

**SOUTHWEST TECHNOLOGY CENTER  
JACKSON COUNTY, OKLAHOMA**

**FINANCIAL STATEMENTS  
AND REPORTS OF INDEPENDENT AUDITOR**

**JUNE 30, 2015**

Audited by

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

BROKEN ARROW, OK

SOUTHWEST TECHNOLOGY CENTER  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2015

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SOUTHWEST TECHNOLOGY CENTER  
JUNE 30, 2015

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# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Technology Center School District No. 27 (the District), Jackson County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-12 and 40, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett  
Certified Public Accounts, LLP

February 10, 2016

## Management's Discussion and Analysis

### Southwest Technology Center

June 30, 2015

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, 2015. Please read it in conjunction with the District's financial statements that immediately follow this section.

#### ***ORGANIZATION***

Southwest Technology Center School District 27 is a political subdivision of the Oklahoma Department of Career and Technology Education. The school is located in Altus, Oklahoma and operates under the local control of a five member board of education with a designated chief executive officer. The Southwest Technology Center School District includes the public school districts of Altus, Blair, Duke, Eldorado, Granite, Navajo, and Olustee. These school district include all of Jackson county and portions of Greer, Harmon, and Kiowa counties. Hollis Public Schools (HPS) started annexation inquiries in the fall of 2014. The HPS board submitted a resolution to ODCTE on March 2, 2015 requesting to be annexed into the district. The ODCTE board voted favorably for this motion on May 21, 2015. The annexation vote will go to the people of Harmon County on September 8, 2015.

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 31 career major offerings designed to lead to industry certifications, licenses, or employment. The course offerings in the Adult and Career Development instruction are designed to enhance knowledge of specific topics, while the Business and Industry Services division strives to meet the training and development needs of business and industry. The district houses an alternative education program for the six smaller school district, a TANF special project, and an adult learning center which offers adult basic education and English as a second language classes.

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

- The District's overall financial status in FY15 continued to increase even though state appropriation for regular operations declined in FY15. The state allocation decrease was insignificant going from \$2,139,106 for regular operations in FY14 to \$2,135,850 in FY15.
- District property values on which local ad valorem is collected for Southwest Technology Center increased from \$142,910,115 in FY14 to \$144,636,247.00 in FY15.

- FY15 general fund revenue was \$ 4,878,951 an increase compared to FY14 revenue which totaled \$4,451,069.
- FY15 general fund expenditures totaled \$4,529,159 which was slightly more than FY14 expenditures of \$4,346,719. Additional expenditures in the FY 15 year included: adding two additional classrooms in the Aviation Maintenance Program at a total expense of \$47,165, purchasing a new bus at a total of \$58,723, replacement of lighting in the main campus and the hanger at the expense of \$32,000, the implementation of a new student data system (CT-SIS) at an implementation cost of \$20,500.00, outside strategic planning consultant at a cost of \$15,000, motorcycle safety training grant from the Oklahoma Highway Safety Office at expense of \$35,863.25, implementation of a new federal funded Adult Basic Education Program with expenses totaling \$181,593, and the purchase of virtual welders with lottery grant funding at an expense of \$145,139.
- The FY15 fund balance forward was \$1,452,875 an increase over the FY14 fund balance forward of \$1,399,673. The increase in fund balance was to allow for the upcoming threat of budget shortfalls and the continued expansion of the aviation maintenance program.
- Federal program funds to the District increased from \$376,394 in FY14 to \$528,518 in FY15. The addition of an adult basic education program with federal revenues of \$181,593 accounted for this increase in federal funds.

## **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 2014-2015?"

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

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

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

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

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

***Fund Financial Statements.*** A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are considered governmental funds.

*Government Funds* are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spending resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. All of the District's services are included here.

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

The District maintains two governmental funds; (1) general fund and (2) activity fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and activity fund. The basic governmental fund financial statements can be found on pages 14 and 15 of this report.

