

**AUDITED FINANCIAL STATEMENTS
AND REPORTS OF INDEPENDENT AUDITOR**

**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA**

JUNE 30, 2022



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
JUNE 30, 2022**

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**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
JUNE 30, 2022**

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**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
TECHNOLOGY CENTER OFFICIALS
JUNE 30, 2022**

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CERTIFIED PUBLIC ACCOUNTANTS, P.C.

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Southwest Technology Center No. VT-27
Altus, Oklahoma 73521

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Southwest Technology Center No. VT-27, Altus, Oklahoma (the "Center") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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 Southwest Technology Center No. VT-27, Jackson County, Oklahoma as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southwest Technology Center No. VT-27, Altus, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-15, Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual on pages 45, Schedule of Proportionate Share of the Net Pension Liability on page 43 and Schedule of Contributions on page 44 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 method 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 an opinion on the financial statements that collectively comprise the Center's basic financial statements. The combining fund statements, regulatory basis, listed in the accompanying table of contents are presented for purpose 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our 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, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2023, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

February 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Southwest Technology Center

June 30, 2022

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, 2022. 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, Granite, Hollis, Mangum, Navajo, and Olustee-Eldorado. Olustee and Eldorado School districts were consolidated on July 1, 2017. These school districts include all of Jackson county and portions of Greer, Harmon, and Kiowa counties. Hollis Public Schools (HPS) annexed into the district on September 8, 2015. Mangum Public School annexed into the district on November 9, 2021. SWTC also serves home schooled students in all of these school districts.

The district offers three basic types of instruction, Full Time Programs, Adult and Career Development (ACD) and Business and Industry Services (BIS). The full time programs division includes 12 programs of study 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. The district houses an alternative education program for the five smaller school districts, a TANF special project, and an adult learning center, which offers adult basic education and English as a second language classes. SWTC offers businesses in the area bid assistance (known as OBAN or PTAC) in government contracting and a plat printer for printing blueprints for their respective bids and jobs.

FINANCIAL HIGHLIGHTS

- FY22 state allocations yielded \$2,337,994 which was a slight increase from FY21 allocation of \$2,307,958 for regular operations (including \$149,483 for mandated salary increases and \$215,952 for mandated health benefit allowances) In FY19 HB1023 and HB1026xx mandated salary increases to certified and support staff. These mandates for increased expenditures were not fully funded therefore affecting the impact of state allocations. State funding remains less than FY14 allocations of \$2,139,106 when it is adjusted for the mandated salary and health insurance increases

that are only partially funded. Comparative history of state allocations since FY14 have been

- FY 15-\$2,135,850
 - FY 16-\$2,029,453
 - FY17- \$2,004,517
 - FY18-\$1,858,467
 - FY19-\$1,980,233 the first year of the salary mandates(which included additional funding of \$127,523 to meet mandated salary increases which was a cost to the district of \$234,457)
 - FY20-\$2,386,857
 - FY21-2,307,958
 - FY22-2,337,994
- District property values on which local ad valorem is collected for Southwest Technology Center increased from \$ 195,406,008 in FY21 to \$199,948,081 in FY22. This is a substantial increase from FY15 of \$144,636,247 in total ad valorem valuations. Hollis Public School ad valorem collections began in FY17 at 50% of property valuation and increased to 80% in FY18, and reached 100% in FY19 and are therefore responsible for the majority of this increased funding. Mangum Public Schools annexation into the district on November 9, 2021. Ad Valorem collections will begin for properties in Mangum School District in December 2022 at 100%. The three-year phase in of an annexed school district is no longer allowable.
 - FY22 general fund revenue was \$ 5,901,204 a decrease compared to FY21 revenue, which totaled \$6,092,586.
 - FY22 general fund expenditures totaled \$ 6,417,615 which was an increase over FY21 expenditures of \$5,473,390. Most of this increase was due to the building of the saferoom at the hanger. A capital expenditure that had been planned for years.
 - The FY22 fund balance forward was \$2,780,466.94 an increase over the FY21 fund balance forward was \$3,060,933.43. The decrease in fund balance was due to the capital expenditure for the saferoom at the hangar.
 - Federal program funds available to the District increased from \$1,048,642 in FY21 to \$1,025,172 in FY22. (\$500,000 of FY20, \$576,008 of FY21, and \$ 318,528 of FY22 was CARES Act HEERF I funding to assist with expenditures related to COVID-19.)

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 2021-2022?"

The statement of net position presents information on all the District's assets and liabilities, with the difference between the two 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 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 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 15 and 16.

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 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 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 17 through 19 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 20.

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 Position provides the perspective of the District as a whole. See the following schedule of Net Position.

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

	2022	2021
Current and other assets	\$ 3.36	3.81
Capital assets	<u>3.33</u>	<u>2.72</u>
Total Assets	6.69	6.53
Deferred outflows	.83	1.48
Long-term debt outstanding	2.59	4.81
Other liabilities	<u>.33</u>	<u>.38</u>
Total Liabilities	2.92	5.19
Deferred Inflows	1.47	.15
Net Assets:		
Invested in capital assets, net of debt	3.33	2.72
Restricted	0.70	0.70
Unrestricted	<u>(.89)</u>	<u>(.75)</u>
Total Net Assets	<u>\$ 3.14</u>	<u>2.67</u>

Change in Net Assets. In the current fiscal year the District's net assets for governmental activities increased by .04 million.

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

	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues		
Charges for services	0.37	0.40
grants and reimbursements	0.78	1.10
General revenues		
Property taxes	2.03	1.98
State entitlement	2.34	2.47
Other local	0.55	0.15
Investment earning	0.01	0.01
Special items		
Adj. to prior year's encumbrances	<u>0.09</u>	<u>0.06</u>
 Total Revenues	 <u><u>6.17</u></u>	 <u><u>6.17</u></u>
	<u>2022</u>	<u>2020</u>
Expenses		
Program expenses		
Instruction	2.05	2.30
Support services	2.75	3.05
Non-instruction	0.08	0.06
Facilities acquisition and construction services	0.00	0.00
Other uses	0.37	0.28
Depreciation-unallocated	<u>0.45</u>	<u>0.44</u>
 Total expenses	 <u><u>5.70</u></u>	 <u><u>6.13</u></u>
 Increase in net assets	 <u><u>.47</u></u>	 <u><u>.04</u></u>

Activity Funds. FY22 closed activity funds with a balance of \$47,385 while FY21 yielded a fund balance of \$44,194. 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 has built 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 Maintenance 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 Maintenance Program. On March 9, 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. This facility did not have adequate shelter for students in case of inclement weather. In FY22, a safe room build was started at the hanger at the cost of over \$900,000. The project was substantially completed in FY22 but will not be completed until FY23.
- Facilities owned are meeting current needs of Southwest Technology Center but are not adequate for potential growth and are aging. The lack of a building fund has alleviated the ability to expand or upgrade facilities. Facilities are aging and upgrading and repairs will be expected. SWTC continues to make annual improvements from the general fund. Wallpaper was removed and texture and paint applied in a majority of the hallways in FY21 and the balance of the hallways in FY22. Updated acrylic Signage (rooms, programs names, directional signs, etched signage on windows in the front foyer and student center) was also installed in FY22. The seminar center was updated including new carpet, texture, paint, furniture in FY20. An awning attachment to the North building on the main campus to protect the school vehicle fleet was added in FY20. The HVAC and Boiler system were upgraded in FY14. Roofing issues continue to be a concern.
- The Aviation Maintenance program continues to grow to meet the employment needs of the Altus Air Force Base (AAFB). In FY10 the Aviation Maintenance Program was expanded to include Power Plant in response to the needs of AAFB. In April 2013, it was announced that AAFB would be the recipient of the KC46A mission yielding 8 new KC46A planes. Considerable employment needs were 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. Due to the increasing need for Aviation Mechanics at AAFB, a short-term night-time aviation mechanic assistant program was implemented in FY19 training 60 aviation mechanic assistants. A full-time night-time Aviation Maintenance Program to mirror the day time program was implemented in FY21. While enrollment in the night-time full-time program was positive in the beginning, retention rate is a growing concern for SWTC.

Attrition concerns are due to students becoming overwhelmed working fulltime and attending school at night. Both night time aviation programs continued in FY22 and have been received positively by AAFB personnel.

- Due to the lack of a building fund, SWTC cannot expand the exterior walls of SWTC. Additional programs can only be offered when another program is closed or facilities are renovated to allow additional classroom space traditionally used for vehicle storage, etc. In FY22 a Graphic Design program was added, In FY23 Entrepreneurship will be added.
- 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. Lottery funds are applied for to meet these needs as equipment needs are identified for new programs or expansion of existing programs. SWTC was not awarded a lottery grant in FY19 or FY20. In FY20 and FY21, CARES/HEERF funds were available to expand remote teaching and increase the training aids in programs to alleviate students need to crowd around a learning aid. Lottery funds were awarded in FY22 to implement new virtual welders in the metal fabrication program. SWTC has successfully been awarded a lottery grant for the FY23 school year to purchase virtual trainers for all full time programs.
- Southwest Technology Center has no capital debt.

Economic Factors. Southwest Technology Center is comprised of the communities and school districts of Mangum and Granite in Greer County; Hollis in Harmon County; and Blair, Navajo, Altus, Duke, and Olustee-Eldorado in Jackson County. It is a relatively stable area with an economy steeped in agra-business. The annexation of Hollis Public Schools brought in additional enrollments and approximately \$176,000 in additional potential annual Ad Valorem revenue. Ad Valorem collections for Hollis Public School District began in FY17 at a rate of 50%, FY18 yielded 80%; FY19 and beyond yields 100%. Mangum Public Schools was annexed in November 2021 but Ad Valorem collections will not begin until December 22. The three step phase in of an annexed district is no longer allowed so 100% of the Ad Valorem collections for Mangum at an estimated \$183,000 should be realized in FY23. 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.

Economic Development in the district remains stagnant. 2 new Hutches convenient stores, Burks, a new realty company, and several mom and pop businesses were opened in FY22. Over the prior 3 years Hobby Lobby, ACE Hardware, Chicken Express, Kentucky Fried Chicken, and two new Dollar General Stores were opened in the community, JC Penney's, Rue 21, Long John Silvers and Fashion Connection closed. Substantial new housing construction continues in preparation of the additional planes arriving at AAFB, in FY21 property prices skyrocketed and homes became hard to acquire in the area. Many homes sell before they are listed. Property prices continued to climb in FY22.

In 2007 a Tax Increment Financing (TIF) zone was approved within the district. It includes 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 fifteen (15) years which prohibited 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 did not decrease revenues but prevented growth in receipts from that area during the TIF period. Additional TIF projects were initiated in FY21 for housing, expo center renovations and industrial growth in the district and may affect the future ad valorem growth in the district. SWTC was exempt from the housing TIF to allow SWTC to meet the needs of the additional students this will bring to the district.

Increased State legislated mandates in curricula matters and a pattern of declining enrollment in all partner school districts are at some future point anticipated to impact the Southwest Technology Center District. Two public school districts, Eldorado and Olustee, were consolidated in FY18. Population in all southwest Oklahoma communities has continued to decline. The annexation of Hollis and Mangum Public Schools has provided new enrollments.

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. In addition, the popular push in recent years to lower property taxes continues as a concern to the District as revenue resources are affected.

COVID-19 brought new concerns for distant learning and non-traditional instruction with increased technology needs. CARES act funding has helped to meet these needs for SWTC and SWTC students.

Capital Assets

The lack of a building fund threatens the ability to maintain and expand capital assets. Roof repairs are a primary concern of the district and the district is unable to meet this need with current district funding. The district utilizes all current facilities and has limited ability to expand program offerings within the confines of available space without the closing of an existing program to allow replacement with a new program. The HVAC and Boiler system were replaced in FY14 through careful budgeting. 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 Saferoom at the Aviation Hanger was started in FY22 and will be completed in FY23.

Factors Bearing on the District's Future

Increased unfunded mandates required of districts for participation in the Oklahoma Teacher Retirement State system, Health care reform, increasing premiums for participation in EGID insurance, and pending mandated teacher pay raises continue to dominate the budget allocation of the district funds and ability to meet these mandates. 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.

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.

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

GOVERNMENT WIDE FINANCIAL STATEMENTS

**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2022**

	<u>GOVERNMENT ACTIVITIES</u>
<u>ASSETS</u>	
Current assets	
Cash	\$ 44,032
Investments	3,111,261
Receivables	201,908
Total current assets	<u>3,357,201</u>
Non-current assets	
Capital assets (net of depreciation)	<u>3,331,555</u>
Total non-current assets	<u>3,331,555</u>
Total assets	<u>6,688,756</u>
Deferred outflows	
Deferred outflows of resources related to pensions	<u>834,484</u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities	
Accounts payable	223,515
Compensated leave	108,966
Total current liabilities	<u>332,481</u>
Noncurrent liabilities	
Net pension liability	<u>2,585,955</u>
Total non-current liabilities	<u>2,585,955</u>
Total liabilities	<u>2,918,436</u>
Deferred inflows	
Deferred inflows of resources related to pensions	<u>1,465,030</u>
Net position	
Investment in capital assets	3,331,555
Restricted	703,926
Unrestricted	(895,707)
Total net position	<u>\$ 3,139,774</u>

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

**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
JULY 1, 2021 TO JUNE 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)/ Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities -				
Instruction	\$ 2,048,049	367,803	435,873	(1,244,373)
Support services	2,751,178			(2,751,178)
Operation of non-instructional services	84,656			(84,656)
Other outlays - reimbursement	365,244			(365,244)
Other Uses	400		341,819	341,419
Depreciated - unallocated	448,850			(448,850)
Total general government	<u>5,698,377</u>	<u>367,803</u>	<u>777,692</u>	<u>(4,552,882)</u>
General revenues-				
Taxes -				
Property taxes, levied for general purposes				2,031,401
State aid formula grants				2,337,994
Reimbursements				3,331
Other local				154,028
Other state				396,141
Interest				11,062
Special items -				
Adjustment to prior year's encumbrances				88,845
Total general revenues and special items				<u>5,022,802</u>
Changes in net position				469,920
Net position, beginning of period as restated				<u>2,669,854</u>
Net position, end of period				<u><u>\$ 3,139,774</u></u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Other Governmental Fund	Other Governmental Fund
<u>ASSETS</u>			
Cash	\$ 26,647	17,385	44,032
Investments	3,081,261	30,000	3,111,261
Receivables	201,908		201,908
Total assets	<u>3,309,816</u>	<u>47,385</u>	<u>3,357,201</u>
<u>LIABILITIES AND NET ASSETS</u>			
Liabilities			
Accounts payable	223,515		223,515
Total liabilities	<u>223,515</u>	<u>-</u>	<u>223,515</u>
Fund Balances			
Committed	600,000		600,000
Assigned	103,926		103,926
Unassigned	2,382,375	47,385	2,429,760
Total fund balances	<u>3,086,301</u>	<u>47,385</u>	<u>3,133,686</u>

Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$10,437,824 plus construction in progress of \$815,881, less accumulated depreciation of \$7,922,150.	3,331,555
Liabilities not due and payable in the current period and therefore are not reported as liabilities in the general fund. Liabilities at year end consist of:	
Compensated absences	(108,966)
Net pension obligation are not due and payable in the current year, therefore not reported in funds	(2,585,955)
Deferred inflows and outflows related to pensions are applicable to future periods, therefore, not reported in funds	<u>(630,546)</u>
Net assets of governmental activities in the Statement of Net Assets	<u>\$ 3,139,774</u>

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

**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
JULY 1, 2021 TO JUNE 30, 2022**

	General Fund	Other Governmental Fund	Total Governmental Funds
Revenues			
Local sources	\$ 2,521,940	20,682	2,542,622
State sources	2,590,110		2,590,110
Federal sources	777,692		777,692
Non-revenue receipts	400		400
Interest	11,062		11,062
Total revenues	<u>5,901,204</u>	<u>20,682</u>	<u>5,921,886</u>
Expenditures			
Instruction	2,272,253	13,690	2,285,943
Support services	2,890,971	2,260	2,893,231
Non-instructional services	83,115	1,541	84,656
Facilities, acquisition & construction svcs	805,632		
Other outlays	400		400
Other uses	365,244		365,244
Total expenditures	<u>6,417,615</u>	<u>17,491</u>	<u>5,629,474</u>
Excess (deficiency) of revenues over expenditures	(516,411)	3,191	292,412
Other financing sources (uses):			
Adjustments to prior year encumbrances	<u>88,845</u>		<u>88,845</u>
Revenue and other sources over (under) expenditures and other uses	(427,566)	3,191	(424,375)
Fund balance, beginning of year	<u>3,513,867</u>	<u>44,194</u>	<u>3,558,061</u>
Fund balance, end of year	<u>\$ 3,086,301</u>	<u>47,385</u>	<u>3,133,686</u>

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

**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
JULY 1, 2021 TO JUNE 30, 2022**

Net change in fund balance - governmental funds	\$	(424,375)
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Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position 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	(448,850)	
Capital outlay expenditures	1,060,193	611,343

Governmental funds report district pension contributions as expenditures. However, the Statement of Activities reports pension benefits, net of contributions, as pension expense.

261,142

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)

21,810

Change in net assets of governmental activities	\$	469,920
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The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies

A. Reporting Entity

Southwest Technology Center No. 27 (the "Center") is a corporate body for public purposes created under Title 70 of the Oklahoma statutes and, accordingly, is a separate entity for operating and financial reporting purposes. The Center is part of the public education system of Oklahoma under the general direction and control of the State Board of Career and Technology Education and is financially dependent on the State of Oklahoma support. The general operating authority for the public education system is the Oklahoma Public School Code contained in Title 70, Oklahoma Statutes. The governing body of the technology center is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the Center.

In evaluating how to define the Center, 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 involves considering whether the activity is conducted within the geographic boundaries of the technology center 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 technology center is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the Center's reporting entity.

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.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont’d

B. Basic Financial Statements – cont’d

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 Center 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 Center 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).

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 Centers 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.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont'd

B. Basic Financial Statements – cont'd

Special Revenue Fund - Special revenue fund include the building fund and the co-op fund. The Center did not maintain either of these funds during the 2021-22 fiscal year.

Building Fund - The building fund consists 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 the Technology Center property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for Center facilities, for purchasing security systems, and for paying salaries of security personnel.

Activity Fund - The activity fund is used to account for monies collected principally through fundraising efforts of the student and Center-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

Debt Service Fund - The debt service fund is the Center'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 Center did not maintain a debt service fund in 2021-22.

Capital Projects Funds - The capital projects fund is the Center's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring Center sites, constructing and equipping new Center facilities, renovating existing facilities, and acquiring transportation equipment. The Center did not maintain this fund during the 2021-22 fiscal year.

Proprietary Fund Types

The Center's Proprietary Funds, or Enterprise Funds, are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Center did not maintain this fund during the 2021-22 fiscal year.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. **Summary of Significant Accounting Policies – cont'd**

B. *Basic Financial Statements – cont'd*

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Center. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency funds are used to account for assets that the Center holds on behalf of others as their agent and do not involve measurement of results of operations. The Center did not have any fiduciary funds during the 2021-22 fiscal year.

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 Center 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 deficiencies are as follows:

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 Center 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 Center 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 Center must adopt a budget within the approved tax rate.

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 2021-22 Estimate of Needs was not amended by supplemental appropriations during the fiscal year.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont'd

D. Budgets and Budgetary Accounting

Encumbrances represent commitments related to underperformed 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 Center. Unencumbered appropriations lapse at the end of each fiscal year.

E. Assets, Liabilities and Fund Balances

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

Investments – The Center 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 Center. All investments are recorded at cost, which approximates market value.

Receivables - In the government -wide statements, receivables consist of all revenues earned at year-end and not yet received. All accounts receivables are considered collectable at year end. Major receivable balances for the governmental activities include property taxes, grants, and contracts.

Inventories - The value of consumable inventories at June 30, 2022, 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 as estimated fair market value at date of donation.

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.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont'd

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

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 Center's capital assets have the following estimated useful lives:

• Buildings/building improvements	30 years
• Equipment/fixtures	5-15 years
• Vehicles	5 years

Deferred Outflows of Resources - The Center 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 contributions made to Oklahoma Teacher Retirement System (TRS the Plan) between the measurement date of the net pension liabilities (June 30, 2021) and the end of the current fiscal year (June 30, 2022). No deferred outflows of resources affect the governmental funds financial statements in the current year.

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

Encumbrances – Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the Center 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 Center had no unmatured obligations at June 30, 2022.

Compensated Absences – The Center 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 Center 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

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont'd

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

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 Center's policy as a termination payment.

Deferred Inflows of Resources - The Center'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) the actual pension plan investment earnings in excess of 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. (2) The 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. (3) The changes in assumptions used by the actuary is amortized to pension expense over the average expected remaining service life of the Plan. In its governmental funds, the only deferred inflow of resources is for revenues not considered available. The Center will not recognize the related revenues until available (collected no later than 60 days after the end of the Center's fiscal year) under the modified accrual basis of accounting that qualifies to be reported in this category. Accordingly, deferred property taxes are reported in the governmental funds balance sheet.

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

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 Center, 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.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont'd

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

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 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.

Net Position and Fund Balance

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

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

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

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

Governmental Fund Financial Statements

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

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

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont'd

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

Committed Fund Balance – The Center has committed a portion of fund balance in the general 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 Center assigns a portion of fund balance to honor the obligations made by the Center for encumbrances (purchase orders) for which goods or services have not yet been received.

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

F. Revenues and Expenditures

Local Revenues – Revenue from local sources is the money generated from within the boundaries of the Center and available to the Center for its use. The Center is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the Center's service area. The county assessor, upon receipt of the certification of tax levies from the counties' excise boards, extends the tax levies on the tax roll for submission to the county treasurers prior to October 1. The county treasurers 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.

If the first payment is not made timely, 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.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont'd

F. Revenues and Expenditures – cont'd

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 XVUI, Title 70, Oklahoma Statutes. The State Board of Career and Technology Education administers the allocation of these formulas.

The Center 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 Oklahoma Department of Career and Technology Education requires that categorical education program revenues be accounted for in the 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 Center is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the Center 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 co-curricular 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

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont'd

F. Revenues and Expenditures – cont'd

machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the 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 improvement to sites.

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

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

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont'd

F. Revenues and Expenditures – cont'd

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.

G. New/adopted pronouncements

The GASB has issued several new accounting pronouncements, which will be effective to the Center in both the reported and subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the Center's consideration of the impact of these pronouncements are described below:

New Accounting Pronouncements Adopted

- GASB issued Statement No. 87, *Leases*. The object of Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.
- GASB, Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Statement No. 89, issued June 2018 is required for reporting periods beginning after December 15, 2020. The objective of Statement No. 89 is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies - contd.

New Accounting Pronouncements Adopted – contd.

The Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

- GASB issued Statement No. 91, *Conduit Debt Obligations*, issued May 2019. The object of Statement No. 91 is to establish a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. The requirements of this Statement are effective for periods beginning after December 15, 2020 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year. The Center does not have conduit debt obligations for the fiscal year ending June 30, 2022. Should management decision obligate the district to conduit debt in the future, the Center will evaluate the impact and report the debt accurately according to the Statement.
- GASB issued Statement No. 92, *Omnibus 2020*, issued January 2020. The object of Statement No. 92 is to address a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont'd

New Accounting Pronouncements Adopted – cont'd

literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021 as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year.

- GASB issued Statement No. 93, *Replacement of Interbank Offered Rates, issued March 2020*. The object of Statement No. 93 is to address accounting and financial reporting issues and implications that result from the replacement of an interbank offered rates. The requirements of this Statement are effective for periods beginning after June 15, 2020, June 15, 2021 and December 31, 2021, depending on the paragraph, as originally established, however GASB Statement No. 95 allows governments to postpone implementation for one year. The Center currently doesn't engage in transactions of this nature.
- GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements, issued March 2020*. The object of Statement No. 94 is to address issues related to public-private and public-public partnership arrangements (PPPs). The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for periods beginning after June 15, 2021. The Center currently doesn't engage in transactions of this nature.
- GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements, issued May 2020*. The object of Statement No. 96 is to provide guidance for accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2021. The Center is currently evaluating the impact that these new standards may have on its financial statements.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies – cont'd

New Accounting Pronouncements Adopted – cont'd

- GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32, issued June 2020*. The object of Statement No. 97 is to provide guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the above Statement were effective immediately whereas the remaining requirement of this Statement are effective for periods beginning after June 15, 2021.

The Center currently does not participate in component units, defined contribution pension plans, or defined contribution OPEB plans. The Center is currently evaluating the impact of the remaining paragraphs and what effect these new standards may have on its financial statements.

2. Cash and Investments

The Center'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 Center.

Cash – The Center's bank balance of deposits and cash pools at June 30, 2022, was \$421,788. Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The Center'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 Center's third-party agent in the Center's name.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

2. Cash and Investments – cont'd

Investments – At June 30, 2022, the Center's investments, totaling \$3,081,261, consisted of 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 Center 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 Center 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 Center does not have a formal policy limiting its exposure arising from concentration of investments.

3. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

<u>Class</u>	
Governmental Activities:	
Buildings	\$ 7,609,279
Airplane and airplane engine	146,750
Equipment	1,954,478
Vehicles	<u>727,318</u>
Totals	<u>10,437,825</u>
Less Accumulated Depreciation:	<u>(7,922,151)</u>
Grand Totals	\$ <u>2,515,674</u>

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

4. General Long-Term Debt

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

The Center has no outstanding debt as of June 30, 2022.

5. Employee Retirement System

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 Center. The System issues a publicly available financial report that can be obtained at <http://www.ok.gov/trs>.

Benefits Provided – The System provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rest 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, 2022, qualifying employee contributions were reduced by a retirement credit of \$11,764 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2022, the Center had a statutory contribution rate of 9.5%. In addition, the Center is required to match the State's contribution rate on salaries that are paid with federal funds. The contribution requirements of System members and the Center are established and may be amended by the state legislature. For the year ended June 30, 2022, the Center contributions to the System for 2021-22 were \$249,359.

The State of Oklahoma, a non-employer contributing entity, provides funds through 5% of the State's sales, use, corporate and individual income taxes collected. The System receives 1% of the cigarette taxes collected by the State and 5% of net lottery proceeds collected by the State.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

5. Employee Retirement System – cont'd

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

At June 30, 2022, the Center reported a net pension liability of \$2,585,955 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on a projection of the Center's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the Center's proportion was 0.05061738%.

For the year ended June 30, 2022, the Center recognized pension expense of \$(103,575). At June 30, 2022, the Center reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 170,510	\$ (96,163)
Changes in Assumptions	402,270	(25,753)
Net difference between projected and actual earnings on pension plan investments		(1,343,114)
Changes in proportion and differences between Center cont. and prop. share of contributions		
Center contributions subsequent to the measurement date	261,704	-
	<u>\$ 834,484</u>	<u>\$ (1,465,030)</u>

The \$261,704 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

5. Employee Retirement System – cont'd

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 June 30	
2021	\$ (197,098)
2022	(110,852)
2023	(175,901)
2024	(404,401)
2025	(3,997)
Total	<u><u>\$ (892,249)</u></u>

Actuarial Assumptions – The total pension liability as of June 30, 2022, was determined based on an actuarial valuation prepared as of June 30, 2021 using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Amortization Method – Level Percentage of Payroll
- Inflation – 2.25%
- Salary Incr. – Composed of 2.25% inflation, plus .75% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return – 7.00%
- Retirement Age – Experience-based table of rates based on age, service and gender. Adopted by the Board in July 2020 in conjunction with the five-year experience study for the period ending June 30, 2019.
- Mortality – RP-2000 Employee Mortality Table, with male rates multiplied by 60% and female rates multiplied by 50%.

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.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

5. Employee Retirement System – cont'd

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	22.0%	2.5%
Real Estate *	9.0%	4.5%
Alternative Assets	6.5%	6.2%
Total	100.0%	

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

Discount Rate – A single discount rate of 7.00% was used to measure the total pension liability as of June 30, 2021. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employer calculated using the discount rate of 7.0% as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	1% decrease 6.0%	Current Discount 7.0%	1% increase 8.0%
Net Pension Liability	\$ 4,226,787	\$ 2,585,955	\$ 1,227,570

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/>.

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

6. Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Center purchases commercial insurance to cover these risks, 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.

7. Contingencies

Litigation

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

Subsequent Events

Management has evaluated subsequent events through March 1, 2022, 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.

REQUIRED SUPPLEMENTAL INFORMATION

**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022**

	2021	2020	2019	As of June 30, 2018	2017	2016	2015
Center's proportion of the net pension liability	0.05061740%	0.05065021%	0.04989146%	0.05296979%	0.05506795%	0.05293694%	0.05103144%
Center's proportionate share of the net pension liability	\$ 2,585,955	\$ 4,806,823	\$ 3,301,817	\$ 3,201,553	\$ 3,646,223	\$ 4,417,884	\$ 3,099,016
Center's covered-employee payroll	\$ 2,544,872	\$ 2,486,545	\$ 2,379,324	\$ 2,285,655	\$ 2,289,316	\$ 2,229,185	\$ 2,148,458
Center's proportionate share of the net pension liability as a percentage of its covered payroll	101.61%	193.31%	138.77%	140.07%	159.27%	198.18%	144.24%
Plan's fiduciary net position	\$ (3,216,501)	\$ (3,477,643)	\$ (2,953,277)	\$ (3,115,791)	\$ (3,403,757)	\$ (3,252,470)	\$ (3,486,911)
Plan fiduciary net position as a percentage of the total pension liability	124.38%	72.35%	89.44%	97.32%	93.35%	73.62%	112.52%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Center will present information for those years for which information is available.

**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
SCHEDULE OF THE CENTER'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2022**

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contributions Deficiency (Excess)	Center's Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2022	\$ 242,451	242,451	-	2,552,120	9.50%
2021	242,187	242,187	-	2,544,872	9.52%
2020	236,222	236,222	-	2,486,545	9.50%
2019	226,572	226,572	-	2,379,324	9.52%
2018	219,290	219,290	-	2,285,655	9.59%
2017	220,277	220,277	-	2,289,316	9.62%
2016	215,696	215,696	-	2,229,185	9.68%
2015	204,607	204,607	-	2,148,458	9.52%
2014	347,013	347,013	-	2,146,351	16.17%
2013	\$ 335,759	335,759	-	2,077,395	16.16%

Notes to Required Supplementary Information

The Center's statutorily required contribution rate has changed over the prior 10 years as follows:

1	January 1, 2010 to present	9.50%
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**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND - BUDGET BASIS
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Budget			
	Original	Final	Actual	
Revenues:				
Local sources	\$ 2,175,711	2,175,711	2,531,725	356,014
State sources	2,567,123	2,567,123	2,593,671	26,548
Federal sources	1,151,648	1,151,648	912,203	(239,445)
Interest earnings	10,000	10,000	11,062	1,062
Non-revenue receipts	400	400	400	-
Total revenues	5,904,882	5,904,882	6,049,061	144,179
Expenditures:				
Instruction	3,476,637	3,476,637	2,276,797	1,199,840
Support services	3,877,778	3,877,778	2,813,618	1,064,160
Operation of non-instructional services	126,000	126,000	78,241	47,759
Facilities, acquisition & construction svcs	1,100,000	1,100,000	888,832	211,168
Other outlays	400	400	400	-
Other uses	385,000	385,000	360,484	24,516
Total expenditures	8,965,815	8,965,815	6,418,372	2,547,443
Revenues over (under) expenditures	(3,060,933)	(3,060,933)	(369,311)	2,691,622
Other financing sources (uses)				
Adjustments to prior year encumbrances			88,845	88,845
Revenue and other sources over (under) expenditures and other uses	(3,060,933)	(3,060,933)	(280,466)	2,780,467
Cash fund balance, beginning of year	3,060,933	3,060,933	3,060,933	-
Cash fund balance, end of year	\$ -	-	2,780,467	2,780,467
Reconciliation of budgetary comparison statutory basis to GAAP basis:				
Accounts receivable			201,908	
Reserved encumbrances			103,926	
Fund balance end of year GAAP basis			\$ 3,086,301	

**SOUTHWEST TECHNOLOGY CENTER NO. V-27, JACKSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Project Number</u>	<u>Beginning Balance 7/01/2021</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Ending Balance 6/30/2022</u>
<u>U.S. Department of Education</u>						
<u>Direct Programs:</u>						
* Education Stabilization Funding (Covid19):						
HEERF I - Institutions (Covid19)	84.425F	416	\$ -	76	76	
HEERF I - Institutions (Covid19) 2020-21	84.425F	416	(198,837)	198,837		
HEERF II - FIPSE (Covid19) 2020-21	84.425N	415	(28,741)	28,741		
HEERF III - Institutions (Covid19)	84.425F	417		69,301	136,777	
HEERF III - Students (Covid19)	84.425F	417		181,675	181,675	
HEERF III (Covid19) 2020-21	84.425F	417	(26,494)	26,494		
Subtotal - Education Stabilization Funds (Covid19)			<u>(254,072)</u>	<u>505,124</u>	<u>318,528</u>	<u>-</u>
* Pell grants	84.063	474	(120)	407,563	407,548	(105)
Subtotal - Direct through US Dept. of Education			<u>(254,192)</u>	<u>912,687</u>	<u>726,076</u>	<u>(105)</u>
<u>Passed Through State Department of Career and Technology Education:</u>						
Carl Perkins Consortium	84.048	423		49,692	49,692	
TANF	93.558	452		69,475	140,564	(71,089)
TANF 2020-21	93.558	N/A	(31,755)	31,755		
OBAN	12.002	436		23,813	23,813	
Adult Education and Literacy	84.002	731		30,904	85,027	(54,123)
Adult Education and Literacy 2020-21	84.002	N/A	(41,280)	41,280		
Subtotal - Passed Through State Dept. of Career Tech			<u>(73,035)</u>	<u>246,919</u>	<u>299,096</u>	<u>(125,212)</u>
Total Federal Assistance			<u>\$ (327,227)</u>	<u>1,159,606</u>	<u>1,025,172</u>	<u>(125,317)</u>

* Major federal programs

Note 1 - There were no amounts passed to subrecipients.

Note 2 - Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

Note 3 - 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). Expenditures are reported on the regulatory basis of accounting consistent with the preparation of the combined financial statements. These expenditures are recognized following the cost principles rate allowed under the Uniform Guidance. contained in the Uniform Guidance. The District has also elected to not use the 10% de minimis indirect cost.

**SOUTHWEST TECHNOLOGY CENTER
JACKSON COUNTY, OKLAHOMA
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Bonding Company</u>	<u>Position Covered</u>	<u>Bond Number</u>	<u>Coverage Amount</u>	<u>Effective Dates</u>
Western Surety Co. Dobbs & Braddock Inc.	Public Official Schedule Bond:	71831575		10/01/21-10/01/22
	School Treasurer		\$ 250,000	
	Superintendent		250,000	
	Encumbrance Clerk		250,000	
		71831575		10/1/21-10/01/22
	Admin Asst/Inventory		50,000	
	Payroll Clerk		100,000	
	BIS Admin Assistant		50,000	
	Financial Aid Clerk		5,000	
	Medical Programs Admin. Assistant		5,000	
	BIS Coordinator		5,000	
	Night Clerk		5,000	
	FT Prog Admin Asst		5,000	



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

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

The Honorable Board of Education
Southwest Technology Center
Altus, OK 73521

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Technology Center No. VT-27, Altus, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated February 27, 2023. This report was unqualified with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing 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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

February 27, 2023



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Board of Education
Southwest Technology Center No. VT-27
Altus, Oklahoma 73521

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Southwest Technology Center No. VT-27, Altus, Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Southwest Technology Center No. VT-27, Altus, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (The Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Southwest Technology Center No. VT-27, Altus, Oklahoma and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment

made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

February 27, 2023

SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2021 TO JUNE 30, 2022

Section 1 – Summary of Auditor's Results

1. An unqualified opinion was issued on the financial statements with respect to generally accepted accounting principles.
2. The audit disclosed no significant deficiencies in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.
4. The audit disclosed no significant deficiencies in the internal controls over major programs.
5. An unqualified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Uniform Guidance.
7. Major Program Identification: Education Stabilization Fund programs (84.425F,84.425N) which were clustered in the determination, and the Pell Grant Program (84.063).
8. The dollar threshold used to determine between Type A and Type B programs was \$750,000.
9. The auditee was determined to be a low-risk auditee.

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

None

Section 3 – Findings and questioned costs for federal awards

None

**SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2021 TO JUNE 30, 2022**

There were no prior year findings.

**SOUTHWEST TECHNOLOGY CENTER, JACKSON COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2021 TO JUNE 30, 2022**


State of Oklahoma)
County of Tulsa)

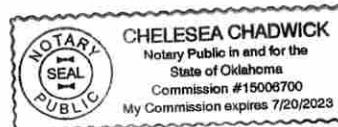
The undersigned auditing firm representative of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public Center Audit Law" at the time of audit contract and during the entire audit engagement with Southwest Technology Center for the audit year 2021-22.

Jenkins & Kemper, CPAs, P.C.
AUDITING FIRM

BY 
AUTHORIZED AGENT

Subscribed and sworn to before me on this
27th day of, February, 2023


NOTARY PUBLIC



**Dr. Lee Denny, State Director
Oklahoma Department of Career and Technology Education
1500 W. 7th Avenue, Stillwater, OK 74074**

AUDIT ACKNOWLEDGEMENT

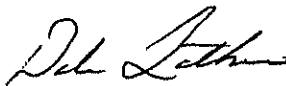
**Southwest Technology Center
Altus, Oklahoma
Audit Year
July 1, 2021 through June 30, 2022**

The annual independent audit for Southwest Technology Center, was presented to the Board of Education in an open board meeting on March 10, 2023, by Jenkins & Kemper, CPAs, P.C.

The Board acknowledges that as the governing body of the Center responsible for the Center's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma Department of Career and Technology Education, and the State Auditor and Inspector within 30 days from its presentation to the Center's board.

In accordance with administrative rule 780 O.A.C. 15-3-4(k), the Department shall be responsible for ensuring that audits are performed by independent auditors in a timely manner and are in accordance with applicable OMB circulars and guidance.


Superintendent


Board of Education Vice President

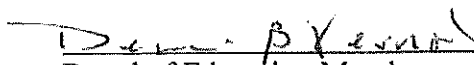
Board of Education Member

Board of Education Member

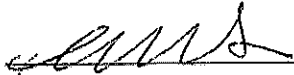

Board of Education President


Board of Education Member


Board of Education Member


Board of Education Member

Subscribed and sworn to me this 10 day of March, 2023. My commission expires on the 24 day of January, 2026.


Notary Public

