

**SOUTHWEST TECHNOLOGY CENTER  
JACKSON COUNTY, OKLAHOMA**

**FINANCIAL STATEMENTS  
AND REPORTS OF INDEPENDENT AUDITOR**

**JUNE 30, 2014**

Audited by

**SANDERS, BLEDSOE & HEWETT  
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

SOUTHWEST TECHNOLOGY CENTER  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2014

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SOUTHWEST TECHNOLOGY CENTER  
JUNE 30, 2014

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# SANDERS, BLEDSOE & HEWETT

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

### INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Southwest Technology Center School District No. 27  
Altus, Oklahoma 73521

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Technology Center School District No. 27 (the District), Jackson County, Oklahoma, as of and for the year ended June 30, 2014, 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**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11 and 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett  
Certified Public Accounts, LLP

March 6, 2015

## **Management's Discussion and Analysis**

### **Southwest Technology Center**

**June 30, 2014**

This section of Southwest Technology Center District No. 27 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the District's financial statements that immediately follow this section.

#### ***ORGANIZATION***

Southwest Technology Center School District 27 is a political subdivision of the Oklahoma Department of Career and Technology Education. The school is located in Altus, Oklahoma and operates under the local control of a five member board of education with a designated chief executive officer. The Southwest Technology Center School District includes the public school districts of Altus, Blair, Duke, Eldorado, Granite, Navajo, and Olustee. These school district include all of Jackson county and portions of Greer, Harmon, and Kiowa counties.

The district offers three basic types of instruction, Full Time Programs, Adult and Career Development and Business and Industry Services. The full time programs division includes 34 career major offerings designed to lead to industry certifications, licenses, or employment. The course offerings in the Adult and Career Development instruction are designed to enhance knowledge of specific topics, while the Business and Industry Services division strives to meet the training and development needs of business and industry.

#### ***FINANCIAL HIGHLIGHTS***

- The District's overall financial status in FY14 continued to increase even though state appropriation for regular operations declined in FY14. The state allocation decrease was insignificant going from \$2,151,631 for regular operations in FY13 to \$2,139,106 in FY14.
- District property values on which local ad valorem is collected for Southwest Technology Center increased from \$138,168.09 in FY13 to \$142,910,115 in FY14..
- FY14 general fund revenue was \$4,451,068, an increase compared to FY13 revenue which totaled \$4,224,004.
- FY14 general fund expenditures totaled \$4,346,719 which was slightly more than FY13 expenditures of \$4,224,004. The district upgraded both the HVAC and Boiler system at a total expense of \$203,597 in FY14 which accounted for the additional expenditures.

- The FY14 fund balance forward was \$1,399,673 an increase over the FY13 fund balance forward of \$1,356,490.84. The increase in fund balance was to allow for remodeling of our aviation facilities and addition of two classrooms in that facility to accommodate the increased enrollment. Lack of a building fund requires that these items be budgeted out of General fund.
- Federal program funds to the District decreased from \$429,233 in FY13 to \$376,394 in FY14. A supplemental Carl Perkins grant to implement the Bio Medical Sciences program of \$50,000 was received in FY13 which accounts for the additional federal funding that year.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction of the Southwest Technology Center District No. 27 basic financial statements. The District's basic financial statements comprise three components: (1) government-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. These statements are organized so the reader can understand Southwest Technology Center District as a financial whole; an entire operating entity.

***Government-wide financial statements.*** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances. While this document contains all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013-2014?"

*The statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

*The statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period (e.g., uncollected taxes and earned but unused vacation leave).

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, its financial position has improved or diminished. The causes of this change may be the result of many factors; some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Oklahoma restricting revenue growth, facility conditions, required educational programs, and other factors.

This report also contains other supplementary information in addition to the basic financial statements themselves. These statements are organized so the reader can understand Southwest Technology Center District as a financial whole; an entire operating entity.

The government-wide financial statements can be found on pages 12 and 13.

***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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are considered governmental funds.

*Government Funds* are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-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 near-term financing requirements. All of the District's services are included here.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-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 maintains two governmental funds; (1) general fund and (2) activity fund. 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 and activity fund. The basic governmental fund financial statements can be found on pages 14 and 15 of this report.

***Notes to the financial statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements begin on page 18.

***Other information.*** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information of the District.

#### Government-Wide Financial Analysis

***Net assets.*** Recall that the Statement of Net Assets provides the perspective of the District as a whole. See the following schedule of Net assets.



Southwest Technology Center's Net Assets  
(Millions of Dollars)

	2014	2013
Current and other assets	\$ 1.71	1.53
Capital assets	4.09	4.19
Total Assets	<u>5.80</u>	<u>5.72</u>
Long-term debt outstanding	0.00	0.00
Other liabilities	0.19	0.10
Total Liabilities	<u>0.19</u>	<u>0.10</u>
Net Assets:		
Invested in capital assets, net of debt	4.10	4.19
• Restricted	0.71	0.62
Unrestricted	0.80	0.80
Total Net Assets	<u>\$ 5.61</u>	<u>5.62</u>

**Change in Net Assets.** In the current fiscal year the District's net assets for governmental activities decreased by \$.01 million. The cause of the decrease can be mainly attributed to recording depreciation expense.

Changes in Southwest Technology Center's Net Assets  
(Millions of Dollars)

	2014	2013
<b>Revenues</b>		
Program revenues		
Charges for services	0.24	0.31
grants and reimbursements	0.22	0.27
General revenues		
Property taxes	1.44	1.41
State entitlement	2.14	2.15
Other local	0.24	0.18
Investment earning	0.01	0.01
Total Revenues	<u>4.29</u>	<u>4.33</u>

	2014	2013
<b>Expenses</b>		
Program expenses		
Instruction	1.66	1.54
Support services	1.94	2.23
Non-instruction	0.06	0.06
Facilities acquisition and construction services	0.22	0.01
Other uses	0.02	0.02
Depreciation-unallocated	0.40	0.40
Total expenses	4.30	4.26
Decrease in net assets	<u>(.01)</u>	<u>(0.07)</u>

**Activity Funds.** FY14 closed activity funds with a balance of \$45,104 while FY13 yielded a fund balance of \$50,068. All activity accounts within this fund are closed at the end of each fiscal year and re-established at the beginning of the new fiscal year; with such actions, plans, and changes for funds' use coming before the Board of Education for review and approval.

#### *Factors Bearing on the District's Future*

- Southwest Technology Center relies upon the fund balance to operate until state and local revenues begin to flow for the ensuing fiscal year, usually in December.
- There is no building or sinking fund to address capital expenditures or repairs. Therefore, management must build and maintain an adequate fund balance to cover capital needs such as program expansions, large equipment replacements/purchases, transportation vehicles, and repairs to structures and infrastructure systems.
- Southwest Technology Center has two buildings on its main campus; both in good repair. The Aviation and Aerospace Program originally was located at Quartz/Altus Regional Airport in Hangar 33 through a ten-year lease with the City of Altus. In May 2008, The Oklahoma Legislature awarded a \$1 million dollar appropriation to Southwest Technology Center through HB1288 for the purchase of Hangar 33 to be used for the expansion of the Aviation and Aerospace Program. On March 9<sup>th</sup>, 2009 a bill of sale for Hangar 33 and a ground lease for the land the hanger sets on were executed. Southwest Technology Center took possession of Hangar 33 on that date. The Aviation facility will need additional classrooms built to allow for the expansion of the program and increased enrollment.

- Facilities owned are meeting current needs of Southwest Technology Center, however, they are aging and upgrading and repairs will be expected. Replacement of carpeting began in FY11. To date approximately 50% of the carpets have been replaced in the highest traffic areas including all hallways, the main office areas, three classrooms and the Seminar Center. Classroom and offices will continue to be re-carpeted as needed. The HVAC and Boiler system and seminar center seating were upgraded in FY14.
- The May 2005 announcement of BRAC (Base Realignment and Closing) by the Department of Defense was positive for our service area with Altus Air Force Base (AAFB) remaining open. However, the move of the C-5A aircraft to San Antonio, Texas affected employment opportunities, and thus enrollment, for two SWTC programs; Aviation and Aerospace, and Simulator Maintenance. The Simulator Maintenance Program was reevaluated in FY10 and expanded to Mechatronics. The expansion of the Aviation and Aerospace Technology Program to include Power Plant has been embraced by AAFB and enrollment from prior aviation students employed at AAFB has been positive. Federal Budget cuts and delayed new missions placed concerns on the employment opportunities at AAFB in FY11-FY13 adversely affecting enrollment. In April 2013 it was announced that AAFB would be the recipient of the KC46A mission with the first phase of this mission to take place with the arrival of the first plane in 2015. Considerable employment needs are realized immediately to prepare for the first plane with increased positions at each phase until the final phase in 2021 of an estimated increase of 300 positions. In addition, 25% of the 600 employees of the A-Team at AAFB are currently eligible and a total of 49% will be eligible in the next five years for retirement yielding additional employment opportunities. Enrollment in the Aviation and Aerospace Technology Program is anticipated to exceed our current capacity. Classroom expansion within the hanger will be required to meet this training needs.
- Southwest Technology Center operates training programs in technology that require the latest in equipment; both for replacement and new purchases as the standards change in the world of business and industry. Effective training can only be achieved on industry specific equipment and technology.
- Southwest Technology Center has no capital debt.

***Economic Factors.*** Southwest Technology Center is comprised of the communities and school districts of Granite in Greer County and Blair, Navajo, Altus, Duke, Eldorado, and Olustee in Jackson County. It is a relatively stable area with an economy steeped in agra-business. Altus Air Force Base is the largest employer in the District, with Bar S meat manufacturing in Altus, American Gypsum in Duke, and Jackson County Memorial Hospital being major employers. The absence of Altus Air Force Base on the BRAC list (Base Realignment and Closing) by the Department of Defense in May 2005, was the catalyst for economic growth in the District.

Since the BRAC announcement, a chain restaurant, two fast food chains, two locally owned restaurants have been opened; three new motels have been constructed, a national chain pharmacy opened; a new auto dealership had its grand opening in 2007; and several new housing

additions have been completed. Many of the historic buildings on the downtown square of Altus were renovated and new retail stores were established. All of this economic good news promises some growth in future ad valorem receipts. The spurred economy generated renovations and upgrades in the community including a maps project for Altus High School and City Offices. A new DHS building was also built.

There is a Tax Increment Financing (TIF) zone within the district. It includes the recent expansion and renovation of Bar S meat production plant, as well as a new motel, new farm implement business, rental equipment business, and the new auto dealership. The anticipated payoff time for the TIF is ten (10) to fifteen (15) years which will prohibit additional district revenues from growth in ad valorem in the southeast area of Altus, surrounding the industrial park on which Bar S is located. It will not decrease revenues but will prevent growth in receipts from that area during the TIF period.

The ACE Initiative implemented by the Oklahoma State Legislature increased academic standards and is crowding the average secondary students' schedule, making it increasingly difficult to choose attendance at Southwest Technology Center in their high school schedule. This is of growing concern for the future success of Southwest Technology Center to serve secondary students. Most programs currently are evenly split between secondary and adult students. Secondary students are required to maintain area support of SWTC.

Increased State legislated mandates in curricula matters, use of limited fiscal resources, and a pattern of declining enrollment in all partner school districts are at some future point anticipated to impact the Southwest Technology Center District. Population in all southwest Oklahoma communities has continued to decline.

An increase in state mandates regarding salary increases, retirement benefits, and health insurance coverage, as well as curricular matters which affect secondary students, are concerns to the District. Health care reform has mandated additional employees to be covered by Health Insurance benefits beginning January 2014. In addition, the popular push in recent years to lower taxes continues as a concern to the District as revenue resources are affected.

### ***Capital Assets***

Facilities upgrades and repairs to the building continued in FY14, including major upgrades to the HVAC and boiler system. Future repairs and upgrades in the planning stages include continuation of replacement of carpet in the main building, repair or replacement of wallpaper throughout the building. Southwest Technology Center will continue to upgrade equipment and facilities in order to stay on the cutting edge of technology training, but will continue to cautiously consider purchases. The full impact of previous legislation regarding ad valorem tax collections will continue to be analyzed in the next several fiscal years. The cap placed on the increase of assessed value of some properties will not take revenue away but could affect future growth of revenue. The legislation exempting certain centrally assessed property from the tax rolls also continues to be analyzed.

### ***Long-Term Debt***

At year-end the District had no long-term debt outstanding through the bond issuance process. There are no plans to obligate the district in the near future.

### ***Factors Bearing on the District's Future***

State Funding redistribution that began in FY06 greatly impacted the stability of Southwest Technology Center. Salary schedules are now competitive with the local market and programs have been added to meet the needs of stakeholders. Funding redistribution has been exhausted and the future growth is now a primary concern with the lack of ad valorem growth in the district.

Continued growth in the contribution rate required of districts for participation in the Oklahoma Teacher Retirement State system is a continuing concern, new Health care reform mandates, along with the growing premiums for participation in HealthChoice insurance. State funds must continue to be received to meet future mandated increases and the accompanying payroll burdens in order to maintain fiscal stability.

Program expansions must be carefully planned by the Board and Administration cognizant of infrastructure limitations. The absence of a building fund and hesitancy to call for a bond election for capital improvements combine to necessitate prudent planning for any change in programs.

At this time the Board and administration in the District are confident that with careful financial planning, close scrutiny of activities, and continued prudent fiscal management, the District can continue to expand services to the students and communities that comprise the District

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

This financial report is designed to provide our citizen's taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions about this report or additional information may be received by contacting the Administrative Office, Southwest Technology Center District 27, 711 W. Tamarack, Altus, Oklahoma 73521.

Mr. Dale Latham  
Superintendent  
Southwest Technology Center  
Altus, Oklahoma 73521

# Southwest Technology Center

## Statement of Net Assets

June 30, 2014

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets-	
Cash	\$ 1,602,536
Receivables	104,477
Total current assets	<u>1,707,013</u>
Non-current assets-	
Capital assets (net of depreciation)	4,090,004
Total non-current assets	<u>4,090,004</u>
 Total assets	 <u>\$ 5,797,017</u>
 <b>LIABILITIES</b>	
Current liabilities-	
Accounts payable	\$ 96,754
Compensated absences	94,902
Total current liabilities	<u>191,657</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	4,090,044
Committed fund balance	600,000
Assigned fund balance	106,108
Unrestricted fund balance	809,208
Total net assets	<u>\$ 5,605,360</u>

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

# Southwest Technology Center

## Statement of Activities

July 1, 2013 to June 30, 2014

Function/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 1,460,874	219,024	45,093	(1,196,757)
Support services	2,145,730	24,996	178,829	(1,941,905)
Operation of non-instruction services	62,474			(62,474)
Facilities acquisition and construction services	219,165			(219,165)
Other outlays - reimbursement	19,681			(19,681)
Other uses	400			(400)
Depreciated - unallocated	402,802			(402,802)
Total governmental activities	<u>4,311,126</u>	<u>244,020</u>	<u>223,923</u>	<u>(3,843,183)</u>
<b>General revenues:</b>				
Taxes -				
Property taxes, levied for general purposes				1,444,468
State aid - formula grants				2,139,106
Reimbursements				13,694
Other local				131,323
Other state				96,381
Interest				5,281
Special items -				
Adjustments to prior year's encumbrances				400
Total general revenues and special items				<u>3,830,653</u>
Change in net assets				(12,530)
<b>NET ASSETS, beginning</b>				<u>5,617,890</u>
Prior period adjustment				
<b>NET ASSETS, ending</b>				<u><u>\$ 5,605,360</u></u>

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

**Southwest Technology Center**  
Balance Sheet - Governmental Funds  
June 30, 2014

	<u><b>General Fund</b></u>
 <b><u>ASSETS</u></b>	
Cash	\$ 1,602,536
Receivables	<u>104,477</u>
Total Assets	<u><u>\$ 1,707,013</u></u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>	
Liabilities:	
Accounts payable	\$ 96,754
Total liabilities	<u>96,754</u>
Fund Balances:	
Reserved-	
Encumbrances	106,108
Unreserved-	
General fund	<u>1,504,150</u>
Total fund balances	<u>1,610,258</u>
 Amounts reported for governmental activities in the statement of assets, liabilities and net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$9,495,370, less accumulated depreciation of \$5,405,366.	4,090,004
 Current liabilities not due and payable in the current period and therefore are not reported as liabilities in the general fund. Current liabilities at year end consist of:	
Compensated absences	<u>(94,902)</u>
Net assets of governmental activities	<u><u>\$ 5,605,360</u></u>

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



**Southwest Technology Center**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
July 1, 2013 to June 30, 2014

	<b>General Fund</b>
REVENUES:	
Local sources	\$ 1,834,731
State sources	2,235,486
Federal sources	376,394
Non-revenue receipts	400
Interest	4,058
Total revenues	<u>4,451,069</u>
EXPENDITURES:	
Current -	
Instruction	1,699,540
Support services	2,192,989
Non-instructional services	62,474
Other outlays	219,165
Other uses	172,552
Total expenditures	<u>4,346,719</u>
Excess (deficiency) of revenues over expenditures	104,350
OTHER FINANCING SOURCES (USES):	
Adjustments to prior year encumbrances	<u>0</u>
Total other financing sources (uses)	<u>0</u>
NET CHANGE IN FUND BALANCES	104,350
FUND BALANCES, beginning	<u>1,505,908</u>
FUND BALANCES, ending	<u><u>\$ 1,610,258</u></u>

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

**Southwest Technology Center**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
July 1, 2013 to June 30, 2014

Net change in fund balances - governmental funds	\$	104,350
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Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in net assets are different because:

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

Depreciation expense	(402,802)	
Capital outlay expenditures	296,467	(106,335)

Some property taxes will not be collected for several months after the fiscal year ends, therefore, they are not considered as 'available' revenues in the governmental funds. This represents the net change in deferred revenues

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (net change)		(10,545)
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Changes in net assets of governmental activities	\$	(12,530)
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The notes to the financial statements are an integral part of this statement.

# Southwest Technology Center

## Statement of Fiduciary Net Assets

June 30, 2014

### Agency Funds

#### ASSETS

##### Current assets-

Cash and investments

\$ 45,104

#### LIABILITIES

##### Current liabilities-

##### Funds held for school organizations:

Clearing Account	\$ 0
Miscellaneous	17,544
Change Box	0
Nurse Testing	0
Perfect Attendance Award	0
Auto Technology	1,730
Aviation & Aerospace	3,228
Construction Trades	508
Electronics	576
Business Professionals of America	3,103
HOSA	2,840
Occupational Services	3,489
Power	11
Business & Industry Conference	0
Faculty/Staff Activity	501
Cosmetology	9,398
Mitch Bevers Scholarship	870
Bio-Med	232
PELL Account	1,074

Total Liabilities

\$ 45,104

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Southwest Technology Center School District No. 27 (the District) is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Career and Technology Education 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 composed of elected members. The appointed superintendent is the executive officer of the District.

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 the Governmental Accounting Standards Board (GASB). The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District’s reporting entity.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**B. Basic Financial Statements**

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

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

**Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: Governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**B. Basic Financial Statements - cont'd**

General Fund – The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Funds – Special revenue funds include the building fund and the co-op fund. The District did not maintain either of these funds during the 2013-14 fiscal year.

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund – The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

Debt Service Fund – The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments. The District did not maintain this fund during the 2013-14 fiscal year.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**B. Basic Financial Statements - cont'd**

Capital Projects Fund – The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment. The District did not maintain this fund during the 2013-14 fiscal year.

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. The terms "non-expendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operation.

Expendable Trust Funds – Expendable trust funds include the gifts and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2013-14 school year.

Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Medical Insurance Fund – The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund – The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund – The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Agency Fund – The agency fund is the school activities fund which is used to account for monies collected principally through the fundraising efforts of students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**B. Basic Financial Statements – cont'd**

**Account Groups**

GASB 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide statement of net assets.

**Total Column**

The total column on the government-wide and fund financial statements are presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**C. Measurement Focus and Basis of Accounting**

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

The government-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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 30 days of the fiscal year end. For this purpose, the District considers revenues, other than property taxes, that are susceptible to accrual to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due. Some other significant differences are as follows:



SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**C. Measurement Focus and Basis of Accounting – cont'd**

Revenues and expenditures are reported by the budget year until all encumbrances have been paid and unexpended appropriations are closed to the current year fund balance.

The general and building funds record purchases of supplies as expenditures rather than as assets to be expensed when used.

Encumbrances are reported as liabilities. Under generally accepted accounting principles, open encumbrances for which goods or services have not been received are reported as reservations of fund balances, since the commitments will be honored through subsequent year's budget appropriations.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is not reported as an expenditure and a fund liability of the governmental fund that will pay it. In addition, the non-current portion of vested accumulated vacation is not recorded in the general long-term debt account group.

Capital leases are recorded as expenditures. Under generally accepted accounting principles, capital leases are normally capitalized as a fixed asset and recorded in the general long-term debt account group.

**D. Budgets and Budgetary Accounting**

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31, for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**D. Budgets and Budgetary Accounting – cont'd**

A budget is legally adopted by the Board of Education for all funds (with the exception of the trust and agency funds) that includes revenues and expenditures.

The 2013-14 Estimate of Needs was not amended by supplemental appropriations during the fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the District. Unencumbered appropriations lapse at the end of each fiscal year.

**E. Assets, Liabilities and Fund Equity**

Cash – Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments – The District is allowed to invest in direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the District. All investments are recorded at cost, which approximates market value.

Inventories – The value of consumable inventories at June 30, 2014, is not material to the combined financial statements.

Capital Assets and Property, Plant and Equipment – Capital assets, which include land, building, building improvements and equipment are reported in the government-wide financial statements. Land, buildings and building improvements are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for equipment and fixtures is \$5,000. Donated capital assets are recorded at estimated fair market value at date of donation.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

E. Assets, Liabilities and Fund Equity – cont'd

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

Building and building improvements, and equipment and fixtures are depreciated using the straight-line method beginning in the year they are placed into service. The District's capital assets have the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	30
Equipment and fixtures	5-15
Vehicles	5

Warrants Payable – Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the budget basis of accounting.

Unmatured Obligations – The District had no unmatured obligations at June 30, 2014.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**E. Assets, Liabilities and Fund Equity – cont'd**

Compensated Absences – The District reports compensated absences in accordance with provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation leave is accrued as a liability as the benefits are earned by the employees if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Sick leave is calculated using the vesting method. The balance reflects sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. The accrual has been reduced to the maximum amount allowed by the District's policy as a termination payment.

Funds Held for School Organizations – Funds held for school organizations represent the funds received or collected from students or other cocurricular and extracurricular activities conducted in the District, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

Restricted Fund Balance – The Building Fund is restricted by statute to certain capital related costs, its fund balance is shown as restricted.

Committed Fund Balance – The District has committed a portion of fund balance in both the General and Building Fund for funding the cash flow needs during the first half of each fiscal year. The collection of property taxes occurs mainly in December through March. This creates a temporary cash flow deficit during the first part of each fiscal year. The committed fund balance is used to finance this temporary cash flow deficit.

Assigned Fund Balance – The District assigns a portion of Fund Balance to honor the obligations made by the District for encumbrances (purchase orders) for which goods or services have not yet been received.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

E. Assets, Liabilities and Fund Equity – cont'd

Unassigned Fund Balance - Fund balance represents the funds not restricted in use by Statute nor encumbered by purchase orders, legal contracts.

F. Revenue and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. 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. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax rolls for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made in a timely manner, the entire tax becomes due and payable on January 2. Second half taxes become 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 the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenues from intermediate sources are the amounts of money from funds collected by an intermediate administrative unit, or a political subdivision between the District and the state, and distributed to Districts in amounts that differ in proportion to those which are collected within such systems.

State Revenues – Revenues from state sources for current operations are primarily governed by the state vocational-technical program formula and equalization formula under the provisions of Article XIV, Title 70, Oklahoma Statutes. The State Board of Career and Technology Education administers the allocation of these formulas.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont’d**

**F. Revenue and Expenditures – cont’d**

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

The aforementioned state revenues are apportioned to the District’s general fund.

Federal Revenues – Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a passthrough from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the general fund.

Interest Earnings – Represent compensation for the use of financial sources over a period of time.

Non-Revenue Receipts – Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd**

**F. Revenue and Expenditures – cont'd**

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

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

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

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

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

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

Interfund Transactions – Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There were no residual equity transfers nor operating transfers made during the current fiscal year.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**2. CASH AND INVESTMENTS**

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks, and trust companies; and warrants, bonds or judgments of the District.

Cash – The District's bank balance of deposits and cash pools at June 30, 2014, was \$1,880,305. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The District's policy requires collateral equal to 110% of the deposit amount for all deposits not covered by F.D.I.C. insurance. The bank balance was completely covered by federal depository insurance and by collateral held by the District's third party agent in the District's name.

Investments – At June 30, 2014, the District's investments consisted certificates of deposits and of investment pools (sweep accounts) invested in money market funds.

*Interest rate risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the required liquidity for those investments, these funds have no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

*Credit risk – Investments* – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Investments held by the District in investment pools (sweep accounts) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are held with various banks, and are rated AAA by Standard and Poor's. The District does not have a formal policy limiting its exposure arising from concentration of investments.



SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**3. CAPITAL ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Capital assets activity for the year ended June 30, 2014, was as follows:

<u>Class</u>	
Governmental Activities:	
Buildings	\$ 7,394,549
Airplane and airplane engine	55,750
Flight simulator	973,881
Equipment	743,214
Vehicles	327,976
Totals	<u>9,495,370</u>
Less Accumulated Depreciation:	<u>(5,405,366)</u>
Grand Totals	<u><u>\$ 4,090,004</u></u>

**4. INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables or payables at June 30, 2014.

**5. GENERAL LONG-TERM DEBT**

State statutes prohibit the District from being indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

The District has no outstanding debt as of June 30, 2014

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**6. EMPLOYEE RETIREMENT SYSTEM**

Description of Plan

The District participates in the state-administered Oklahoma Teachers' Retirement System, which is a cost sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, OK 73152, or by calling 405-521-2387.

Basis of Accounting

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

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. The District is required to contribute 10.5% of applicable compensation reduced by revenues the System received from the natural gas tax. Contributions received by the System from the State of Oklahoma are used to offset required employer contributions by the local school district. The District contributed 9.5% and the State of Oklahoma contributed the remaining amount

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**6. EMPLOYEE RETIREMENT SYSTEM – cont'd**

Funding Policy – cont'd

during this year. The District is allowed by Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. In addition, if a member's salary is paid in part by federal or private funds, the contribution on that portion of the salary paid by those funds must be matched by the District at 7.00%

Annual Pension Cost

The District's total contributions for 2014, 2013 and 2012 were \$347,013, \$335,759, and \$334,584, respectively.

Ten year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2014. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

**7. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**8. CONTINGENCIES**

Litigation

School officials are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments against the District.

Subsequent Events

Management has evaluated subsequent events through March 6, 2015, which is the date the financial statements were available to be issued, and have determined that no additional information needs to be added to the financial statements.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**8. CONTINGENCIES – cont'd**

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2013-14 fiscal year. The revised OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*, established uniform audit requirements for nonfederal entities which expended more than \$500,000 in federal awards.

The District did not fall under this threshold during the 2013-14 fiscal year, therefore, this schedule is not required and is for information purposes only.

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

**9. GASB STATEMENT No. 54**

The Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for periods beginning after June 15, 2010. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The statement provides for the classification as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

SOUTHWEST TECHNOLOGY CENTER  
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - BUDGET BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

	GENERAL FUND			Variance with Final Budget Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues Collected:				
Local sources	\$ 1,632,667	1,632,667	1,843,327	210,660
State sources	2,195,137	2,195,137	2,239,703	44,566
Federal sources	374,391	374,391	380,905	6,514
Interest earnings	6,000	6,000	5,281	(719)
Non-revenue receipts	400	400	400	0
Total revenues collected	4,208,595	4,208,595	4,469,615	261,020
Expenditures:				
Instruction	2,016,491	2,016,491	1,699,540	316,951
Support services	3,023,194	3,023,194	2,298,019	725,175
Operation of non-instructional services	75,000	75,000	62,474	12,526
Facilities acquisition and constuction Services	250,000	250,000	219,165	30,835
Other outlays:				
Reimbursement	400	400	400	0
Other uses	200,000	200,000	172,152	27,848
Total expenditures	5,565,085	5,565,085	4,451,749	1,113,336
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(1,356,491)	(1,356,491)	17,866	1,374,356
Other financing sources (uses):				
Adjustments to prior year encumbrances	0	0	25,316	25,316
Excess of revenues collected and other financing sources over (under) expenditures and other financing (uses)	(1,356,491)	(1,356,491)	43,182	1,399,672
Cash fund balance, beginning of year	1,356,491	1,356,491	1,356,491	0
Cash fund balance, end of year	\$ 0	0	1,399,673	1,399,672
Reconciliation of budget basis to GAAP basis:				
Accounts receivable			104,477	
Reserved encumbrances			106,108	
Fund balance end of year GAAP basis			\$ 1,610,258	



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**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**

March 6, 2015

The Honorable Board of Education  
Southwest Technology Center School District No. 27  
Altus, Oklahoma 73521

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Technology Center School District No. 27 (the District), Jackson County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 6, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The script is cursive and fluid.

Sanders, Bledsoe & Hewett  
Certified Public Accounts, LLP

SOUTHWEST TECHNOLOGY CENTER  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND  
MATERIAL INSTANCES OF NON-COMPLIANCE  
JUNE 30, 2014

There were no prior year significant deficiencies.



SOUTHWEST TECHNOLOGY CENTER  
SCHOOL DISTRICT NO. 27, JACKSON COUNTY  
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014

**Section 1** - Summary of Auditor's Results

1. An unqualified opinion was issued on the financial statements in respect to accounting principles generally accepted in the United States.
2. The audit disclosed no significant deficiencies in the internal controls over financial reporting that were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

**Section 2** – Findings relating to the financial statements required to be reported in accordance with GAGAS

None

SOUTHWEST TECHNOLOGY CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/ Pass-through Grantor's No.</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
<u>U.S. Department of Education</u>					
<u>Direct Programs:</u>					
Pell grants	84.063	P063P134549	\$ 251,193	152,471	251,193
Sub Total			<u>251,193</u>	<u>152,471</u>	<u>251,193</u>
<u>Passed Through State Department of Career and Technology Education:</u>					
Carl Perkins	84.048		54,702	33,254	54,702
Carl Perkins - Note	84.048			25,192	
TANF	93.558		161,572	101,894	161,028
TANF - Note	93.558			59,901	
OBAN	12.002		8,193	8,193	8,193
Sub Total			<u>224,467</u>	<u>228,434</u>	<u>223,923</u>
Total Federal Assistance			<u>\$ 475,660</u>	<u>380,905</u>	<u>475,116</u>

Note - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 1 - The accompanying schedule of expenditures of federal awards includes the federal grant activity of VT-27, Southwest Technology Center, and is presented on the regulatory basis of accounting, as permitted by the Oklahoma State Department of Career Technology Education. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

SOUTHWEST TECHNOLOGY CENTER  
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS  
FOR THE YEAR ENDED JUNE 30, 2014

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Liberty Mutual Surety - Dobbs & Braddock Inc.	Public Official Schedle Bond:	32S108663		7/1/13-7/1/14
	Treasurer / Business Manager		\$ 100,000	
	Superintendent		100,000	
	Encumbrance Clerk - Cutodian of Activity Funds		100,000	
	Admin / Inventory / Assistant Treasurer		100,000	
	Payroll Clerk / Minutes Clerk		50,000	
	BIS Admin. Asstistant		50,000	
	Financial Aid Clerk		5,000	
	Medical Programs Admin. Assistant		5,000	
	BIS Coordinator		5,000	
	Night Clerk		5,000	
	Night Clerk		5,000	
	Attendance Clerk		5,000	

SOUTHWEST TECHNOLOGY CENTER  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE  
AFFIDAVIT  
JULY 1, 2013 TO JUNE 30, 2014

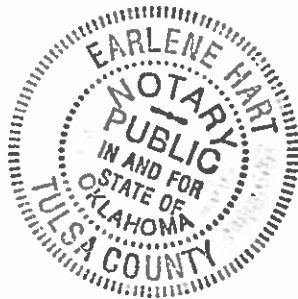
State of Oklahoma            )  
                                          ) ss  
County of Tulsa            )

The undersigned auditing firm of lawful ages, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Southwest Technology Center for the audit year 2013-14.

Sanders, Bledsoe & Hewett,  
Certified Public Accountants. LLP  
Auditing Firm

By Jeffrey D. Hewett  
Authorized Agent

Subscribed and sworn to before me  
This 6<sup>th</sup> day of March, 2015



Earlene Hart  
Notary Public (or Clerk or Judge)

My Commission Expires: 5/19/2016  
Commission No. 00008621