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

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

Government-Wide Financial Analysis

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

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

	2015	2014
Current and other assets	\$ 2.01	1.71
Capital assets	3.83	4.09
Total Assets	5.84	5.80
Long-term debt outstanding	0.00	0.00
Other liabilities	0.14	0.19
Total Liabilities	0.14	0.19
Net Assets:		
Invested in capital assets, net of debt	3.83	3.89
• Restricted	0.84	0.70
Unrestricted	1.03	1.01
Total Net Assets	\$ 5.70	5.61

**Change in Net Assets.** In the current fiscal year the District’s net assets for governmental activities increased by .10 million.

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

	2015	2014
<b>Revenues</b>		
Program revenues		
Charges for services	0.34	0.24
grants and reimbursements	0.40	0.22
General revenues		
Property taxes	1.46	1.44
State entitlement	2.37	2.14
Other local	0.17	0.24
Investment earning	0.01	0.01
Total Revenues	4.75	4.29
	2015	2014
<b>Expenses</b>		
Program expenses		
Instruction	2.09	1.66
Support services	2.11	1.94
Non-instruction	0.06	0.06
Facilities acquisition and construction services	0.01	0.22
Other uses	0.02	0.02
Depreciation-unallocated	0.36	0.40
Total expenses	4.65	4.30
Decrease in net assets	.10	(.01)

**Activity Funds.** FY15 closed activity funds with a balance of \$44,985 while FY14 yielded a fund balance of \$45,104. 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<sup>th</sup>, 2009 a bill of sale for Hanger 33 and a ground lease for the land the hanger sets on were executed. Southwest Technology Center took possession of Hanger 33 on that date.
- Facilities owned are meeting current needs of Southwest Technology Center, however, they are aging and upgrading and repairs will be expected. A substantial insurance claim was filed in FY 15 for flood damages sustained when a water heater valve malfunctioned. The water heater was located in the kitchen ceiling and damages involved the kitchen, the Seminar Center, the front office complex, the Business and Industry Services offices, and the west hallway. The HVAC and Boiler system and seminar center seating were upgraded in FY14.
- The Aviation Maintenance program continues to grow to meet the employment needs of the Altus Air Force Base (AAFB). The May 2005 announcement of AAFB identification as "continued operation" on the BRAC (Base Realignment and Closing) by the Department of Defense not only validated the Aviation Maintenance program but catapulted economic growth in Jackson County. The Aviation Maintenance program sustained several years of low enrollment following the move of the C-5A aircraft to San Antonio, Texas in 2011. In FY10 the Aviation Maintenance Program was expanded to include Power Plant to meet the needs of AAFB. Federal Budget cuts and delayed new missions placed concerns on the employment opportunities at AAFB in FY11-FY13 adversely affecting enrollment. In April 2013 it was announced that AAFB would be the recipient of the KC46A mission with the first phase of this mission to take place with the arrival of the first plane in 2015. Considerable employment needs 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. In addition, 54% of the more than 700

employees of the A-Team at AAFB are currently eligible for retirement in the next five years yielding additional employment opportunities. Despite the announcement of the delay of the KC-46A mission to 2017, enrollment has increased in FY14 and again in FY15 with pre-enrollment again increased for FY16 school year. In FY15 two classrooms and instructors were added to the Aviation Maintenance Program and halogen lights were replaced with LED lighting in the hanger to accommodate the increased enrollment. Additional instructional equipment needs have been identified and SWTC will explore funding for the purchase of this equipment.

- 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 were awarded in FY15 to allow for two virtual welder trainers to be purchased for use in full-time, ACD, and BIS classes.
- Southwest Technology Center has no capital debt.

***Economic Factors.*** Southwest Technology Center is comprised of the communities and school districts of Granite in Greer County and Blair, Navajo, Altus, Duke, Eldorado, and Olustee in Jackson County. It is a relatively stable area with an economy steeped in agra-business. If the annexation of Hollis Public Schools is successful, the new district would bring additional enrollments and approximately \$176,000 in additional Ad Valorem revenue. Altus Air Force Base is the largest employer in the District, with Bar S meat manufacturing in Altus, American Gypsum in Duke, and Jackson County Memorial Hospital being major employers.

The BRAC announcement in 2005 spurred economic growth in the district. A chain restaurant, three fast food chains, two locally owned restaurants; three new motels, a national chain pharmacy; a new auto dealership; and several new housing additions have been completed. Many of the historic buildings on the downtown square of Altus were renovated and new retail stores were established. The spurred economy generated renovations and upgrades in the community including a maps project for Altus High School and City Offices. A new DHS building was also built.

