

**WES WATKINS TECHNOLOGY CENTER
HUGHES COUNTY, OKLAHOMA**

**FINANCIAL STATEMENTS
AND REPORTS OF INDEPENDENT AUDITOR**

JUNE 30, 2015

Audited by

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

BROKEN ARROW, OK

WES WATKINS TECHNOLOGY CENTER
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015

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WES WATKINS 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
Wes Watkins Technology Center School District No. 25
Wetumka, Oklahoma 74883

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 Wes Watkins Technology Center School District No. 25 (the District), Hughes 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 4-10 and 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 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

January 12, 2016

Wes Watkins Technology Center School District 25
Hughes County, Oklahoma
Management's Discussion and Analysis
June 30, 2015

This section of Wes Watkins Technology Center's (the District) annual financial report presents discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2015. To fully understand the District's financial performance, read it in conjunction with the basic financial statements and the notes to the financial statements.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Organization

The District is part of the public school system of Oklahoma under the general direction and control of the Oklahoma State Board of Career and Technology Education. The District includes the following public school districts: Bearden, Graham-Dustin, Hanna, Holdenville, Mason, Moss, Okemah, Weleetka, and Wetumka. The District includes portions of four counties: Hughes, McIntosh, Okfuskee and Okmulgee. The District provides educational opportunities to high school students and adults who reside or work in the district. These programs are generally grouped into the following career areas: health careers, information technology and trade/industrial/technical.

- Regular Programs – The District offers over twenty career majors. These career majors are designed to lead to industry certifications, licenses, employment, or continuing education. One academic math program and one academic science program is offered to high school students.
- Adult and Continuing Education – These classes are designed around specific curriculum and are designed to provide an introduction to or enhance knowledge of specific topics. Continuing education and licensing classes are offered in several areas including real estate, insurance, and health.
- Business and Industry Services – The District provides customized industry training to employers in our district. This may include pre-employment, safety, skills based, or management skills.

Financial Highlights

The district's state formula allocation for FY15 was \$2,364,630 for Regular Operations plus allocations for Existing Industry Training and Firefighter Training.

A positive and highlight was receiving an Oklahoma Education Lottery Fund Grant in the amount of \$58,231 for much needed equipment.

There was an increase of 6.27% in the district's valuation from FY14 to FY15. The District's net assessed valuation for FY15 was \$126,637,315.

Financial Statements

The financial statements consist of three parts: management discussion and analysis, the basic financial statements, and required supplementary information. The three parts together provide a comprehensive overview of the financial condition of Wes Watkins Technology Center. The basic financial statements include two kinds of statements that present different views of the District. The first two statements are district-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the district's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the district-wide statements.

- The governmental funds statements tell how basic services were financed in the short term and well as what remains for future spending. The governmental fund is the general fund.
- Proprietary fund statements offer short- and long-term financial information about the activities that are operated like a business. The District has no proprietary funds.
- Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in questions belong. The fiduciary fund is the School Activity Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements.

Overview of Financial Statements

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities with the difference reported as net assets. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall financial health of the District, you need to consider additional factors such as changes in property tax base, changes in funding by the federal and state governments, and changes in student enrollment.

The district-wide financial statements of the District are divided into two categories:

- **Governmental Activities** – All of the District's basic services are included here such as instruction, business and industry services, administration, and community services. Local property taxes, state appropriations, federal grants, tuition, and fees finance most of these activities.
- **Business-type Activities** – The District has certain services, which are secondary to the basic services of the District, and fees are charged to help it cover the costs of these services. None of these services currently requires reporting as a business type activity.

Fund Financial Statements

The District's financial statements provide detailed information about each fund – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs; state law requires certain funds.

- **Governmental Funds** – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This method of accounting provides for recording income (revenue) when they are both measurable and available, and encumbering expenditures when the purchase commitment is made, a liability is incurred (purchase order is issued). The governmental fund statements provide a detailed short-term view of the District operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **Proprietary Funds** – These funds are used to account for activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. The District is not currently using any proprietary funds.
- **Fiduciary Funds** – The District is the trustee or fiduciary for assets that belong to others, such as student activity funds. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those

to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of Wes Watkins Technology Center As A Whole

Statement of Net Position
June 30, 2015

| | Governmental Activities | |
|--|-------------------------|--------------------|
| ASSETS | <u>2014</u> | <u>2015</u> |
| Current Assets | | |
| Cash | \$ 660,437 | \$ 721,505 |
| Investments | 201,247 | 201,247 |
| Receivables | <u>26,370</u> | <u>49,742</u> |
| Total Current Assets | <u>888,054</u> | <u>972,494</u> |
| Non-current Assets | | |
| Capital Assets | <u>2,576,261</u> | <u>2,557,278</u> |
| Total Non-current Assets | <u>2,576,261</u> | <u>2,557,278</u> |
| Total Assets | <u>\$3,464,315</u> | <u>\$3,529,772</u> |
| DEFERRED OUTFLOWS | | |
| Deferred outflows of resources related to pensions | | <u>286,221</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Warrants Payable | \$164,464 | \$124,864 |
| Accounts Payable | 22,130 | 16,572 |
| Capital Leases – Current | <u>47,237</u> | <u>56,135</u> |
| Total Current Liabilities | <u>233,831</u> | <u>197,571</u> |
| Non-Current Liabilities | | |
| Capital Leases | <u>153,329</u> | 90,552 |
| Pension Obligation | | <u>2,360,498</u> |
| Total Non-Current Liabilities | | <u>2,451,050</u> |
| DEFERRED INFLOWS | | |
| Deferred inflows of resources related to pensions | | <u>739,978</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 2,375,695 | 2,557,278 |
| Restricted – capital | 4,365 | 28,562 |
| Unrestricted | <u>697,095</u> | <u>(2,158,446)</u> |
| Total Net Position | <u>\$3,077,155</u> | <u>\$ 427,394</u> |

Most of the District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are undesignated. These unrestricted funds are used to fund the cash flow needs during the first half of the fiscal year.

Statement of Activities

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The largest general revenue category is State Formula Funding.

The table below takes the information from that Statement of Activities, rearranges it slightly, so you can see our total revenues for the year.

TOTAL REVENUE
Fiscal Year Ended June 30, 2015

| Revenues | Governmental Activities | |
|---|-------------------------|--------------------|
| | <u>2014</u> | <u>2015</u> |
| Program Revenues | | |
| Charges for Services | \$101,917 | \$318,178 |
| Operating Grants and Contributions | 411,908 | 149,868 |
| General Revenues | | |
| Property Taxes | 612,215 | 670,562 |
| State Formula Funding and Industry Training | 2,365,984 | 2,364,630 |
| Reimbursements | 25,644 | 20,297 |
| Other (Local, State, Federal, Interest, Donation) | 166,907 | 117,167 |
| Adjustments to Prior Year's Encumbrances | 36 | |
| Total Revenue | <u>\$3,684,611</u> | <u>\$3,640,702</u> |

The following table shows the District's largest functions – instructional programs, instructional support, operational support, and student financial aid.

TOTAL COST OF SERVICES
Fiscal Year Ended June 30, 2015

| | Governmental Activities | |
|---|-------------------------|--------------------|
| | <u>2014</u> | <u>2015</u> |
| Instruction | \$1,489,190 | \$1,235,765 |
| Support Services | 2,019,247 | 1,876,768 |
| Noninstruction Services | 127,248 | 61,136 |
| Facilities Acquisition and Construction | | 6,617 |
| Repayments and Financial Aid | 114,728 | 94,724 |
| Other Outlays | 48,712 | 43,227 |
| Interest | <u>12,819</u> | <u>9,971</u> |
| Total Expenses | <u>\$3,811,944</u> | <u>\$3,811,944</u> |

Financial Analysis of Wes Watkins Technology Center's Funds

At June 30, 2015, the District's general fund reported a fund balance of \$732,346.37, \$635,545.48 on June 30, 2014, and \$724,090.36 on June 30, 2013. The primary source of revenue for the governmental fund is State Formula Funding. State Formula Funding is received in monthly installments and property tax revenue is not received evenly throughout the fiscal year. The governmental fund must carry forward a fund balance large enough to finance the first six months of each fiscal year.

The fiduciary fund (activity fund) reported total net restricted fund balance of \$10,639 at June 30, 2015, \$11,074 at June 30, 2014, and \$8,708 at June 30, 2013.

The District is a service entity and as such is labor intensive. In FY15 69% of general fund expenditures are for personnel costs (including salaries, wages, and employee benefits).

Budgetary Highlights

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.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015, the District had \$2,557,278 in governmental funds invested in a broad range of capital assets, including land, school buildings, furniture and equipment.

Debt Administration

Bond Obligations

As of June 30, 2015, the District has no outstanding bond obligations.

Leases

The District has a lease purchase for HVAC equipment dated April 29, 2010, payable in monthly principal and interest installments. The District has two lease purchases for buses dated January 29, 2014, and July 29, 2014, payable in annual installments. The District has entered into operating leases for copiers.

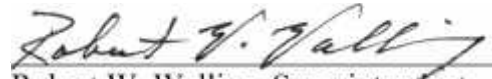
Factors Bearing on Wes Watkins Technology Center’s Future

There are many factors that may have a positive or negative impact on the District’s financial status in the future. The District is not aware of any factors that have a reasonable possibility of occurring, which will negatively impact the District’s future operations.

Contacting Wes Watkins Technology Center’s Financial Management

This financial report is designed to provide citizens, taxpayers, parents, students, and creditors with a general overview of the District’s finances and to show accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office, Wes Watkins Technology Center, 7892 Highway 9, Wetumka, Oklahoma, 74883.

Respectfully submitted,


Robert W. Walling, Superintendent


Brenda Wingo, Director of Finance

Wes Watkins Technology Center

Statement of Net Position

June 30, 2015

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Current assets- | |
| Cash | \$ 721,505 |
| Investments | 201,247 |
| Receivables | 49,742 |
| Total current assets | <u>972,494</u> |
| Non-current assets- | |
| Capital assets (net of depreciation) | <u>2,557,278</u> |
| Total non-current assets | <u>2,557,278</u> |
| Total assets | <u>3,529,772</u> |
| DEFERRED OUTFLOWS | |
| Deferred outflows of resources related to pensions | <u>286,221</u> |
| LIABILITIES | |
| Current liabilities- | |
| Warrants payable | \$ 124,864 |
| Accounts payable | 16,572 |
| Capital leases | 56,135 |
| Total current liabilities | <u>197,571</u> |
| Non-Current liabilities- | |
| Capital leases | 90,552 |
| Pension obligation | 2,360,498 |
| Total non-current liabilities | <u>2,451,050</u> |
| DEFERRED INFLOWS | |
| Deferred inflows of resources related to pensions | <u>739,978</u> |
| NET POSITION | |
| Invested in capital assets, net of related debt | 2,557,278 |
| Restricted - capital | 28,562 |
| Unrestricted | (2,158,446) |
| Total net position | <u>\$ 427,394</u> |

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

Wes Watkins 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 |
| Governmental Activities: | | | | |
| Instruction | \$ 1,235,765 | 295,906 | 49,995 | (889,864) |
| Support services | 1,876,768 | 22,272 | 99,873 | (1,754,623) |
| Operation of non-instruction services | 61,136 | | | (61,136) |
| Facilities acquisition and construction | 6,617 | | | (6,617) |
| Other outlays | 43,227 | | | (43,227) |
| Repayments and financial aid | 94,724 | | | (94,724) |
| Interest | 9,971 | | | (9,971) |
| Total governmental activities | 3,328,208 | 318,178 | 149,868 | (2,860,162) |
| General revenues: | | | | |
| Taxes - | | | | |
| Property taxes, levied for general purposes | | | | 670,562 |
| State aid - formula grants | | | | 2,364,630 |
| Reimbursements | | | | 20,297 |
| Other local | | | | 6,688 |
| Other state | | | | 109,619 |
| Interest | | | | 860 |
| Total general revenues and special items | | | | 3,172,656 |
| Change in net position | | | | 312,494 |
| NET POSITION, beginning, as restated | | | | 114,900 |
| NET POSITION, ending | | | | \$ 427,394 |

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

Wes Watkins Technology Center

Balance Sheet - Governmental Funds

June 30, 2015

| | General Fund | Building Bond Fund | Total Governmental Funds |
|---|-------------------------|-------------------------------|---|
| <u>ASSETS</u> | | | |
| Cash | \$ 692,943 | 28,562 | 721,505 |
| Investments | 201,247 | | 201,247 |
| Receivables | 49,742 | | 49,742 |
| Total Assets | \$ 943,932 | 28,562 | 972,494 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Warrants payable | \$ 124,864 | | 124,864 |
| Accounts payable | 16,572 | | 16,572 |
| Total liabilities | 141,436 | 0 | 141,436 |
| Fund Balances: | | | |
| Restricted | | 28,562 | 28,562 |
| Assigned | 20,407 | | 20,407 |
| Unassigned | 782,089 | | 782,089 |
| Total fund balances | 802,496 | 28,562 | 831,058 |
| Total Liabilities and Fund Balances | \$ 943,932 | 28,562 | |

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 \$5,842,894 less accumulated depreciation of \$3,266,633. | 2,557,278 |
| Net pension obligation are not due and payable in the current year, therefore not reported in funds | (2,360,498) |
| Deferred inflows and outflows related to pensions are applicable to future periods, therefore not reported in funds | (453,757) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | |
| Capital lease obligation payable | (146,687) |
| Net position of governmental activities | \$ 427,394 |

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

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

| | <u>General Fund</u> | <u>Building Bond Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------|---|
| REVENUES: | | | |
| Local sources | \$ 1,015,599 | | 1,015,599 |
| State sources | 2,474,249 | | 2,474,249 |
| Federal sources | 149,868 | | 149,868 |
| Non-revenue receipts | 126 | | 126 |
| Interest | 860 | | 860 |
| Total revenues | <u>3,640,702</u> | <u>0</u> | <u>3,640,702</u> |
| EXPENDITURES: | | | |
| Current - | | | |
| Instruction | 1,291,331 | | 1,291,331 |
| Support services | 1,968,263 | | 1,968,263 |
| Non-instructional services | 117,087 | | 117,087 |
| Facilities acquisition and construction services | | 6,617 | 6,617 |
| Other outlays | 33,082 | | 33,082 |
| Other uses | 94,724 | | 94,724 |
| Total expenditures | <u>3,504,487</u> | <u>6,617</u> | <u>3,511,104</u> |
| Excess (deficiency) of revenues over expenditures | 136,215 | (6,617) | 129,598 |
| FUND BALANCES, beginning | <u>666,281</u> | <u>35,179</u> | <u>701,460</u> |
| FUND BALANCES, ending | <u>\$ 802,496</u> | <u>28,562</u> | <u>831,058</u> |

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

Wes Watkins 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 \$ 129,598

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 | (251,110) | |
| Capital outlay expenditures | <u>232,127</u> | <u>(18,983)</u> |

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. 148,000

Payment of capital lease principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of assets, liabilities, and net assets and does not affect the statement of revenues, expenditures, and changes in net assets.

| | | |
|----------------|--|---------------|
| Principal paid | | <u>53,879</u> |
|----------------|--|---------------|

| | | |
|--|--|--------------------------|
| Changes in net position of governmental activities | | <u><u>\$ 312,494</u></u> |
|--|--|--------------------------|

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

Wes Watkins Technology Center
Statement of Fiduciary Net Assets
June 30, 2015

| | Agency Funds |
|--------------------------------------|-------------------------|
| <u>ASSETS</u> | |
| Current assets- | |
| Cash and investments | \$ 10,639 |
| <u>LIABILITES</u> | |
| Current liabilities- | |
| Funds held for school organizations: | |
| BIS Tuition | \$ 383 |
| Full-Time Programs Tuition | 150 |
| Student Fees | 0 |
| Bookstore | 0 |
| BIS Resale | 30 |
| Petty Cash | 0 |
| Livework Projects | 0 |
| Special Activities | 373 |
| HOSA | 3,188 |
| SkillsUSA | 2,269 |
| BPA | 6 |
| Seminar Center | 2,871 |
| Health Certification Testing | 1,035 |
| Partner School Cooperative | 334 |
| Total Liabilities | \$ 10,639 |

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Wes Watkins Technology Center School District No. 25 (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.

WES WATKINS 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).

WES WATKINS 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.

WES WATKINS 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.

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.

WES WATKINS 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:

WES WATKINS 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.

WES WATKINS 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.

WES WATKINS 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

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 \$2,500. Donated capital assets are recorded at estimated fair market value at date of donation.

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

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 | 20-50 |
| Equipment and fixtures | 5-15 |
| Vehicles | 10 |

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.

WES WATKINS 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.

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.

WES WATKINS 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

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

F. Revenue and Expenditures

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

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

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

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

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

WES WATKINS 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.

WES WATKINS 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.

WES WATKINS 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 \$732,445. 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 with an approximate fair market value of \$201,247.

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

Credit risk – Investments – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Investments held by the District in investment pools (sweep accounts) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are held with First United Bank and Citizens Security Bank, 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.

WES WATKINS 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 | Beginning Balance | Increases | Decreases | Ending Balance |
|--------------------------------|----------------------|------------------|------------------|--------------------|
| Governmental Activities: | | | | |
| Land | \$ 80,000 | | | 80,000 |
| Buildings | 4,901,620 | | | 4,901,620 |
| Equipment & Fixtures | 861,274 | 232,127 | 117,502 | 975,899 |
| Totals | <u>5,842,894</u> | <u>232,127</u> | <u>117,502</u> | <u>5,957,519</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (2,872,924) | (127,442) | | (3,000,366) |
| Property | (393,709) | (123,668) | (117,502) | (399,875) |
| Totals | <u>(3,266,633)</u> | <u>(251,110)</u> | <u>(117,502)</u> | <u>(3,400,241)</u> |
| Grand Totals | <u>\$ 2,576,261</u> | <u>(18,983)</u> | <u>0</u> | <u>2,557,278</u> |

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.

General long-term debt of the District consists of a capital lease.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2015:

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

5. GENERAL LONG-TERM DEBT – cont'd

| | Capital Leases |
|------------------------|-------------------|
| Balance, July 1, 2014 | \$ 200,566 |
| Additions | 0 |
| Retirements | (53,879) |
| Balance, June 30, 2015 | \$ 146,687 |

A brief description of the outstanding long-term debt at June 30, 2015, is set forth below:

Capital Leases:

| | |
|--|------------|
| Lease purchase for a bus, dated 1-29-14, payable in an initial installment of \$6,000, and annual installments of \$6,250, final payment due 1-29-16 | \$ 6,250 |
| Lease purchase for HVAC equipment, dated 4-29-10, payable in monthly principal and interest installments, final payment due 4-21-18 | 140,437 |
| Total | \$ 146,687 |

The annual debt service requirements for the retirement of principal and interest are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|------------|----------|---------|
| 2016 | 55,493 | 7,611 | 63,104 |
| 2017 | 52,962 | 4,534 | 57,496 |
| 2018 | 38,232 | 1,292 | 39,524 |
| Total | \$ 146,687 | 13,437 | 160,124 |

Interest paid on general long-term debt during the 2014-15 fiscal year totaled \$9,971.

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

6. EMPLOYEE RETIREMENT SYSTEM

Teachers' Retirement System of Oklahoma

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

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

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2015, qualifying employee contributions were reduced by a retirement credit of \$11,635 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 \$286,221.

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

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 \$2,360,498 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 0.04387652%, which was the same as its proportion measured as of June 30, 2013.

WES WATKINS 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 \$138,221. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|-------------------------------------|------------------------------------|
| Differences between expected and actual experience | \$ | \$ 38,908 |
| Changes of assumptions | | 129,789 |
| Net difference between projected and actual earnings on pension plan benefits | | 571,281 |
| District contributions after the measurement date | 286,221 | |
| | <u>\$ 286,221</u> | <u>\$ 739,978</u> |

\$286,221 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 | \$ 150,134 |
| 2017 | 150,134 |
| 2018 | 150,134 |
| 2019 | 150,134 |
| 2020 | 7,313 |
| thereafter | 2,340 |
| | <u>\$ 610,189</u> |

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%

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.

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

6. EMPLOYEE RETIREMENT SYSTEM

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.

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/>.

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

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 January 14, 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.

Building Fund Levy

The District held an election for the purpose of voting on the question of a 5 mill levy for the building fund, to be assessed on the valuation of all taxable property within the school district, for the purpose of providing funds for the remodeling, repairing, or replacement of buildings or purchase of furniture or equipment. The vote passed and collections on the levy will commence in the 15-16 fiscal year.

WES WATKINS 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 | \$ 604,718 | 604,718 | 864,219 | 259,501 |
| State sources | 2,457,450 | 2,457,450 | 2,480,109 | 22,659 |
| Federal sources | 133,327 | 133,327 | 367,078 | 233,751 |
| Interest earnings | | | 894 | 894 |
| Non-revenue receipts | | | 126 | 126 |
| Total revenues collected | <u>3,195,495</u> | <u>3,195,495</u> | <u>3,712,426</u> | <u>516,931</u> |
| Expenditures: | | | | |
| Instruction | 1,371,319 | 1,371,319 | 1,297,749 | 73,570 |
| Support services | 2,124,104 | 2,124,104 | 2,076,395 | 47,709 |
| Operation of non-instructional services | 116,291 | 116,291 | 117,402 | (1,111) |
| Other outlays: | | | | |
| Reimbursement | 200 | 200 | 200 | 0 |
| Clearing account | 34,660 | 34,660 | 32,882 | 1,778 |
| Correcting entry | 84,466 | 84,466 | 0 | 84,466 |
| Other uses | 100,000 | 100,000 | 94,748 | 5,252 |
| Total expenditures | <u>3,831,040</u> | <u>3,831,040</u> | <u>3,619,376</u> | <u>211,664</u> |
| Excess of revenues collected over (under) expenditures before other financing sources (uses) | (635,545) | (635,545) | 93,050 | 728,595 |
| Other financing sources (uses) | | | | |
| Adjustments to prior year encumbrances | <u>0</u> | <u>0</u> | <u>3,751</u> | <u>3,751</u> |
| Excess of revenues collected and other financing sources over (under) expenditures and other financing (uses) | (635,545) | (635,545) | 96,801 | 732,346 |
| Cash fund balance, beginning of year | <u>635,545</u> | <u>635,545</u> | <u>635,545</u> | <u>0</u> |
| Cash fund balance, end of year | <u>\$ 0</u> | <u>0</u> | <u>732,346</u> | <u>732,346</u> |
| <u>Reconciliation of budget basis to GAAP basis:</u> | | | | |
| Accounts receivable: | | | | |
| Property taxes | | | 5,040 | |
| Other local | | | 99 | |
| Interest | | | 30 | |
| State and federal programs | | | 44,574 | |
| Reserved encumbrances | | | <u>20,407</u> | |
| Fund balance end of year GAAP basis | | | <u>\$ 802,496</u> | |

WES WATKINS TECHNOLOGY CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - BUDGET BASIS
FOR THE YEAR ENDED JUNE 30, 2015

| Federal Grantor / Pass Through Grantor / Program Title | Federal CFDA Number | Federal Grantor's/ Pass-through Grantor's No. | Program or Award Amount | Balance at 7/1/014 | Revenue Collected | Total Expenditures | Balance at 6/30/15 |
|--|------------------------|---|----------------------------|-----------------------|----------------------|-----------------------|-----------------------|
| <u>U.S. Department of Education</u> | | | | | | | |
| <u>Direct Programs:</u> | | | | | | | |
| Pell grants | 84.063 | P063P2014026005 | \$ 244,528 | | 241,049 | 244,528 | 3,479 |
| Pell grants - Note | 84.063 | P063P2013026005 | | 10,057 | 10,057 | | |
| Pell grant administrative allowance | 84.063 | P063P2014026005 | 365 | | 350 | 365 | 15 |
| Veteran administrative allowance | n/a | | | 55 | 63 | | |
| Sub Total | | | <u>244,893</u> | <u>10,112</u> | <u>251,519</u> | <u>244,893</u> | <u>3,494</u> |
| <u>Passed Through State Department of Career and Technology Education:</u> | | | | | | | |
| Carl Perkins | 84.048 | | 51,309 | | 50,595 | 50,887 | 292 |
| Carl Perkins - Note | 84.048 | | | 8,700 | 8,700 | | |
| Carl Perkins - Guidance | 84.243 | | 14,500 | | 10,288 | 14,428 | 4,140 |
| Carl Perkins - Biomedical | 84.243 | | 50,000 | | 37,854 | 49,996 | 12,142 |
| Carl Perkins - Biomedical - Note | 84.243 | | | 271 | 271 | | |
| Tech centers that work | 84.048 | | 12,000 | | 6,401 | 9,706 | 3,305 |
| Tech centers that work - Note | 84.048 | | | 1,450 | 1,450 | | |
| Sub Total | | | <u>127,809</u> | <u>10,421</u> | <u>115,559</u> | <u>125,017</u> | <u>19,879</u> |
| <u>U.S. Environmental Protection Agency</u> | | | | | | | |
| National Clean Diesel Program | 66.n/a | | 20,000 | | 0 | 20,000 | 20,000 |
| Total Federal Assistance | | | <u>\$ 392,702</u> | <u>20,533</u> | <u>367,078</u> | <u>389,910</u> | <u>43,373</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-25, Wes Watkins Technology Center, and is presented on the regulatory basis of accounting, as permitted by the Oklahoma State Department of Career Technology Education. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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**

The Honorable Board of Education
Wes Watkins Technology Center School District No. 25
Wetumka, Oklahoma 74883

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 Wes Watkins Technology Center School District No. 25 (the District), Hughes 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 January 12, 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

January 12, 2015

WES WATKINS TECHNOLOGY CENTER
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS AND MATERIAL
INSTANCES OF NON-COMPLIANCE
JUNE 30, 2015

There were no prior year reportable conditions.

WES WATKINS TECHNOLOGY CENTER
SCHEDULE OF AUDIT RESULTS
JUNE 30, 2015

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion was issued on the financial statements.
2. The audit disclosed no significant deficiencies in the internal controls of the financial statements.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 – No findings relating to the financial statements required to be reported in accordance with GAGAS:

None

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

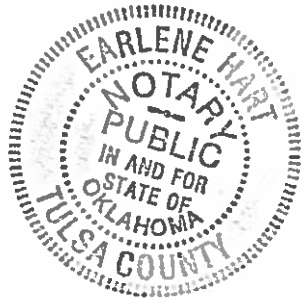
State of Oklahoma)
) ss
County of Tulsa)

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 Wes Watkins Technology Center for the audit year 2014-15.

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

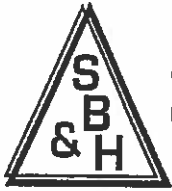
By Jeffrey D. Hewett
Authorized Agent

Subscribed and sworn to before me
This 12th day of January, 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

January 12, 2016

Mr. Robert Walling, Superintendent
Wes Watkins Technology Center
7892 Highway 9
Wetumka, Oklahoma 74883-6155

Dear Mr. Walling:

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 observations relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included in your audit report. They are observations of findings that could evolve into material findings if not addressed.

Lack of Segregation of Duties

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions which is necessary in order to assure adequate internal accounting controls. This is always an issue in small to medium size school districts, especially in the areas of cash collections and disbursements.

Financial Reporting

In the past we have assisted in the preparation of the financial statements for the District. However, due to the ongoing issuance of new governmental accounting standards, we will not be able to continue in this capacity. We recommend that the District either hire an accounting firm to prepare a complete set of financial statements or hire additional staff that will have knowledge of governmental accounting.

Fixed Assets

Currently the District utilizes the fixed asset system that is a module of the financial accounting software used by the district. We were able to obtain a listing of the additions and deletions for the fixed assets each year, however, the depreciation portion of the software is not being used and is therefore being calculated manually. We recommend that the district obtain some training on the current software or look at purchasing new fixed asset software in order to maintain a more accurate listing of the districts fixed assets and depreciation.

Employee/Contractor


We observed an individual who was being paid contract labor. We observed that a 1099 was issued for this individual, however, we believe that this individual could be treated as an employee. We recommend that the district review the IRS regulations when determining whether or not to pay as contract labor or to pay as an employee.

Gift Cards

It appear that gift cards were purchased out of the activity fund for 'secretaries day' but no disposition was attached as support. We recommend that when gift cards are purchased that all individuals sign as received, showing disposition.

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,


Jeffrey D. Hewett

For

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP