\$ 1,652,095
Contributions in relation to the contractually required contribution	1,601,926	1,627,785	1,617,637	1,646,373	1,652,095
Contribution deficiency (excess)	-	-	-	-	-
District's covered payroll	16,862,379	17,134,579	17,027,758	17,330,242	17,390,474
Contributions as a percentage of Covered employee Payroll	9.50%	9.50%	9.50%	9.50%	9.50%

Information to present a 10 year schedule is not currently available

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB (ASSET) LIABILITY (UNAUDITED)
YEAR ENDED JUNE 30, 2018

Measurement Year	<u>2017</u>
District's portion of the net OPEB liability (asset)	0.390643040%
District's proportionate share of the net OPEB liability (asset)	174,204
District's covered employee payroll	16,862,379
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	1.03%
Plan fiduciary net position as a percentage of the total OPEB liability	110.40%

Information to present a 10 year schedule is not currently available

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
SCHEDULE OF DISTRICT CONTRIBUTIONS
OPEB (UNAUDITED)
YEAR ENDED JUNE 30, 2018

Measurement Year		<u>2017</u>
Contractually required contribution	\$	25,443
Contributions in relation to the contractually required contribution		25,443
Contribution deficiency (excess)		-
District's covered payroll		16,862,379
Contributions as a percentage of Covered employee Payroll		0.15%

Information to present a 10 year schedule is not currently available

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

Note 1: Budgeting and Budgetary Control

The District is required by state law to prepare an annual budget. The District by resolution of the Board of Education has adopted the School District Budget Act. This Act requires that within the thirty-day period preceding the beginning of each fiscal year, a budget shall be approved by the governing body. The original budget is to be amended after the June financial activity has been recorded, the annual Foundation and Salary Incentive Aid allocation has been released, and the property tax valuations have been certified for all affected counties within the district.

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Fund that includes revenue and expenditures.

Note 2: Budgetary Basis of Accounting

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

Note 3: Changes of Assumptions

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

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Deferred Revenue (Accounts Receivable) 6/30/17	Federal Grant Receipts	Total Grant Expenditures	Matching Expenditures	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) 6/30/18
<u>U.S. Department of Education</u>								
Direct Programs-Student Financial Aid								
Federal Pell Grant Program 2017-18	84.063	474	\$ -	\$ 1,041,787	\$ 1,041,787	\$ -	\$ 1,041,787	\$ -
Pell Admin Fee	84.063	n/a	-	1,335	1,335	-	1,335	-
Direct Student Loans 2017-18	84.268	471	-	900,925	900,925	-	900,925	-
Total Student Financial Aid Cluster			-	1,944,047	1,944,047	-	1,944,047	-
Carl Perkins Vocational Education Act								
Passed through Oklahoma Department of Career Technology Education								
Carl Perkins Secondary	84.048	421	(196,153)	196,153	160,783		160,783	(160,783)
Carl Perkins Supplemental	84.048	424	(32,179)	32,179	107,631		107,631	(107,631)
Tech Centers That Work	84.048	429	-	-	11,959		11,959	(11,959)
Total Pass Through Programs			(228,332)	228,332	280,373	-	280,373	(280,373)
Total U.S. Department of Education			(228,332)	2,172,379	2,224,420	-	2,224,420	(280,373)
<u>U.S. Department of Health and Human Services</u>								
Passed through Oklahoma Department of Human Services and Oklahoma Department of Career Technology Education								
TANF Job Readiness	93.558	456	(6,567)	28,793	74,476	-	74,476	(52,250)
TANF/HIRE	93.558	452	(79,061)	193,529	265,640	34,741	230,899	(116,431)
Total U.S. Department of Health and Human Services			(85,628)	222,322	340,116	34,741	305,375	(168,681)
Total Expenditures of Federal Awards			\$ (313,960)	\$ 2,394,701	\$ 2,564,536	\$ 34,741	\$ 2,529,795	\$ (449,054)

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
Notes to Schedule of Expenditures of Federal Awards
JUNE 30, 2018

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Metro Technology Center, District No. 22 under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 220, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Metro Technology Center, District No. 22 it is not intended to and does not present financial position, changes in financial position or cash flows.

Note B: Summary of Significant Accounting Policies

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

Note C: Indirect Cost Rate

Metro Technology Center, District No. 22 has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D: Subrecipients

Metro Technology Center, District No. 22 did not have any awards that have been passed through to subrecipients.



**HINKLE &
COMPANY** PC
Strategic
Business Advisors

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of the Financial
Statements Performed in Accordance with Government Auditing Standards**

To the Board of Education
Metro Technology Center School District No. 22
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Metro Technology Center School District No. 22 (the District) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hill & Company, PC

Tulsa, Oklahoma
March 29, 2019





**HINKLE &
COMPANY**
Strategic PC
Business Advisors

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Education
Metro Technology Center School District No. 22
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the District compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the District as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated March 29, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole

Hill & Company, PC

Tulsa, Oklahoma
March 29, 2019



Metro Technology Center School District No. 22
Schedule of Findings and Questioned Costs
June 30, 2018

Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Significant deficiencies Yes None reported
- Material weaknesses? Yes No
3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. Internal control over major programs:
- Significant deficiencies? Yes None reported
- Material weaknesses? Yes No
5. Type of auditors' report issued on compliance for major federal awards was: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200 516(a)? Yes No
7. Identification of major programs:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	
Federal Direct Loan Program	84.268
Federal Pell Grant	84.063

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.
9. The District qualified as a low-risk auditee as that term is defined in Uniform Guidance. Yes No

Metro Technology Center School District No. 22
Schedule of Findings and Questioned Costs
June 30, 2018

Section II - Findings Required to be Reported in Accordance with *Government Auditing Standards*

None

Section III - Findings Required to be Reported by the Uniform Guidance

None

Metro Technology Center School District No. 22
Summary Schedule of Prior Audit Findings and Questioned Costs
June 30, 2018

Prior Period - Findings Required to be Reported by Government Auditing Standards

Finding 2017-001

Criteria:

Proper accounting of construction expenses for new construction in the period the expenses occurred allows for proper reporting of assets in the Districts financial statements to be fairly presented in conformity with generally accepted accounting principles.

Condition:

Building renovation or buildings under construction were properly expensed. However, these expenditures were not properly recognized in the proper period and thus not in conformity with generally accepted accounting principles.

Effect:

New construction expenses were not properly recorded in accordance with generally accepted accounting principles.

Cause:

The District did not transfer significant construction in progress expenses during the period the expenditures occurred.

Recommendation:

Management should conduct a detail review of all related construction expenditures for capitalization in the proper period to ensure proper reporting is in accordance with accounting principles generally accepted in the United States.

Name of Contact Person: Mr. Matt Gindhart, Director of Finance

Responsible Officials Response and Corrective Action:

Metro Technology Centers concurs with the recommendation and will conduct a detailed review of all construction expenditures within 90 days after the close of the fiscal year end to ensure the proper period of accounting of construction expenses conforms with generally accepted accounting principles in the United States.

Current Year Status:

This finding has been resolved in the current year.

Metro Technology Center School District No. 22
Schedule of Accountants' Professional Liability Insurance Affidavit
June 30, 2018

STATE OF OKLAHOMA

COUNTY OF TULSA

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm did have, in full force and effect, Accountant's Professional Liability Insurance, in accordance with the Oklahoma Public School Audit Law at the time of the audit contract and during the entire audit engagement with Metro Technology Center School District No. 22 for the audit year ended June 30, 2018.

Hinkle and Company, PC

Certified Public Accountants

Auditing Firm

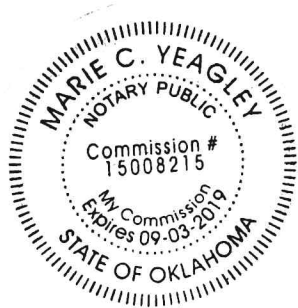
James D. Hinkle

Signature of Authorized Agent

James D. Hinkle

Name of Authorized Agent

Subscribed and Sworn to before me this 29th day of March, 2019.



Marie C. Yeagley
Notary Public

My Commission Expires: 9/3/19

Commission No. 15008215