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 ten (10) to 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. The culmination of this TIF agreement promises potential growth in Ad Valorem.

SWTC continues to strategize with partner school counselors and administration to address the ACE Initiative and “End of Instruction” testing implemented by the Oklahoma State Legislature which increased academic standards and is crowding the average secondary students’ schedule, making it increasingly difficult to choose attendance at Southwest Technology Center in their

high school schedule. This is of growing concern for the future success of Southwest Technology Center to serve secondary students. Most programs currently are evenly split between secondary and adult students.

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

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

### ***Capital Assets***

Facilities upgrades and repairs to the building continued in FY15, including two additional classrooms being built inside the Aviation Maintenance Hanger, enclosure of an outside storage area to allow inside climate controlled storage space to become available in the technical building for program expansion, and upgrade of LED lighting in the main building and the Aviation Maintenance Hanger. The HVAC and Boiler system were updated in FY14. Future repairs and upgrades in the planning stages include continuation of replacement of carpet in the main building, repair or replacement of wallpaper throughout the building. Southwest Technology Center will continue to upgrade equipment and facilities in order to stay on the cutting edge of technology training, but will continue to cautiously consider purchases.

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

State Funding redistribution in the FY06 through FY14 years greatly impacted the stability of Southwest Technology Center. Salary schedules are now competitive with the local market and programs have been added to meet the needs of stakeholders. Funding redistribution was exhausted in FY14 and budget cuts are projected for FY16. The threat of additional budget cuts is now a primary concern with the lack of ad valorem growth in the district. The continued threat of legislation regarding the limitation of ad valorem tax collections will continue to be a concern in the next several fiscal years.

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

# Southwest Technology Center

## Statement of Net Position

June 30, 2015

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets-	
Cash	\$ 1,748,521
Receivables	268,640
Total current assets	<u>2,017,161</u>
Non-current assets-	
Capital assets (net of depreciation)	3,826,316
Total non-current assets	<u>3,826,316</u>
Total assets	<u>\$ 5,843,477</u>
<b>DEFERRED OUTFLOWS</b>	
Deferred outflows of resources related to pensions	<u>204,607</u>
<b>LIABILITIES</b>	
Current liabilities-	
Accounts payable	\$ 55,554
Compensated absences	87,757
Total current liabilities	<u>143,311</u>
Non-Current liabilities-	
Pension obligation	2,831,649
Total Non-Current liabilities	<u>2,831,649</u>
<b>DEFERRED INFLOWS</b>	
Deferred inflows of resources related to pensions	<u>887,675</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,826,316
Restricted	840,091
Unrestricted fund balance	(2,480,958)
Total net assets	<u>\$ 2,185,449</u>

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

## Southwest Technology Center

### Statement of Activities

July 1, 2014 to June 30, 2015

Function/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 2,073,000	317,166	220,252	(1,535,581)
Support services	2,077,321	21,794	178,117	(1,877,410)
Operation of non-instruction services	63,692			(63,692)
Facilities acquisition and construction services	14,373			(14,373)
Other outlays - reimbursement	23,041			(23,041)
Other uses	400			(400)
Depreciated - unallocated	363,370			(363,370)
Total governmental activities	4,615,197	338,960	398,369	(3,877,868)
 <b>General revenues:</b>				
Taxes -				
Property taxes, levied for general purposes				1,461,626
State aid - formula grants				2,138,132
Reimbursements				63,554
Other local				109,606
Other state				233,951
Interest				4,203
Special items -				
Adjustments to prior year's encumbrances				400
Total general revenues and special items				4,011,472
Change in net assets				133,605
<b>NET ASSETS, beginning - restated</b>				2,051,844
<b>NET ASSETS, ending</b>				\$ 2,185,449

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

**Southwest Technology Center**  
 Balance Sheet - Governmental Funds  
 June 30, 2015

	<b>General Fund</b>
<b><u>ASSETS</u></b>	
Cash	\$ 1,748,521
Receivables	268,640
	\$ 2,017,161
<b><u>LIABILITIES AND FUND BALANCES</u></b>	
Liabilities:	
Accounts payable	\$ 55,554
Total liabilities	55,554
Fund Balances:	
Committed	600,000
Assigned	240,091
Unassigned	1,121,516
Total fund balances	1,961,607
Amounts reported for governmental activities in the statement of assets, liabilities and net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$8,810,328 less accumulated depreciation of \$4,984,012.	3,826,316
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	(87,757)
Net pension obligation are not due and payable in the current year, therefore not reported in funds	
	(2,831,649)
Deferred inflows and outflows related to pensions are applicable to future periods, therefore not reported in funds	
	(683,068)
Net assets of governmental activities	\$ 2,185,449

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

**Southwest Technology Center**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
July 1, 2014 to June 30, 2015

	<b>General Fund</b>
<b>REVENUES:</b>	
Local sources	\$ 1,972,036
State sources	2,373,794
Federal sources	528,518
Non-revenue receipts	400
Interest	4,204
Total revenues	4,878,952
 <b>EXPENDITURES:</b>	
Current -	
Instruction	2,066,431
Support services	2,229,517
Non-instructional services	63,692
Other outlays	14,373
Other uses	153,590
Total expenditures	4,527,603
 Excess (deficiency) of revenues over expenditures	351,349
 <b>OTHER FINANCING SOURCES (USES):</b>	
Adjustments to prior year encumbrances	
Total other financing sources (uses)	-
 <b>NET CHANGE IN FUND BALANCES</b>	351,349
 FUND BALANCES, beginning	1,610,258
 FUND BALANCES, ending	\$ 1,961,607

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

**Southwest Technology Center**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
July 1, 2014 to June 30, 2015

Net change in fund balances - governmental funds \$ 351,349

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

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

Depreciation expense	(363,370)	
Retired Assets	(194,779)	
Capital outlay expenditures	294,462	(263,687)

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

Governmental funds report district pension contributions as expenditures. However, the Statement of activities reports the cost of pension benefits, net of contributions, as pension expense. 38,798

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) 7,145

Changes in net assets of governmental activities \$ 133,605

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

**Southwest Technology Center**  
Statement of Fiduciary Net Assets  
June 30, 2015

	<b>Agency Funds</b>
<b><u>ASSETS</u></b>	
Current assets-	
Cash and investments	\$ 44,985
<b><u>LIABILITES</u></b>	
Current liabilities-	
Funds held for school organizations:	
Clearing Account	\$ -
Miscellaneous	15,337
Change Box	0
Nurse Testing	0
Auto Technology	1,522
Aviation & Aerospace	2,031
Construction Trades	532
Electronics	1,161
Business Professionals of America	3,467
HOSA	3,172
Service Careers	3,242
Power	11
Business & Industry Conference	0
Faculty/Staff Activity	506
Cosmetology	8,481
Mitch Bevers Scholarship	1,045
Bio-Med	322
PELL Account	4,157
Total Liabilities	\$ 44,985

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

Southwest Technology Center School District No. 27 (the District) is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Career and Technology Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

**B. Basic Financial Statements**

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

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

**Fund Accounting**

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

**Governmental Fund Types**

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

B. Basic Financial Statements - cont'd

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

Special Revenue Funds – Special revenue funds include the building fund and the co-op fund. The District did not maintain either of these funds during the 2014-15 fiscal year.

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

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

Debt Service Fund – The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments. The District did not maintain this fund during the 2014-15 fiscal year.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

B. Basic Financial Statements - cont'd

Capital Projects Fund – The capital projects fund is the District’s bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment. The District did not maintain this fund during the 2014-15 fiscal year.

**Fiduciary Fund Types**

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

Expendable Trust Funds – Expendable trust funds include the gifts and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2014-15 school year.

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

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

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

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

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

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

**Account Groups**

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

**Total Column**

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

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

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

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

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

The 2014-15 Estimate of Needs was not amended by supplemental appropriations during the fiscal year.

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

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

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

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

Inventories – The value of consumable inventories at June 30, 2015, is not material to the combined financial statements.

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

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

Unmatured Obligations – The District had no unmatured obligations at June 30, 2015.

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

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

Net Position and Fund Balance

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

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

Governmental Fund Financial Statements

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

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

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

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

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

F. Revenue and Expenditures

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

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

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

Deferred Outflows of Resources – The District reports decreases in net assets that related to future periods as deferred outflows of resources on the statement of net position. A deferred outflow is reported for contributions made to Oklahoma Teacher Retirement System (TRS the Plan) between the measurement date of the net pension liabilities (June 30, 2014) and the end of the current fiscal year (June 30, 2015). No deferred outflows of resources affect the governmental funds financial statements in the current year.

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

F. Revenue and Expenditures – cont'd

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

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

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

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

F. Revenue and Expenditures – cont'd

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

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

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

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

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

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

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

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

F. Revenue and Expenditures – cont'd

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

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

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

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

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

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

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

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**2. CASH AND INVESTMENTS**

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

Cash – The District's bank balance of deposits and cash pools at June 30, 2015, was \$2,054,093. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The District's policy requires collateral equal to 110% of the deposit amount for all deposits not covered by F.D.I.C. insurance. The bank balance was completely covered by federal depository insurance and by collateral held by the District's third party agent in the District's name.

Investments – At June 30, 2015, the District's investments consisted certificates of deposits and of investment pools (sweep accounts) invested in money market funds.

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

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

SOUTHWEST TECHNOLOGY CENTER  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

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

Capital assets activity for the year ended June 30, 2015, was as follows:

Class	
Governmental Activities:	
Buildings	\$ 7,238,117
Airplane and airplane engine	55,750
Equipment	1,104,515
Vehicles	411,946
Totals	8,810,328
Less Accumulated Depreciation:	(4,984,012)
Grand Totals	\$ 3,826,316

**4. INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables or payables at June 30, 2015.

**5. GENERAL LONG-TERM DEBT**

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

The District has no outstanding debt as of June 30, 2015

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

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

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2015, qualifying employee contributions were reduced by a retirement credit of \$16,269 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2015, the District had a statutory contribution rate of 9.5% plus 8.25% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2015, the District contributions to the System for were \$346,465.

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.

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

At June 30, 2015, the District reported a liability of \$2,831,649 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of the contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0005563419%, which was the same as its proportion measured as of June 30, 2013.

SOUTHWEST TECHNOLOGY CENTER  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**6. EMPLOYEE RETIREMENT SYSTEM**

For the year ended June 30 2015, the District recognized pension expense of \$204,607. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of resources
Differences between expected and actual experience	\$	46,674
Changes in assumptions		155,694
Net difference between projected and actual earnings on pension benefits		685,307
District contributions after the measurement date	204,607	
	\$ 204,607	887,675

\$204,607 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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		
2016	\$	180,100
2017		180,100
2018		180,100
2019		180,100
2020		8,773
Thereafter		2,807
	\$	731,980

Actuarial assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry Age Normal
- Amortization Method – Level Percentage of Payroll
- Amortization Period – Amortization over an open 30-year period
- Asset Valuation Method – 5-year smooth market
- Inflation – 3.00%

SOUTHWEST TECHNOLOGY CENTER  
 NOTES TO THE COMBINED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**6. EMPLOYEE RETIREMENT SYSTEM**

Salary Increases – Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.

Investment Rate of Return – 8.00%

Retirement Age – Experience-based table of rates based on age, service, and gender.

Mortality – RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

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

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

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

Discount rate – A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2013 and 2014. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Current Single Rate Assumption	
1% Decrease <u>7.00%</u>	8.00%	1% Increase <u>9.00%</u>
\$ 4,005,655	2,851,266	1,876,923

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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

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/>.

**7. RISK MANAGEMENT**

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

**8. CONTINGENCIES**

Litigation

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

Subsequent Events

Management has evaluated subsequent events through February 10, 2016, 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.

Schedule of Expenditure of Federal Awards

The schedule shows the federal awards received and expended by the District during the 2014-15 fiscal year. The revised OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*, established uniform audit requirements for nonfederal entities which expended more than \$500,000 in federal awards.

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

SOUTHWEST TECHNOLOGY CENTER  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

**9. NEW GASB STATEMENTS**

The District implemented GASB Statement 68, *Accounting and Financial reporting for Pensions* (GASB 68). and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68* (GASB 71). GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50 as they related to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and RSI. GASB 71 requires the recognition of a beginning deferred outflow of resources only for any pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year.

SOUTHWEST TECHNOLOGY CENTER  
 COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES AND  
 CHANGES IN CASH FUND BALANCES - BUDGETED GOVERNMENTAL FUND TYPES - BUDGET BASIS  
 FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL FUND			Variance with Final Budget Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues Collected:				
Local sources	\$ 1,640,072	1,640,072	1,963,058	322,986
State sources	2,364,685	2,364,685	2,381,773	17,088
Federal sources	427,000	427,000	365,353	(61,647)
Interest earnings	6,000	6,000	4,204	(1,796)
Non-revenue receipts	400	400	400	0
Total revenues collected	4,438,158	4,438,158	4,714,788	276,631
Expenditures:				
Instruction	2,579,966	2,579,966	2,066,431	513,535
Support services	2,706,465	2,706,465	2,389,831	316,634
Operation of non-instructional services	96,000	96,000	63,692	32,308
Facilities acquisition and construction Services	250,000	250,000	14,373	235,627
Reimbursement	400	400	400	0
Other uses	205,000	205,000	153,190	51,810
Total expenditures	5,837,831	5,837,831	4,687,917	1,149,914
Excess of revenues collected over (under) expenditures before other financing sources (uses)	(1,399,673)	(1,399,673)	26,871	1,426,544
Other financing sources (uses)				
Adjustments to prior year encumbrances	0	0	26,331	26,331
Excess of revenues collected and other financing sources over (under) expenditures and other financing (uses)	(1,399,673)	(1,399,673)	53,202	1,452,875
Cash fund balance, beginning of year	1,399,673	1,399,673	1,399,673	0
Cash fund balance, end of year	\$ 0	0	1,452,875	1,452,875
<u>Reconciliation of budget basis to GAAP basis:</u>				
Accounts receivable			268,640	
Reserved encumbrances			240,091	
Fund balance end of year GAAP basis			\$ 1,961,607	



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

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

February 10, 2016

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Technology Center School District No. 27 (the District), Jackson County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 10, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



Sanders, Bledsoe & Hewett  
Certified Public Accounts, LLP



# SANDERS, BLEDSOE & HEWETT

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

February 10, 2016

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

#### **Report on Compliance for Each Major Federal Program**

We have audited Southwest Technology Center School District No. 27, Altus Oklahoma's, (the District), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the accompanying schedule of audit results, findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### **Opinion on Each Major Federal Program**

In our opinion, the District, complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Sanders, Bledsoe & Hewett  
Certified Public Accounts, LLP

SOUTHWEST TECHNOLOGY CENTER  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND  
MATERIAL INSTANCES OF NON-COMPLIANCE  
JUNE 30, 2015

There were no prior year significant deficiencies.

SOUTHWEST TECHNOLOGY CENTER  
SCHOOL DISTRICT NO. 27, JACKSON COUNTY  
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015

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

1. An unqualified opinion was issued on the financial statements in respect to accounting principles generally accepted in the United States.
2. The audit disclosed no significant deficiencies in the internal controls over financial reporting that were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.
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 Circular A-133 § 510(a).
7. The programs determined to be major are the Pell Grant Program (84.063), and Adult Education and Literacy Program (84.002).
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The auditee was determined not 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** – No findings and questioned costs for federal awards:

None

SOUTHWEST TECHNOLOGY CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/ Pass-through Grantor's No.</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
<u>U.S. Department of Education</u>					
<u>Direct Programs:</u>					
*Pell grants	84.063	P063P154549	\$ 262,376	262,376	262,376
Sub Total			<u>262,376</u>	<u>262,376</u>	<u>262,376</u>
<u>Passed Through State Department of Career and Technology Education:</u>					
Carl Perkins	84.048		52,767	51,702	51,702
Carl Perkins - Note	84.048			21,448	
Carl Perkins Post Secondary	84.048		5,438	0	5,438
TANF	93.558		156,064	86,456	148,610
TANF - Note	93.558			59,134	
OBAN	12.002		16,464	16,464	16,464
*Adult Education and Literacy	84.002		213,367	0	181,593
Sub Total			<u>444,100</u>	<u>235,204</u>	<u>403,807</u>
Total Federal Assistance			<u>\$ 706,476</u>	<u>497,580</u>	<u>666,183</u>

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

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

\* = Major Program

SOUTHWEST TECHNOLOGY CENTER  
STATEMENT OF STATUTORY, FIDELITY AND HONESTY BONDS  
FOR THE YEAR ENDED JUNE 30, 2015

BONDING COMPANY	POSITION COVERED	BOND NUMBER	COVERAGE AMOUNT	EFFECTIVE DATES
Liberty Mutual Surety - Dobbs & Braddock Inc.	Public Official Schedle Bond:	32S108663		7/1/14-7/1/15
	Treasurer / Business Manager		\$ 100,000	
	Superintendent		100,000	
	Encumbrance Clerk - Cutodian of Activity Funds		100,000	
	Admin / Inventory / Assistant Treasurer		100,000	
	Payroll Clerk / Minutes Clerk		50,000	
	BIS Admin. Asstistant		50,000	
	Financial Aid Clerk		5,000	
	Medical Programs Admin. Assistant		5,000	
	BIS Coordinator		5,000	
	Night Clerk		5,000	
	Night Clerk		5,000	
	Attendance Clerk		5,000	

SOUTHWEST TECHNOLOGY CENTER  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE  
AFFIDAVIT  
JULY 1, 2014 TO JUNE 30, 2015

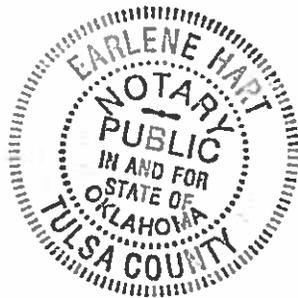
State of Oklahoma            )  
  ) ss  
County of Tulsa             )

The undersigned auditing firm of lawful ages, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Southwest Technology Center for the audit year 2014-15.

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

By Jeffrey D. Hewett  
Authorized Agent

Subscribed and sworn to before me  
This 10<sup>th</sup> day of February, 2016



Earlene Hart  
Notary Public (or Clerk or Judge)

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



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

Stephen H. Sanders, CPA  
Eric M. Bledsoe, CPA  
Jeffrey D. Hewett, CPA

P.O. BOX 1310 • 101 N. MAIN ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

February 10, 2016

Mr. Dale Latham, Supt.  
Southwest Technology Center  
711 W. Tamarack Rd.  
Altus, Oklahoma 73521-1527

Dear Mr. Latham:

Listed below are the audit exceptions and recommendations from the final audit work we performed for you. Please review them very carefully, along with the review copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

**The following section contains the observation relayed to management that is a control deficiency, which we feel need to be communicated to you so appropriate action may be taken to correct this deficiency. This item is not included in your audit report. This deficiency could evolve into a material finding if not addressed.**

Financial Reporting

Currently the District has a limited number of individuals that assist in the preparation of the financial statements and related notes to the financial statements, which causes the financial statements to not be prepared in a timely manner. We recommend that the District either hire additional staff, with experience in governmental accounting and reporting, or hire an outside accounting firm to perform the financial reporting function, so that the financial statements can be prepared in a more timely manner.

### Activity Fund Receipts

The activity fund custodian was depositing receipts in a proper and timely manner. Strong controls were in place for collecting and depositing funds. However, we observed instances during our examination of activity fund collections that the sponsors held collections for several days before being turned in for deposit. Although these amounts were immaterial, we recommend sponsors turn in collections daily, or weekly if the collections are less than \$100.00. Holding these funds overnight increases the opportunity for lost or stolen funds. We recommend that student activity fund sponsors receipt funds collected each day, and subsequently turn in the receipted funds to the site or district activity fund office for immediate deposit.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey D. Hewett". The signature is fluid and cursive, with a large initial "J" and a distinct "Hewett" at the end.

Jeffrey D. Hewett

For

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP