

REPORT OF AUDIT
SOUTHERN OKLAHOMA TECHNOLOGY CENTER #V-20
ARDMORE - CARTER COUNTY - OKLAHOMA
JULY 1, 2016 TO JUNE 30, 2017

SOUTHERN OKLAHOMA TECHNOLOGY CENTER #V-20
ARDMORE - CARTER COUNTY - OKLAHOMA
JULY 1, 2016 TO JUNE 30, 2017

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| | |
|----------------------|---------------------------------------|
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| DR. DAVID L. POWELL, | SUPERINTENDENT |

AUDIT BY

PATRICK W. CARROLL
CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE #4081

SOUTHERN OKLAHOMA TECHNOLOGY CENTER #V-20
ARDMORE - CARTER COUNTY - OKLAHOMA
JULY 1, 2016 TO JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Southern Oklahoma Technology Center #V-20
Carter County, Oklahoma

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Southern Oklahoma Technology Center #V-20, Carter County, Oklahoma, as of and for the year ended June 30, 2017, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my 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, 2016, and the respective changes in financial position for year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 33-34 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare 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 my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 8, 2017 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Chas. W. Carroll, P.A.
December 8, 2017

**Southern Oklahoma Technology Center, District No. 20
Carter County, Ardmore, Oklahoma
Management Discussion and Analysis (Unaudited)**

June 30, 2017

Within the management's discussion and analysis of the Southern Oklahoma Technology Center, District No. 20 (the District) annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements following this section.

I. Financial Highlights

- The District's government-wide assets on an accrual basis exceeded its liabilities by \$22,353,215 (Net Position) for the fiscal year ended June 30, 2017.
- Total governmental-wide Net Position as of June 30, 2017, are comprised of the following:
 - Capital assets net of related debt of \$16,313,118 which includes property and equipment net of accumulated depreciation in the amount of \$16,313,117 plus unspent funds in capital project funds of \$ - less related debt of \$ -.
 - Net Position of \$2,909,411 are restricted by constraints imposed by sources from outside the District such as grantors, laws, or regulations. This Net Position consist of the building fund in the amount of \$2,273,760, permanent endowments fund in the amount of \$85,075, debt service in the amount of \$413,351, and activity fund in the amount of \$137,225.
 - Unrestricted Net Position of \$3,153,011 which represents the portion available to maintain the District's continuing obligations to citizens and creditors.
- General fund revenues of \$8,883,317 on a budgetary basis for the year ended June 30, 2017, were less than expenditures of \$9,560,113 by \$676,796 or -7.62% of total revenues. Total encumbrances lapsed from the prior year were \$393,640. The fund balance on the budgetary basis at June 30, 2017 totals \$2,841,485.
- Building fund revenues of \$2,622,457 on a budgetary basis for the year ended June 30, 2017, were more than expenditures of \$3,363,920 by (\$741,463). The fund balance on the budgetary basis at June 30, 2017 totals \$2,966,600.
- The District's regular full and part time employee salaries/benefits totaled 36% of the budget for fiscal year 2016/2017 as compared with 45% of the budget for fiscal year 2015/2016. It is currently estimated that the total for salaries/benefits for fiscal year 2017/2018 will be approximately 40% of the budget.
- Property valuation of the district for fiscal year 2016/2017 is up 3.12 % from 2015/2016.

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Carter County, Ardmore, Oklahoma
Management Discussion and Analysis (Unaudited)

- Official student enrollment was 722 full time equivalents (FTE's) in fiscal year 2016/2017 compared to 714 full time equivalents (FTE's) in fiscal year 2015/2016. Enrollment and attendance are critical components in the continuation of a full-time program qualified for the inclusion of state funding, under a formula generated through the Oklahoma Department of Career and Technology Education.

II. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Southern Oklahoma Technology Center, District No. 20's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The district-wide financial statements can be found on pages 12-13 in this report.

2) Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately

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Carter County, Ardmore, Oklahoma
Management Discussion and Analysis (Unaudited)

reported while all others are combined into a single, aggregated presentation. Since there is only one non-major fund, the activity fund, it is reported alongside the major funds.

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

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

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

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

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

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

Debt Service Fund: Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. The

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District reports resources collected from property taxes levied for bond payments in the debt service fund along with interest earnings on funds accumulated.

Permanent Fund: Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs. The District reports the Green Endowment as a permanent fund.

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

The basic governmental fund financial statements can be found on pages 14-15 of this report.

3) Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. Notes to the financial statements can be found on pages 17-31 of this report.

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

Required supplementary information can be found on pages 32-36 of this report.

III. Financial Analysis of the District as a Whole

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

The District's Net Position at June 30, 2017 is \$22,353,215. The unrestricted portion of Net Position in the amount of \$3,130,691 (14.09% of Net Position) may be used to meet the District's ongoing obligations to citizens and creditors.

An additional portion of the District's Net Position, \$2,824,336 (13.00% of total Net Position), represents resources that are subject to external restrictions on how they may be used. The remaining balance of Net Position, \$16,313,118 is the investment in capital assets less related debt. The District uses these capital assets to provide instruction, support, and transportation services; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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Carter County, Ardmore, Oklahoma
Management Discussion and Analysis (Unaudited)

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

The following provides a summary of the District's Net Position for the year ended 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|-------------------|-------------------|
| Current Assets | \$ 13,903,759 | \$ 13,092,840 |
| Capital Assets | 16,313,117 | 15,567,064 |
| Other Assets | - | - |
| Total assets | <u>30,216,876</u> | <u>28,659,904</u> |
| Deferred Outflows of Resources | <u>2,993,580</u> | <u>851,870</u> |
| Liabilities due within a year | 111,102 | 390,765 |
| Long-term liabilities | <u>10,508,085</u> | <u>7,782,356</u> |
| Total liabilities | <u>10,619,187</u> | <u>8,173,121</u> |
| Deferred Inflows of Resources | <u>238,049</u> | <u>1,128,226</u> |
| Net Position | | |
| Invested in capital assets | 16,313,118 | 15,567,064 |
| Restricted | 2,909,411 | 2,839,585 |
| Unrestricted | <u>3,130,691</u> | <u>1,803,778</u> |
| Total net position | <u>22,353,220</u> | <u>20,210,427</u> |

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

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| General Revenues | | |
| Ad valorem taxes | \$ 9,311,356 | \$ 8,990,165 |
| Other | 419,171 | 169,497 |
| State sources | 1,800,554 | 1,894,949 |
| Program Revenues | | |
| Charges for services | 690,892 | 733,597 |
| Operating grants | <u>1,322,244</u> | <u>1,339,712</u> |
| Total revenue | <u>13,544,217</u> | <u>13,127,920</u> |
| Expenses | | |
| Instruction | 4,936,185 | 4,019,891 |
| Support services | 6,255,897 | 5,626,066 |
| Other outlays | 538,648 | 902,634 |
| Interest expense | - | - |
| Total expenses | <u>11,730,730</u> | <u>10,548,591</u> |
| Change in Net position | 1,813,487 | 2,579,329 |
| Net position, beginning of year, as restated | <u>20,539,733</u> | <u>17,631,098</u> |
| Net position, end of year | <u>\$ 22,353,220</u> | <u>\$ 20,210,427</u> |

IV. Financial Analysis of the District's Funds

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

**Southern Oklahoma Technology Center, District No. 20
Carter County, Ardmore, Oklahoma
Management Discussion and Analysis (Unaudited)**

Governmental funds

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

As of June 30, 2017, the District's governmental funds reported combined ending fund balances of \$11,090,8427 Of the year-end total, \$552,312 is unassigned funds, nonspendable funds of \$85,075 and \$2,953,678, which is restricted by either statutory or grant provisions. Committed and assigned fund balances are \$2,520,820 and \$4,978,957, respectively.

The general fund is the chief operating fund of the District and the largest source of day-to-day educational delivery. As of June 30, 2017, the unassigned fund balance of the general fund was \$552,312, while total fund balance was \$5,215,031. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at June 30, 2017 represents 5.17% of total general fund expenditures compared to 19.88% at June 30, 2016.

The District's main activities are instruction, support services, non-instruction services, and capital outlay. The following table shows each activity's total cost before any offsets for fees generated by the activities and intragovernmental aid provided for specific programs.

The following table of total costs for the general fund for the years ended June 30, 2017 and 2016 show the financial burden that was placed on the State of Oklahoma, federal government, and the District's taxpayers by each of these functions.

| | <u>2017</u> | <u>2016</u> |
|-----------------------------|----------------------|---------------------|
| Instruction | 4,479,715 | 3,737,789 |
| Support services | 5,313,372 | 4,665,407 |
| Operation of noninstruction | 246,311 | 267,153 |
| Other outlays | <u>651,242</u> | <u>85,040</u> |
| Total cost of services | <u>\$ 10,690,640</u> | <u>\$ 8,755,389</u> |

The cost of all governmental funds this year was \$12,097,477.

- Most of the District's costs are financed by District taxpayers and the taxpayers of our state by a combination of \$8,603,334 in property taxes and \$2,040,098 of state aid.
- Some of the cost, \$351,326, was financed by the users of the District's programs.

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Management Discussion and Analysis (Unaudited)**

- Federal grants provided \$486,943.

Sources of revenue for the District's governmental funds are as follows:

| Governmental Revenue | <u>2017</u> | <u>%</u> | <u>2016</u> | <u>%</u> |
|----------------------|----------------------|----------|----------------------|----------|
| Total Revenues | | | | |
| Local sources | \$ 9,952,181 | 80% | \$ 10,114,872 | 80% |
| State aid | 2,040,908 | 16% | 2,086,406 | 17% |
| Federal sources | 486,943 | 4% | 431,357 | 3% |
| | <u>\$ 12,480,032</u> | | <u>\$ 12,632,635</u> | |

V. General Fund Budgetary Highlights

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

General fund revenues were lower than budget by \$385,000, most of which resulted from under collection in property taxes and other local sources. Expenditures were lower than budget by \$3,226,891.

The District commits not less than 20% of ad valorem collections for catastrophic losses and assigns 30% for temporary cash flow.

VI. Capital Asset and Debt Administration

Capital Assets The District's investment in capital assets as of June 30, 2017 and 2016 amounted to \$16,313,117 and \$15,567,064, respectively, net of accumulated depreciation. This investment in capital assets includes land, buildings, equipment, vehicles and mineral interests.

**Southern Oklahoma Technology Center, District No. 20
Carter County, Ardmore, Oklahoma
Management Discussion and Analysis (Unaudited)**

| | | |
|--|----------------------|----------------------|
| Land | \$ <u>807,750</u> | \$ <u>286,301</u> |
| Total capital assets not depreciated | <u>836,678</u> | <u>286,301</u> |
| Buildings | 18,390,738 | 19,541,026 |
| Computers and printers | 1,210,789 | 1,120,672 |
| Furniture and small equipment | 1,715,233 | 1,535,426 |
| Tools and large equipment | 3,252,552 | 2,401,720 |
| Vehicles | 632,979 | 604,041 |
| Mineral interests | <u>82,063</u> | <u>82,063</u> |
| Total capital assets being depreciated | 25,284,354 | 25,284,948 |
| Less accumulated depreciation | <u>(9,807,915)</u> | <u>(10,004,186)</u> |
| | <u>15,476,439</u> | <u>15,280,762</u> |
| Total capital assets | <u>\$ 16,313,117</u> | <u>\$ 15,567,063</u> |

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

Debt At year-end, the District had no bonds outstanding.

Oklahoma statutes limit the general obligation debt that can be issued to 10% of the assessed valuation for the District. The District's imposed limit is approximately \$62,520,000.

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

The District's share of the Teacher Retirement System's net pension liability as of June 30, 2017 was \$10,294,990. This was an increase of \$2,760,000 from 2015 primarily due to actuary changes in assumption by the Teacher Retirement System in 2016, which was the measurement year for the net pension liability.

VII. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Southern Oklahoma Technology Center, District No. 20, 2610 Sam Noble Parkway, Ardmore, Oklahoma 73401.

Southern Oklahoma Technology Center, District No. 20
Carter County, Ardmore, Oklahoma
Statement of Net Position
June 30, 2017

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and cash investments | \$ 10,771,358 |
| Accounts receivable, net | 3,132,401 |
| Capital assets not being depreciated | 836,678 |
| Capital assets being depreciated, net of depreciation | <u>15,476,439</u> |
| Total assets | <u>30,216,876</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources related to pensions | <u>2,993,580</u> |
| LIABILITIES | |
| Accounts payable | 33,322 |
| Long-term Liabilities | |
| Due within one year | 77,780 |
| Due in more than one year | <u>10,508,085</u> |
| Total liabilities | <u>10,619,187</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources related to pensions | <u>238,049</u> |
| NET POSITION | |
| Net investment in capital assets | 16,313,118 |
| Restricted - nonexpendable | 85,075 |
| Restricted for: | |
| Building fund | 2,273,760 |
| Debt service | 413,351 |
| Activity fund | 137,225 |
| Unrestricted | <u>3,130,691</u> |
| Total net position | <u>\$ 22,353,220</u> |

The accompanying notes are an integral part of these financial statements

Southern Oklahoma Technology Center, District No. 20
Carter County, Ardmore, Oklahoma
Statement of Activities
For the Year Ended June 30, 2017

| | | Program Revenues | Capital Grants and Contributions | Net (Expenses) Revenues and Changes in Net Assets |
|--------------------------------------|----------------------|--|--|--|
| Functions/Programs: | | Operating Grants and Contributions | | |
| Governmental Activities: | Expenses | Charges for Services | | |
| Instruction | \$ 4,936,185 | \$ 389,580 | \$ - | \$ (3,255,796) |
| Support services | 6,255,897 | 66,710 | - | (6,189,187) |
| Non-instruction | 538,648 | 234,602 | - | (272,611) |
| Total governmental activities | <u>\$ 11,730,730</u> | <u>\$ 690,892</u> | <u>\$ -</u> | <u>\$ (9,717,594)</u> |
| | | | | |
| General Revenues: | | | | |
| Local sources - | | | | |
| Ad valorem taxes | | | | 9,311,356 |
| Interest income | | | | 418,707 |
| Other | | | | 464 |
| State appropriations | | | | 1,800,554 |
| Total general revenues | | | | <u>11,531,081</u> |
| | | | | |
| Change in net assets | | | | |
| 1,813,487 | | | | |
| | | | | |
| Net position, beginning, as restated | | | | |
| <u>20,539,733</u> | | | | |
| | | | | |
| Net position, ending | | | | |
| <u>\$ 22,353,220</u> | | | | |

The accompanying notes are an integral part of these financial statements
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Southern Oklahoma Technology Center, District No. 20
Carter County, Ardmore, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2017

| | General | Building Fund | Debt Service Fund | Other Governmental Funds | Total |
|---|---------------------|---------------------|-------------------------|--------------------------------|----------------------|
| ASSETS | | | | | |
| Cash and Cash Investments | \$ 4,910,615 | \$ 5,318,211 | \$ 90,236 | \$ 452,301 | \$ 10,771,363 |
| Accounts receivable | 2,247,158 | 553,955 | 331,287 | - | 3,132,400 |
| Due from Other Funds | 51,850 | - | - | - | 51,850 |
| Total assets | \$ 7,209,623 | \$ 5,872,166 | \$ 421,523 | \$ 452,301 | \$ 13,955,613 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 14,596 | \$ 18,725 | \$ - | \$ - | \$ 33,321 |
| Accrued employee benefits | 77,780 | - | - | - | 77,780 |
| Due to Other Funds | - | - | - | 51,850 | 51,850 |
| Total Liabilities | 92,376 | 18,725 | - | 51,850 | 162,951 |
| Deferred Inflows of resources: | | | | | |
| Deferred property taxes | 1,902,216 | 469,544 | 330,060 | - | 2,701,820 |
| Fund Balances: | | | | | |
| Nonspendable | - | - | - | 85,075 | 85,075 |
| Restricted | - | 2,733,162 | 83,291 | 137,225 | 2,953,678 |
| Committed | 2,221,697 | 299,123 | - | - | 2,520,820 |
| Assigned | 2,441,022 | 2,351,612 | 8,172 | 178,151 | 4,978,957 |
| Unassigned | 552,312 | - | - | - | 552,312 |
| Total fund balances | 5,215,031 | 5,383,897 | 91,463 | 400,451 | 11,090,842 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 7,209,623 | \$ 5,872,166 | \$ 421,523 | \$ 452,301 | \$ 13,955,613 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | | | |
| Capital assets used in government activities are not financial resources and therefore not reported in the funds. | | | | | |
| Compensated absences which are not due and payable in the current period and therefore are not reported in the funds. | | | | | |
| (198,790) | | | | | |
| Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. | | | | | |
| 2,701,813 | | | | | |
| Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds | | | | | |
| (10,294,990) | | | | | |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds | | | | | |
| 2,755,533 | | | | | |
| Net assets of governmental activities | | | | | |
| \$ 22,353,220 | | | | | |

The accompanying notes are an integral part of these financial statements

Southern Oklahoma Technology Center, District No. 20
Carter County, Ardmore, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2017

| REVENUES | General | Building Fund | Capital Projects Fund | Debt Service Fund | Other Governmental Funds | Total |
|--|---------------------|---------------------|-----------------------------|-------------------------|--------------------------------|----------------------|
| Local sources | | | | | | |
| Property taxes | \$ 5,956,162 | \$ 2,627,113 | \$ - | \$ 20,059 | \$ - | \$ 8,603,334 |
| Tuition and fees | 351,326 | - | - | - | - | 351,326 |
| Interest | 7,077 | 11,750 | - | - | 522 | 19,349 |
| Other local | 627,021 | 6,025 | - | - | 345,126 | 978,172 |
| State sources | 2,040,064 | 844 | - | - | - | 2,040,908 |
| Federal sources | 486,943 | - | - | - | - | 486,943 |
| Total revenues | <u>9,468,593</u> | <u>2,645,732</u> | <u>-</u> | <u>20,059</u> | <u>345,648</u> | <u>12,480,032</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Instruction | 4,479,715 | - | - | - | 217,770 | 4,697,485 |
| Support services | 5,313,372 | 827,132 | - | - | 12,641 | 6,153,145 |
| Operation of noninstruction | 246,311 | - | - | - | 119,058 | 365,369 |
| Facilities acquisition and construction services | 527,172 | 230,236 | - | - | - | 757,408 |
| Other outlays | 124,070 | - | - | - | - | 124,070 |
| Total expenditures | <u>10,690,640</u> | <u>1,057,368</u> | <u>-</u> | <u>-</u> | <u>349,469</u> | <u>12,097,477</u> |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers | 33,373 | - | - | - | (33,373) | - |
| NET CHANGE IN FUND BALANCE | (1,188,674) | 1,588,364 | - | 20,059 | (37,194) | 382,555 |
| FUND BALANCES, beginning | 6,403,705 | 3,795,533 | - | 71,404 | 437,645 | 10,708,287 |
| FUND BALANCES, ending | <u>\$ 5,215,031</u> | <u>\$ 5,383,897</u> | <u>\$ -</u> | <u>\$ 91,463</u> | <u>\$ 400,451</u> | <u>\$ 11,090,842</u> |

The accompanying notes are an integral part of these financial statements

Southern Oklahoma Technology Center, District No. 20
Carter County, Ardmore, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures,
And Changes in Fund Balances of Governmental Funds to
the Statement of Activities
For the Year Ended June 30, 2017

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

| | |
|--|----------------------------|
| Net change in fund balance | \$ 382,555 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and net cost from disposition of equipment in the current period. | 656,564 |
| Gains on the disposal of capital assets that do not provide current financial resources are reported as revenue . | (239,813) |
| 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. | 708,023 |
| 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 | (84,672) |
| Governmental funds do not report the nonemployer contributions to the pension fund. The Statement of Activities reports these contributions as revenue | 356,165 |
| The liability for compensated absences does not require the use of current financial resources because it is measured by the amounts earned during the year rather than the amounts actually paid. Therefore, it is not reported as expenditures in the governmental funds. | <u>48,970</u> |
| Change in net assets in governmental activities | <u><u>\$ 1,827,792</u></u> |

The accompanying notes are an integral part of these financial statements

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

I. Organization

Southern Oklahoma Technology Center, District No. 20, Carter County, Ardmore, Oklahoma (the District), is a corporate body for public purposes created under Title 70 of *Oklahoma Statutes* and, accordingly, is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the Oklahoma Department of Career Technology, and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the *Oklahoma School Code* contained in Title 70, *Oklahoma Statutes*.

The governing body of the District is the board of education, which is composed of five elected members. An appointed superintendent is the chief executive officer of the District. David Powell, Ed.D, was the superintendent for the year ended June 30, 2017. Board members as of June 30, 2017 are Robert Thomason, Bill Coleman, Dana Gossvener, Georganne Westfall, and Richard Chadwick.

II. Summary of significant accounting policies

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

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

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

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

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

II. Summary of significant accounting policies - continued

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

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

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

For the year ended June 30, 2017 the District reports the following major governmental funds:

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

The building fund is a special revenue fund used to account for revenue sources restricted or committed to expenditure for specified purposes. Building fund monies are derived from property taxes levied for the following purposes: erecting, remodeling, repairing, or maintaining school buildings; purchasing furniture, equipment, and computer software to be used on or for school district property; paying energy and utility costs; purchasing telecommunications services; paying fire and casualty insurance premiums for school facilities; purchasing security systems; and paying salaries of security personnel. Restricted Net Position are restricted by enabling legislation.

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

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

Additionally, the District reports the following funds in other governmental funds:

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

II. Summary of significant accounting policies – continued

The permanent fund represents the Green endowment and assigned funds. Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs.

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

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

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

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

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

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

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

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

II. Summary of significant accounting policies - continued

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

Investments – State statutes authorize the District to invest in direct obligations of the United States government and agencies; savings accounts; and warrants, bonds, or judgments of the District. All investments are recorded at cost, which approximates market value.

Receivables – Uncollected taxes assessed on valuations made each year are recorded in the District’s governmental fund financial statements. Uncollectible personal and real property taxes are deemed to be immaterial because the real property can be sold for the amount of taxes due.

Activities between funds represent the time lag between the dates transactions are recorded and the payments between funds are made.

Inventories – Inventories in the governmental funds are carried at cost and are recorded as expenditures when consumed on a first-in/first-out (FIFO) method rather than when purchased. Inventories include curriculum materials held for resale.

Restricted Assets – Contributions from private and governmental grantors are classified as restricted assets, since their use is restricted by applicable grant agreements.

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The District incurred no interest expense for construction of capital assets for business-type activities during the year ended June 30, 2017.

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

| Type of Asset | Years |
|-------------------------------|-------|
| Land | N/A |
| Buildings | 40 |
| Computers and Printers | 3 |
| Furniture and Small Equipment | 6 |
| Tools and Large Equipment | 10 |
| Vehicles | 5 |

Mineral interests are depleted using the declining balance basis at the rate of 7% per year.

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

II. Summary of significant accounting policies - continued

Deferred Outflows of Resources – The District reports decreases in net assets that related to future periods as deferred outflows of resources on the statement of net position. A deferred outflow is reported for (1) contributions made to Oklahoma Teacher Retirement System (TRS the Plan) between the measurement date of the net pension liabilities (June 30, 2016) and the end of the current fiscal year (June 30, 2017). (2) A loss from changes in assumptions used by the actuary is amortized to pension expense over the average expected remaining service life of the Plan (3) .) the actual pension plan investment earnings less than the expected amounts included in determining pension expense. This deferred inflow of resources is amortized to pension expense over a total of 5 years, including the current year (4)) A loss in changes in assumptions used by the actuary is amortized to pension expense over the average expected remaining service life of the Plan.

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

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

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

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

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

Compensated Absences – The liability for compensated absences attributable to the District's governmental funds is recorded in the district-wide financial statements. Payment for vested compensated absence balances is made only upon terminating employment; therefore, it is the District's policy to record all vested compensated absence balances as a long-term liability.

The Board/District will provide one day of sick leave per month of duty contract. The right to such leave shall vest at the beginning of the contract period. The maximum number of days of accumulated sick leave that may be carried forward from one contract year to the next shall be unlimited, with a maximum of 120 days earned in the District accumulated for purposes of retirement/reimbursement. The Board will pay the standard rate normally paid a substitute teacher (currently \$60 per day), as approved by the Board, per day/no fringes, per day reimbursement, for accumulated sick leave/personal leave earned within the District, up to 120 days maximum payable at retirement, resignation and/or termination of employment. The general fund is used to liquidate compensated absences.

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

II. Summary of significant accounting policies - continued

Fund Equity

Government-wide Statements

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

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

Fund Statements

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified the donation from Green as being Nonspendable as the principal amount of the donation was permanently restricted by the donor to be maintained. Net appreciation may be spent for District programs based on a total-return policy.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Building Fund revenue from levy as being restricted because the use is restricted by State Statute for capital expenditures. Debt service resources are to be used for future servicing of the general obligation bonds and are restricted through debt covenants. Capital project revenue from bond proceeds are restricted by State Statute and are legally segregated for funding of voter approved uses. Funds received from certain student activities are restricted by State Statute.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

II. Summary of significant accounting policies - continued

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the superintendent through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned interest earnings to the funds where earned for the purposes defined by the fund.

- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

State Revenues – Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, *Oklahoma Statutes*. The Oklahoma Department of Career Technology administers the allocation of state aid funds to school districts based on information accumulated from the districts.

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

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

Property Tax Revenue – The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The county assessor, upon receipt of the certification of tax levies from the Carter County Excise Board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within 15 days of receipt of the tax rolls. The first half of taxes is due prior to January 1 and the second half is due prior to April 1.

If the first half of tax payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes are delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying taxes and penalty owed. If, at the end of two years, the owner has not paid the taxes, the purchaser is issued a deed to the property.

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

II. Summary of significant accounting policies - continued

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

Subsequent Event - The District has evaluated subsequent events through December X, 2017, the date which the financial statements were available to be issued.

III. Deposits, investments, and collateral

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

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

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

IV. Receivables

Receivables at June 30, 2017, for the District’s individual major funds are as follows:

| | General Fund | Building Fund | Debt Service Fund | Total |
|--------------------------------------|--------------------|------------------|-------------------------|--------------------|
| Property taxes | \$2,292,432 | \$596,526 | \$369,697 | \$3,258,655 |
| Due from Other Governments | 145,327 | - | - | 145,327 |
| Student receivables/Other | 22,661 | - | - | 22,661 |
| Less allowance for doubtful accounts | <u>(215,740)</u> | <u>(50,540)</u> | <u>(38,410)</u> | <u>(304,690)</u> |
| Total receivables | <u>\$2,247,159</u> | <u>\$553,955</u> | <u>\$331,287</u> | <u>\$3,132,401</u> |

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

V. Long term liabilities

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

| | Beginning Balance | Additions | Reductions | Ending | Amounts Due within One Year |
|---|----------------------|-------------------|---------------------|---------------------|-----------------------------------|
| Early retirement incentive | \$ 1,800 | \$ 33,685 | \$ (12,000) | \$ 23,485 | \$ 9,180 |
| Compensated absences | 288,960 | 67,620 | (89,190) | 267,390 | 68,600 |
| | <u>\$ 290,760</u> | <u>\$ 101,305</u> | <u>\$ (101,190)</u> | <u>\$ 290,875</u> | <u>\$ 77,780</u> |
| Net pension liability | | | | 10,294,990 | |
| Total governmental activity long-term liabilities | | | | <u>\$10,585,865</u> | |

The early retirement incentive and compensated absences are liquidated by the general fund. See Note VII for Early Retirement Incentive information.

VI. Capital assets

Capital asset activity for the year ended June 30, 2017, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------------|---------------------|---------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 286,301 | \$ 521,449 | \$ - | \$ 807,750 |
| Construction in progress | - | 28,928 | - | 28,928 |
| Total capital assets not depreciated | <u>286,301</u> | <u>550,377</u> | <u>-</u> | <u>836,678</u> |
| Capital assets being depreciated | | | | |
| Buildings | 19,541,026 | - | (1,150,288) | 18,390,738 |
| Computers and printers | 1,120,672 | 277,738 | (187,621) | 1,210,789 |
| Furniture and small equipment | 1,535,426 | 208,970 | (29,163) | 1,715,233 |
| Tools and large equipment | 2,401,720 | 970,132 | (119,300) | 3,252,552 |
| Vehicles | 604,041 | 42,538 | (13,600) | 632,979 |
| Mineral interests | 82,063 | - | - | 82,063 |
| Total assets | <u>25,284,948</u> | <u>1,499,378</u> | <u>(1,499,972)</u> | <u>25,284,354</u> |
| Less Accumulated depreciation | | | | |
| Buildings | (5,838,855) | (262,539) | 923,432 | (5,177,962) |
| Computers and printers | (932,968) | (162,637) | 183,444 | (912,161) |
| Furniture and small equipment | (1,237,833) | (137,567) | 28,006 | (1,347,394) |
| Tools and large equipment | (1,563,682) | (428,875) | 111,674 | (1,880,883) |
| Vehicles | (347,829) | (72,267) | 13,600 | (406,496) |
| Mineral interests | (83,019) | - | - | (83,019) |
| Total Accumulated depreciation | <u>(10,004,186)</u> | <u>(1,063,885)</u> | <u>1,260,156</u> | <u>(9,807,915)</u> |
| Total Capital assets being depreciated, net | <u>15,280,762</u> | <u>435,493</u> | <u>(239,816)</u> | <u>15,476,439</u> |
| Capital assets, net | <u>\$15,567,063</u> | <u>\$ 985,870</u> | <u>\$ (239,816)</u> | <u>\$16,313,117</u> |

Depreciation expense for the year ended June 30, 2017, was charged to functions of the District as follows:

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

VI. Capital assets continued

| | |
|----------------------------|-------------------|
| Governmental activities: | |
| Instruction | \$ 581,228 |
| Support services | <u>249,098</u> |
| | |
| Total depreciation expense | <u>\$ 830,326</u> |

VII. Employee pension plans

Southern Oklahoma Technology Center, District No. 20 participates in the state-administered Teachers' Retirement System of Oklahoma (the System), which is a cost-sharing multiple-employer public employee retirement system. Additionally, the District provides an employer-funded pension plan for eligible employees offered an Early Retirement Incentive Plan.

Teachers' Retirement System of Oklahoma

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

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

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2017, qualifying employee contributions were reduced by a retirement credit of \$36,090 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2017, the District had a statutory contribution rate of 9.5% plus 7.7% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2017, the District contributions to the System for were \$561,906.

The State of Oklahoma, a non-employer contributing enmity, provides funds through 5% of the State's sales, use, corporate and individual income taxes collected. The System receives 1% of the cigarette taxes collected by the State and 5% of net lottery proceeds collected by the State. The District's estimated share of these contributions based on their proportionate share for the measurement period was \$356,165.

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

VII. Employee pension plans –continued

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

At June 30, 2017, the District reported a liability of \$10,294,990 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.12286449%, as compared to its proportion share of 0.11785648% measured as of June 30, 2015.

For the year ended June 30 2017, the District recognized pension expense of \$1,087,181. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|-------------------------------------|------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 238,049 |
| Changes of assumptions | 1,270,169 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,161,505 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | - |
| District contributions subsequent to the measurement date | 561,906 | - |
| | <u>\$ 2,993,580</u> | <u>\$ 238,049</u> |

\$561,906 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended | |
|------------|------------------------------|
| 2018 | \$ (335,873) |
| 2019 | (335,873) |
| 2020 | (742,937) |
| 2021 | (591,249) |
| 2022 | (213,655) |
| Thereafter | - |
| | <u><u>\$ (2,219,587)</u></u> |

Actuarial assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry Age Normal
- Amortization Method – Level Percentage of Payroll
- Amortization Period – Amortization over an open 30-year period

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

VII. Employee pension plans -continued

Asset Valuation Method – 5-year smooth market

Inflation – 2.5%

Salary Increases – Composed of 3.00 %wage inflation plus .75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 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 – 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.

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, 2016, are summarized in the following table:

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

Discount rate –A single discount rate of 7.5% was used to measure the total pension liability as of June 30, 2016. 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.

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:

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

VII. Employee pension plans -continued

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------|---------------------------------|-----------------------|
| District's Proportionate share of the net pension liability | \$ 13,477,761 | \$ 6,727,882 | \$ 7,631,070 |

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/>.

Early Retirement Incentive Program

Program Description - The purpose of the Early Retirement Incentive Program (“ERIP”) is (1) to serve the needs of the District as they may be related to productivity, salary expenditures, and staff reductions and (2) to afford longtime District employees the opportunity to retire before they would ordinarily be able to do so.

In accordance with the year-by-year approval of the board of education, the District may or may not offer the Early Retirement Incentive. The board sets forth the conditions for participation in the early retirement incentive program in those years that it is offered. The program will include full-time certified and full-time non-certified employees, who actually retire under the Oklahoma Teacher’s Retirement System directly from full-time employment at the District.

Total amount outstanding for the ERIP as of June 30, 2017 was \$23,485.

VIII. Commitments and contingencies

The District receives grant funds from various federal and state grantor agencies. Under the terms of the grants, periodic audits are required and certain costs may be questioned as not being allowable expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. The District management believes disallowances, if any, would be immaterial to the accompanying financial statements.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2017, the District managed its risks by maintaining insurance from a commercial carriers including health insurance for its employees; liability insurance for risks related to torts, theft or damage of property, errors and omissions of public officials; and liability insurance for workmen’s compensation. The District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the Oklahoma Employment Security Commission.

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

VIII. Commitments and contingencies -continued

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

| | |
|---------------|-------------|
| General Fund | \$ 347,147 |
| Building Fund | 2,332,886 |
| | \$2,680,033 |

IX. Fund Balances – Governmental Funds

As of June 30, 2017, fund balances, other than unassigned are composed of the following:

| | General | Building Fund | Capital Projects Fund | Debt Service Fund | Other Governmental Funds |
|--------------------|-------------|------------------|-----------------------------|-------------------------|--------------------------------|
| Nonspendable | | | | | |
| Green Endowment | \$ - | \$ - | \$ - | \$ - | \$ 85,075 |
| Restricted | | | | | |
| Buildings | - | 2,733,162 | - | - | - |
| Capital Projects | - | - | - | - | - |
| Debt Service | - | - | - | 83,291 | - |
| Student Activities | - | - | - | - | 137,225 |
| Committed | | | | | |
| Catastrophic Loss | 1,221,697 | - | - | - | - |
| Sturm Fund | 1,000,000 | - | - | - | - |
| Capital Projects | - | - | - | - | - |
| Buildings | - | 299,123 | - | - | - |
| Assigned | | | | | |
| Buildings | - | 2,351,612 | - | - | - |
| Capital Projects | - | - | - | - | - |
| Debt Service | - | - | - | 8,172 | - |
| Student Activities | - | - | - | - | 85,989 |
| Cash Flow | 1,832,545 | - | - | - | - |
| District Programs | 608,477 | - | - | - | 92,162 |
| Unassigned | 552,312 | - | - | - | - |
| | \$5,215,031 | \$5,383,897 | \$ - | \$ 91,463 | \$400,451 |

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.

X Reconciliation of Government-Wide and Fund Financial Statements

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

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

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

X Reconciliation of Government-Wide and Fund Financial Statements continued

| | |
|---|---------------|
| Capital assets not being depreciated | |
| Land | \$ 807,750 |
| Construction in progress | 28,928 |
| Total capital assets not depreciated | \$ 836,678 |
| Capital assets being depreciated | |
| Buildings | \$ 18,390,738 |
| Computers and printers | 1,210,789 |
| Furniture and small equipment | 1,715,233 |
| Tools and large equipment | 3,252,552 |
| Vehicles | 632,979 |
| Mineral interests | 82,063 |
| Total assets | \$ 25,284,354 |
| Less Accumulated depreciation | (9,807,915) |
| Total Capital assets being depreciated, net | \$ 15,476,439 |
| Capital assets, net | \$ 16,313,117 |

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

| | |
|--|----------------|
| Capital Outlay | \$ 2,049,755 |
| Beginning Adjustment | (329,306) |
| Depreciation Expense | (1,063,885) |
| | \$ 656,564 |
| District pension contributions | \$ (1,093,600) |
| Cost of benefits earned net of employee contribution | 1,008,928 |
| | \$ (84,672) |

XI Correction

As a result of an internal review of property records, the District has determined that not all assets were included. Accordingly the District has restated its financial statements to correct fixed assets recorded in prior years. Capital assets being depreciated were increased by \$329,305 and the net assets increased by the same amount. These assets are shown as increases in Note VI.

XII Tax Abatement

The State of Oklahoma has authorized by Oklahoma Statutes 62-850 the creation of tax increment financing (TIF) districts. These districts are intended to provide incentives and exemptions from taxation within certain areas to encourage investment, development and economic growth. The District is subject to tax abatements granted by the City of Ardmore. The City of Ardmore has created two TIF districts. District #1 Ardmore Industrial Park was established February, 2000 and expires May, 2025. The purpose is recruitment and expansion of industries such as logistics, aeronautics and manufacturing. District #2 Ardmore City proper established in 2007 to develop Ardmore Commons area and surrounding areas. These TIF districts reduce the ad valorem taxes remitted to the District over the term of the agreements.

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

For the year ended June 30, 2017, abated property taxes were \$614,411.

XIII New GASB Standards

The District implemented the following GASB Statements:

- GASBS No. 77, *Tax Abatement Disclosures*, requires new disclosures about tax abatement agreements and their impact on the governmental unit's financial position.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

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

- 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. 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

Southern Oklahoma Technology Center, District No. 20
Notes to Financial Statements
June 30, 2017

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.

Southern Oklahoma Technology Center, District No. 20
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budget Basis) – General Fund (Unaudited)
For the Year Ended June 30, 2017

| | Budget | | Actual | Variance - Favorable (Unfavorable) |
|---|-------------------|-------------------|---------------------|--|
| | Original | Final | | |
| REVENUES COLLECTED | | | | |
| Local sources | \$ 6,565,278 | \$ 7,027,558 | \$ 6,696,259 | \$ (331,299) |
| State sources | 1,892,436 | 2,019,453 | 1,964,983 | (54,470) |
| Federal sources | 228,766 | 221,709 | 222,075 | 366 |
| Total revenues collected | <u>8,686,480</u> | <u>9,268,720</u> | <u>8,883,317</u> | <u>(385,403)</u> |
| EXPENDITURES PAID | | | | |
| Instruction | 3,938,231 | 4,938,934 | 4,621,232 | 317,702 |
| Support services | 4,389,562 | 5,057,651 | 4,692,570 | 365,081 |
| Operation of noninstruction | 276,544 | 255,128 | 246,311 | 8,817 |
| Other outlays | 3,151,657 | 2,535,291 | - | 2,535,291 |
| Total expenditures paid | <u>11,755,994</u> | <u>12,787,004</u> | <u>9,560,113</u> | <u>3,226,891</u> |
| Excess of revenues collected over (under) expenditures paid before adjustments to prior year encumbrances | (3,069,514) | (3,518,284) | (676,796) | 2,841,488 |
| Adjustments to prior year encumbrances | - | 393,639 | 393,639 | - |
| Excess of revenues collected over (under) expenditures paid | (3,069,514) | (3,124,645) | (283,157) | 2,841,488 |
| FUND BALANCES, beginning | <u>3,069,514</u> | <u>3,124,645</u> | <u>3,124,642</u> | <u>-</u> |
| FUND BALANCES, ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,841,485</u> | <u>\$ 2,841,488</u> |

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

| | |
|---|---------------------|
| Accounts receivable not recorded on statutory budget basis | 2,244,681 |
| Tuition revenue not transferred from activity accounts | 51,851 |
| Deferred revenue not recorded on statutory budget basis | (1,902,216) |
| Compensated absences not recorded on statutory budget basis | (77,780) |
| Encumbrances expensed on the statutory budget basis | <u>332,551</u> |
| | <u>\$ 3,490,572</u> |

Southern Oklahoma Technology Center, District No. 20
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budget Basis) – Building Fund (Unaudited)
For the Year Ended June 30, 2017

| | Budget | | Actual | Variance - |
|--|------------------|------------------|---------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| REVENUES COLLECTED | | | | |
| Local sources | \$ 2,625,813 | \$ 2,707,173 | \$ 2,621,614 | \$ (85,559) |
| State sources | - | - | 844 | 844 |
| Total revenues collected | <u>2,625,813</u> | <u>2,707,173</u> | <u>2,622,458</u> | <u>(84,715)</u> |
| EXPENDITURES PAID | | | | |
| Instruction | - | - | - | - |
| Support services | 1,171,051 | 1,178,555 | 933,341 | 245,214 |
| Facilities acquisition and construction services | 4,906,785 | 2,816,996 | 2,430,580 | 386,416 |
| Other Outlay | - | 2,319,608 | - | 2,319,608 |
| Total expenditures paid | <u>6,077,836</u> | <u>6,315,159</u> | <u>3,363,921</u> | <u>2,951,238</u> |
| Excess of revenues collected over (under) expenditures paid before adjustments to prior year encumbrances | (3,452,023) | (3,607,986) | (741,463) | 2,866,523 |
| Adjustments to prior year encumbrances | - | - | 100,078 | 100,078 |
| Excess of revenues collected over (under) expenditures paid | (3,452,023) | (3,607,986) | (641,385) | 2,966,601 |
| FUND BALANCES, beginning | <u>3,452,023</u> | <u>3,607,986</u> | <u>3,607,985</u> | - |
| FUND BALANCES, ending | <u>\$ -</u> | <u>\$ -</u> | \$ 2,966,600 | <u>\$ 2,966,601</u> |
| Adjustments to reconcile the ending statutory fund balance to the fund balance reported on the governmental funds balance sheet: | | | | |
| Accounts receivable not recorded on statutory budget basis | | | 553,955 | |
| Deferred revenue not recorded on statutory budget basis | | | (469,544) | |
| Encumbrances expensed on statutory budget basis | | | <u>2,332,886</u> | |
| | | | <u>\$ 5,383,897</u> | |

Southern Oklahoma Technology Center, District No. 20
Schedule of District's Proportionate Share of Net Pension Liability
Teachers' Retirement Plan
Last 10 Fiscal Years
For the Year Ended June 30, 2017

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|-------------|-------------|
| District's portion of the net pension liability (asset) | 0.12286449% | 0.11785648% | 0.12505688% | 0.12505688% |
| District's proportionate share of the net pension liability (asset) | 10,294,989 | 7,534,596 | 6,727,882 | 9,000,754 |
| District's covered employee payroll | 5,249,027 | 5,038,522 | 4,936,983 | 4,680,018 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll | 196.13% | 149.54% | 136.28% | 192.32% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.24% | 70.31% | 72.43% | 62.18% |

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

Southern Oklahoma Technology Center, District No. 20
Schedule of District Contributions
Teachers' Retirement Plan
Last 10 Fiscal Years
For the Year Ended June 30, 2017

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 508,938 | \$ 478,855 | \$ 444,601 | \$ 435,630 |
| Contributions in relation to the contractually required contribution | 508,938 | 478,855 | 444,601 | 435,630 |
| Contribution deficiency (excess) | - | - | - | - |
| District's covered payroll | 5,249,027 | 5,038,522 | 4,680,018 | 4,585,585 |
| Contributions as a percentage of Covered employee Payroll | 9.50% | 9.50% | 9.50% | 9.50% |

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

Southern Oklahoma Technology Center, District No. 20
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Note 1: Budgeting and Budgetary Control

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

Note 2: Budgetary Basis of Accounting

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

Note 3: Reconciliation of GAAP with Budgetary basis

The accompanying budget to actual financial statements are presented on the budget basis. The following provides reconciliation of the budget and generally accepted accounting principles (GAAP) basis financial statements

| | General Fund | Building Fund |
|---|-----------------|------------------|
| I. Sources/inflows of resources: | | |
| Actual amounts (budget basis) available for appropriation from the budgetary comparison schedule | \$ 8,883,317 | \$ 2,622,458 |
| Differences – budget to GAAP: | | |
| Sturm Fund Revenues not part of General fund on budgetary basis | 409,627 | - |
| On-behalf payments to Oklahoma Teachers Retirement System | 36,090 | - |
| Portion of Pell Grants paid to students not included on budgetary basis | 116,055 | |
| Transfer shown as local source | (33,373) | - |
| Short-term accounts receivable is not considered a current year budgetary revenue. | 56,877 | 23,274 |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds. | \$ 9,468,593 | \$ 2,645,732 |
| II. Uses/outflows of resources: | | |
| Actual amounts (budget basis) total charges to appropriations from the budgetary comparison schedule | \$ 9,560,113 | \$ 3,363,921 |
| Differences – budget to GAAP: | | |
| Expenditures from Sturm Fund not treated as General fund for budgetary purposes | 875,830 | - |
| Compensated absences are not recorded as expenditures for budgetary purposes until paid | 25,600 | - |
| Student payments of Pell Grants are not included for budgetary purposes | 116,055 | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial report purposes | 67,772 | (2,306,553) |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds. | \$ 10,681,460 | \$ 1,057,368 |

Southern Oklahoma Technology Center, District No. 20
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Note 4: 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.

Southern Oklahoma Technology Center, District No. 20
Supplemental Schedule
Combining Balance Sheet – General Fund
June 30, 2017

| | <u>General</u> <u>Fund</u> | <u>Sturm</u> <u>Fund</u> | <u>General</u> <u>Fund</u> |
|---|-------------------------------|-----------------------------|-------------------------------|
| ASSETS | | | |
| Cash | \$ 3,188,634 | \$ 1,721,979 | \$ 4,910,613 |
| Due from other funds | 51,851 | - | 51,851 |
| Accounts receivable | 2,244,679 | 2,479 | 2,247,158 |
| Total assets | <u>\$ 5,485,164</u> | <u>\$ 1,724,458</u> | <u>\$ 7,209,622</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| Liabilities: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 14,596 | \$ - | \$ 14,596 |
| Accrued employee benefits | 77,780 | - | 77,780 |
| Total Liabilities | <u>\$ 92,376</u> | <u>\$ -</u> | <u>\$ 92,376</u> |
| Deferred Inflows of resources: | | | |
| Deferred property taxes | 1,902,216 | - | 1,902,216 |
| Fund Balances: | | | |
| Committed | \$ 1,184,419 | \$ 1,000,000 | \$ 2,184,419 |
| Assigned | 1,730,136 | 63 | 1,730,199 |
| Unassigned | 576,017 | 724,395 | 1,300,412 |
| Total fund balances | <u>3,490,572</u> | <u>1,724,458</u> | <u>5,215,030</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 5,485,164</u> | <u>\$ 1,724,458</u> | <u>\$ 7,209,622</u> |

Southern Oklahoma Technology Center, District No. 20
Supplemental Schedule
Combining Statement of Revenues, Expenditures
And Changes in Fund Balance – General Fund
For the Year Ended June 30, 2017

| | General Fund | Sturm Fund | Total General Fund |
|---|---------------------|---------------------|--------------------------|
| REVENUES | | | |
| Local sources | | | |
| Property taxes | \$ 5,956,162 | \$ - | \$ 5,956,162 |
| Tuition and fees | 351,326 | - | 351,326 |
| Interest | 1,120 | 5,957 | 7,077 |
| Other local | 223,351 | 403,669 | 627,020 |
| State sources | 2,040,064 | - | 2,040,064 |
| Federal sources | 486,943 | - | 486,943 |
| | <u>9,058,966</u> | <u>409,626</u> | <u>9,468,592</u> |
| Total revenues | | | |
| EXPENSES | | | |
| Curent: | | | |
| Instruction | 4,479,715 | - | 4,479,715 |
| Support services | 4,964,714 | 348,658 | 5,313,372 |
| Operation of noninstruction | 246,311 | - | 246,311 |
| Other outlays | 124,070 | - | 124,070 |
| | <u>9,814,810</u> | <u>875,830</u> | <u>10,690,640</u> |
| Total expenditures | | | |
| EXCESS OF REVENUES OVER EXPENDITURES | (755,844) | (466,204) | (1,222,048) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfer Out | 33,373 | - | 33,373 |
| NET CHANGE IN FUND BALANCE | (722,471) | (466,204) | (1,188,675) |
| FUND BALANCES, beginning | 4,213,043 | 2,190,662 | 6,403,705 |
| FUND BALANCES, ending | <u>\$ 3,490,572</u> | <u>\$ 1,724,458</u> | <u>\$ 5,215,030</u> |

Southern Oklahoma Technology Center, District No. 20
Supplemental Schedule
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

| Federal Grantor/Pass-Through Grantor/Program Title U.S. Department of Education | Federal CFDA Number | Pass- through Grantor's Project Number | Deferred Revenue (Accounts Receivable) 6/30/16 | Federal Grant Receipts | Total Grant Expenditures | Matching Expenditures | Federal Grant Expenditures | Deferred Revenue (Accounts Receivable) 6/30/17 |
|--|------------------------|--|--|---------------------------|-----------------------------|--------------------------|-------------------------------|--|
| Direct Programs-Student Financial Aid | | | | | | | | |
| Federal Pell Grant Program | 84.063 | 474 | \$ (803) | \$ 255,822 | \$ 255,020 | \$ - | \$ 255,020 | \$ (1) |
| Pell Admin Fee | 84.063 | n/a | (30) | 375 | 345 | - | 345 | - |
| Total Student Financial Aid Cluster | | | (833) | 256,197 | 255,365 | - | 255,365 | (1) |
| Carl Perkins Vocational Education Act | | | | | | | | |
| Passed through Oklahoma Department of Career Technology Education | | | | | | | | |
| Carl Perkins Secondary | 84.048 | 421 | (38,020) | 130,679 | 136,008 | | 136,008 | (43,349) |
| Carl Perkins Supplemental | 84.048 | 424 | (10,090) | 11,177 | 16,476 | | 16,476 | (15,389) |
| Tech Centers That Work | 84.048 | 429 | (8,583) | 14,318 | 8,527 | | 8,527 | (2,792) |
| Career and Technical Education Total | | | (56,693) | 156,174 | 161,011 | | 161,011 | (61,530) |
| Total Pass Through Programs | | | (56,693) | 156,174 | 161,011 | | 161,011 | (61,530) |
| Total U.S. Department of Education | | | (57,526) | 412,371 | 416,376 | | 416,376 | (61,531) |
| U.S. Department of Health and Human Services | | | | | | | | |
| Passed through Oklahoma Department of Human Services and | | | | | | | | |
| Oklahoma Department of Career Technology Education | | | | | | | | |
| TANF/HIRE | 93.558 | 452 | (16,426) | 65,527 | 98,835 | 29,099 | 69,736 | (20,635) |
| Total U.S. Department of Health and Human Services | | | (16,426) | 65,527 | 98,835 | 29,099 | 69,736 | (20,635) |
| Total Expenditures of Federal Awards | | | | | | | | |
| | | | \$ (73,952) | \$ 477,898 | \$ 515,211 | \$ 29,099 | \$ 486,112 | \$ (82,166) |

Southern Oklahoma Technology Center, District No. 20
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Southern Oklahoma Technology Center, District No. 20 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 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Southern Oklahoma Technology Center, District No. 20 it is not intended to and does not present the basic financial statements as listed in the table of contents, of Southern Oklahoma Technology Center, District No. 20

Note B: Summary of Significant Accounting Policies

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

Note C: Indirect Cost Rate

Southern Oklahoma Technology Center, District No. 20 has elected not to use the 10% de Minimis indirect cost rate allowed under the Uniform Guidance.

Note D: Sub recipients

Southern Oklahoma Technology Center, District No. 20 did not have any awards that have been passed through to sub recipients.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Board of Education
Southern Oklahoma Technology Center #V-20
Carter County, Oklahoma

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Southern Oklahoma Technology Center #V-20, Carter County, Oklahoma, as listed in the Table of Contents, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Chas. W. Carroll, P.A.
December 8, 2017

SOUTHERN OKLAHOMA TECHNOLOGY CENTER #V-20
ARDMORE - CARTER COUNTY - OKLAHOMA
JULY 1, 2016 TO JUNE 30, 2017

DISPOSITION OF PRIOR YEAR FINDINGS
JUNE 30, 2017

No reportable conditions were noted during the 2015-16 fiscal.

SOUTHERN OKLAHOMA TECHNOLOGY CENTER #V-20
ARDMORE - CARTER COUNTY - OKLAHOMA
JULY 1, 2016 TO JUNE 30, 2017

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMMENDATIONS

All prior year audit exceptions have since been resolved unless they are presented in the current year audit exceptions and recommendations followed by "A similar exception was presented in the previous year audit report".

