

ANNUAL FINANCIAL REPORT
WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

AUDITED BY
KERRY JOHN PATTEN, C.P.A.

**WES WATKINS TECHNOLOGY CENTER NO. 28
HUGHES COUNTY, OKLAHOMA
SCHOOL CENTER OFFICIALS
JUNE 30, 2016**

Board of Education

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Vice-President	Shelley Carter
Clerk	Tom Sexton
Deputy Clerk	Don Chester
Member	Robert Hutchins

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Robert "Wade" Walling

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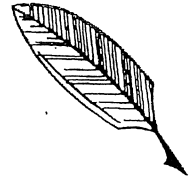
**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
JUNE 30, 2016**

TABLE OF CONTENTS

	Page
Report of Independent Auditor	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements -	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	14
Notes to the Financial Statements	15
Combining Financial Statements	
Statement of Net Position – Fiduciary Funds	31
Statement of Changes in Pell Grant Fund Net Position.....	32
Required Supplementary Information	
Budgetary Comparison Schedule – Budgetary Basis General Fund.....	33
Budgetary Comparison Schedule – Budgetary Basis Building Fund.....	34
Budgetary Comparison Schedule – Budgetary Basis Bond Fund.....	35
Supplementary Information	
Schedule of Expenditures of Federal Awards	36
Notes to the Schedule of Federal Awards.....	37
School Activity Fund – Statement of Revenues, Expenditures, and Sub-Account Balances	38
Reports Required by <i>Government Auditing Standards</i>	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements performed in Accordance With <i>Government Auditing Standards</i>	39
Summary of Prior Audit Findings	41
Schedule of Comments	42
Schedule of Accountant's Professional Liability Insurance Affidavit	43

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Wes Watkins Technology Center No. 25
Hughes, Oklahoma

Report on the Financial Statements

I 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 No. 25, Hughes County, Oklahoma, as of and for the year ended June 30, 2016, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wes Watkins Technology Center as of June 30, 2016, and the respective changes in its financial position and, where applicable, cash flows 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 the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Uniform Guidance, *Audits of States, Local Governments, and Nonprofit 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 relates directly to the underlying accounting 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 and other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information including the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report February 28, 2017, on my consideration of Wes Watkins Technology Center No. 25, Hughes County, Oklahoma's, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Kerry John Patten, C.P.A.
Broken Arrow, OK
February 28, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Wes Watkins Technology Center School District 25

Hughes County, Oklahoma

Management's Discussion and Analysis

June 30, 2016

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, 2016. 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 FY16 was \$2,294,213 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 \$150,000 for much needed equipment.

There was an increase of 2.66% in the district's valuation from FY15 to FY16. The District's net assessed valuation for FY16 was \$130,001,037.

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 WholeStatement of Net Position
June 30, 2016

	Governmental Activities	
	<u>2015</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash	\$721,505	\$1,038,453
Investments	201,247	201,247
Receivables	<u>49,742</u>	<u>84,262</u>
Total Current Assets	<u>972,494</u>	<u>1,323,962</u>
Non-current Assets		
Capital Assets	<u>2,557,278</u>	<u>2,524,396</u>
Total Non-current Assets	<u>2,557,278</u>	<u>2,524,396</u>
Total Assets	<u>\$3,529,772</u>	<u>\$3,848,358</u>
DEFERRED OUTFLOWS		
Deferred outflows of resources related to pensions	<u>286,221</u>	<u>346,142</u>
LIABILITIES		
Current Liabilities		
Warrants Payable	\$124,864	
Accounts Payable	16,572	13,571
Capital Leases – Current	<u>56,135</u>	<u>62,462</u>
Total Current Liabilities	<u>197,571</u>	<u>76,033</u>
Non-Current Liabilities		
Capital Leases	90,552	38,232
Pension Obligation	<u>2,360,498</u>	<u>2,518,775</u>
Total Non-Current Liabilities	<u>2,451,050</u>	<u>2,633,040</u>
DEFERRED INFLOWS		
Deferred inflows of resources related to pensions	<u>739,978</u>	<u>256,424</u>
NET ASSETS		
Invested in capital assets, net of related debt	2,557,278	2,423,702
Restricted – capital	28,562	562
Unrestricted	<u>(2,158,446)</u>	<u>(1,119,228)</u>
Total Net Position	<u>\$ 427,394</u>	<u>\$ 1,305,036</u>

See auditor's disclaimer of opinion

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, 2016

	Governmental Activities	
Revenues	<u>2015</u>	<u>2016</u>
Program Revenues		
Charges for Services	\$318,178	\$128,528
Operating Grants and Contributions	149,868	521,459
General Revenues		
Property Taxes	670,562	1,347,398
State Formula Funding and Industry Training	2,364,630	2,261,105
Reimbursements	20,297	0.00
Other (Local, State, Federal, Interest, Donation)	<u>117,167</u>	<u>41,452</u>
Total Revenue	<u>\$3,684,611</u>	<u>\$4,299,942</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, 2016

	Governmental Activities	
	<u>2015</u>	<u>2016</u>
Instruction	\$1,235,765	\$1,307,784
Support Services	1,876,768	1,684,540
Noninstruction Services	61,136	83,653
Facilities Acquisition and Construction	6,617	
Repayments and Financial Aid	94,724	85,333
Other Outlays	43,227	31,942
Interest	9,971	
Depreciation – Unallocated		<u>229,048</u>
Total Expenses	<u>3,328,208</u>	<u>3,422,300</u>

See auditor's disclaimer of opinion

Financial Analysis of Wes Watkins Technology Center's Funds

At June 30, 2016, the District's general fund reported a fund balance of \$649,060, \$732,346 on June 30, 2015, and \$635,545 on June 30, 2014. 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 \$11,238 at June 30, 2016, \$10,639 at June 30, 2015, and \$11,074 at June 30, 2014.

The District is a service entity and as such is labor intensive. In FY16 71% of general fund expenditures were 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, 2016, the District had \$2,524,396 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, 2016, 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.

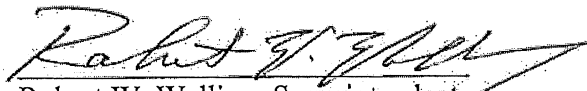
Factors Bearing on Wes Watkins Technology Center's Future

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


Kala Miller, Director of Finance

GOVERNMENT-WIDE FINANCIAL STATEMENTS

WES WATKINS TECHNOLOGY CENTER NO. 25
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 1,038,453
Investments	201,247
Property tax receivable	55,299
Due from activity fund	85
Due from other governments	28,878
Capital assets	
Capital assets, net of accumulated depreciation	<u>2,524,396</u>
Total Assets	<u>\$ 3,848,358</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>	
Deferred pension expense	<u>\$ 346,142</u>
<u>LIABILITIES</u>	
Current liabilities	
Accounts payable	\$ 13,571
Capital Leases payable	62,462
Long-Term Liabilities	
Non-current portion of long-term liabilities	38,232
Net pension liability	<u>2,518,775</u>
Total Liabilities	<u>\$ 2,633,040</u>
<u>DEFERRED INFLOW OF RESOURCES</u>	
Deferred inflow of resources related to pensions	<u>\$ 256,424</u>
<u>NET POSITION</u>	
Invested in Capital Assets, net of related debt	\$ 2,423,702
Restricted	562
Unrestricted	<u>(1,119,228)</u>
Total Net Position	<u><u>\$ 1,305,036</u></u>

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

WES WATKINS TECHNOLOGY CENTER NO. 25
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2016

	Expenses	Charges for Services	Program Revenues Operating Grants & Contributions	Capital Grants & Contributions	Net (Expenses) Revenue and Changes in Net Position
Governmental Activities:					
Instruction	\$ (1,307,784)	\$ 128,528	\$ 521,459	\$ -	(657,797)
Support Services:					
Students	(156,674)	-	-	-	(156,674)
Instructional Staff	(98,594)	-	-	-	(98,594)
General Administration	(180,996)	-	-	-	(180,996)
School Administration	(240,012)	-	-	-	(240,012)
Business	(510,514)	-	-	-	(510,514)
Operation of Plant	(271,417)	-	-	-	(271,417)
Student Transportation	(226,333)	-	-	-	(226,333)
Non Instructional	(83,653)	-	-	-	(83,653)
Other Outlay	(31,942)	-	-	-	(31,942)
Other Uses	(85,333)	-	-	-	(85,333)
Depreciation - Unallocated	(229,048)	-	-	-	(229,048)
Governmental Activities	<u>\$ (3,422,300)</u>	<u>\$ 128,528</u>	<u>\$ 521,459</u>	<u>\$ -</u>	<u>(2,772,313)</u>
General revenues					
Taxes:					
Property taxes, levied for general purposes					\$ 1,347,398
Other Taxes					-
Federal and State aid not restricted to specific purposes:					
General					2,261,105
Interest and investment earnings					1,005
Miscellaneous					<u>40,447</u>
Total general revenues					<u>3,649,955</u>
Changes in net position					877,642
Net position - beginning,					<u>427,394</u>
Net position - ending					<u>\$ 1,305,036</u>

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

FUND FINANCIAL STATEMENTS

**WES WATKINS TECHNOLOGY CENTER NO. 25
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 481,534	\$ 556,357	\$ 562	\$ 1,038,453
Investments	201,247	-	-	201,247
Property tax receivable	28,779	26,520	-	55,299
Misc. Receivable	85	-	-	85
Due from other governments	28,878	-	-	28,878
Total assets	<u>\$ 740,523</u>	<u>\$ 582,877</u>	<u>\$ 562</u>	<u>\$ 1,323,962</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 13,571	\$ -	\$ -	\$ 13,571
Deferred revenue	23,487	22,970	-	46,457
Total liabilities	<u>\$ 37,058</u>	<u>\$ 22,970</u>	<u>\$ -</u>	<u>\$ 60,028</u>
Fund balances:				
Nonspendable Fund Balances:				
<i>Prepaid Items</i>	\$ -	\$ -	\$ -	\$ -
Restricted Fund Balances:				
<i>Restricted by Statute</i>	-	-	562	562
<i>Other Restrictions of Fund Balance</i>	-	-	-	-
Committed Fund Balances:				
<i>Contractual Obligations</i>	33,721	28,727	-	62,448
Assigned Fund Balances:				
<i>Encumbrances</i>	-	-	-	-
Unassigned	669,744	531,180	-	1,200,924
Total Fund Balances:	<u>\$ 703,465</u>	<u>\$ 559,907</u>	<u>\$ 562</u>	<u>\$ 1,263,934</u>
Total liabilities and fund balances	<u>\$ 740,523</u>	<u>\$ 582,877</u>	<u>\$ 562</u>	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$6,121,655 and accumulated depreciation is \$3,597,259	2,524,396
Property taxes receivable will be collected this year, but are not available soon enough to pay current period's expenditures, therefore they are deferred in the funds.	46,457
Long-term liabilities, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.	(100,694)
Net Pension obligations are not due and payable in the current period and, are not reported in the funds	(2,518,775)
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.	89,718

Net Position of governmental activities \$ 1,305,036

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

**WES WATKINS TECHNOLOGY CENTER NO. 25
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Total
Revenues				
Local sources	\$ 843,598	\$ 627,071	\$ -	\$ 1,470,669
Intermediate sources	-	-	-	-
State sources	2,445,620	-	-	2,445,620
Federal sources	336,944	-	-	336,944
Total revenues	\$ 3,626,162	\$ 627,071	\$ -	\$ 4,253,233
Expenditures				
Instruction	\$ 1,515,770	\$ -	\$ -	\$ 1,515,770
Support services	1,996,598	1,200	-	1,997,798
Non-instructional services	96,934	-	-	96,934
Capital outlay	-	64,580	28,000	92,580
Other outlays	31,942	-	-	31,942
Other uses	83,929	1,384	-	85,313
Total expenditures	\$ 3,725,173	\$ 67,164	\$ 28,000	\$ 3,792,337
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ (99,011)	\$ 559,907	\$ (28,000)	\$ 460,896
Other financing sources (uses):				
Bond sale proceeds	\$ -	\$ -	\$ -	\$ -
Operating transfers in/(out)	-	-	-	-
Bank charges	(20)	-	-	(20)
Total other financing sources (uses)	\$ (20)	\$ -	\$ -	\$ (20)
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	\$ (99,031)	\$ 559,907	\$ (28,000)	\$ 432,876
Fund balances, beginning of year	\$ 802,496	\$ -	\$ 28,562	\$ 831,058
Fund balances, end of year	\$ 703,465	\$ 559,907	\$ 562	\$ 1,263,934

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

WES WATKINS TECHNOLOGY CENTER NO. 25
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES,
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - governmental funds \$ 432,876

Amounts reported for governmental activities in the statement of activities
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 of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlay expenditures	\$ 196,166	
Depreciation expense	<u>(229,048)</u>	
		(32,882)

Some property taxes will not be collected for several months after the fiscal year ends, and are not considered as "available" revenues in the governmental funds, but are deferred. They are, however, recorded as revenues the Statement of Activities. 46,457

Some expenses (compensated absences) reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. -

Governmental funds report district pension contributions as expenditure. However, the Statement of Activities reports the cost of pension benefits earned net of employee contributions as pension expense. 431,191

Change in Net Position of Governmental Activities \$ 877,642

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

NOTES TO THE FINANCIAL STATEMENTS

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. Summary of Significant Accounting Policies

The financial statements of the Wes Watkins Technology Center No. 25 (the "Center") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Center's accounting policies are described below.

A. Reporting Entity

In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the Center has presented the entities, which comprise the primary government in the fiscal year 2016 basic financial statements.

The Center is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and, accordingly, is a separate entity for operating and financial reporting purposes. The Center is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma for 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 Center is the Board of Education composed of five elected members. The appointed superintendent is the executive officer of the Center.

As required by accounting principles generally accepted in the United States of America, the basic financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Center's basic financial statements to be misleading or incomplete.

B. Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Center. For the most part, the effect of interfund 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 is 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 Center 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 properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Fund Financial Statements

The Technology Center segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Statements for governmental activities present each fund as a separate column on the fund financial statements.

Governmental funds are used to account for all or most of a government's general activities. The measurement focus of governmental funds is on the sources uses and balance of current financial resources. The Center has presented the following governmental funds:

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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 Formula Operations. 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.

Special Revenue Fund – The Center's Building Fund is a Special Revenue Fund and consists of monies derived from property taxes levied for the purpose of creating, remodeling or repairing buildings and for purchasing furniture and equipment.

Capital Projects Fund – The capital projects fund is the Center's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, and renovating existing facilities.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Center. When these assets are held under the terms of a formula trust agreement, either a private purpose trust fund or a permanent fund is used.

Agency Fund – The Center's Agency Fund consists of the Activity fund and the Federal Pell Grant fund. The Center's Activity fund is used to account for monies collected that are held on behalf of others as their agent and do not involve the measurement of results of operations. The Federal Pell Grant fund is used to account for student financial aid which is collected by the Center and disbursed to eligible students or to pay educational costs on their behalf. The administration is responsible under the authority of the Board, for collecting, disbursing and accounting for these funds.

The Center's Fiduciary Funds have been excluded from the government-wide financial statements.

Account Groups

GASB Statement No. 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.

C. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest and certain state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

D. Budgets and Budgetary Accounting

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Fund that includes revenues and expenditures. These budgets are prepared on a budgetary basis of accounting. Budgetary control is maintained by fund, function, and activity and budgeted expenditures may not exceed appropriations at the fund level.

Amendments may be made to the budget without approval by the governing body at the function and activity levels. Fund level budgetary amendments require approval of the governing body.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable fund balance – is utilized in all governmental funds of the Center. Appropriations which are not spent lapse at the end of the fiscal year and encumbrances are reversed. On the first day of the following fiscal year, the encumbrances are reinstated and the expenditures are applied against that year's budget.

E. Management Estimates – Use of Estimates

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

F. Net Position and Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categories of investment in fixed assets (net of related debt), restricted net position, and unrestricted net position.

Investment in Fixed Assets (net of related debt) – is intended to reflect the portion of net position, which is associated with non-liquid capital related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position – are liquid assets generated from revenues and not bond proceeds, which have third party (statutory bond covenant or granting agency) limitations on their use. The Center would typically use restricted net position first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted Net Position – represent unrestricted liquid assets.

Governmental Fund Financial Statements – The Center has adopted Governmental Accounting Standards Board Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Center is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available in the governmental fund financial statements are as follows:

Nonspendable – Amounts that are not in a spendable form such as prepaid expenses, inventory, or required to be maintained intact such as the corpus of permanent fund.

Restricted – Amounts that are designated for specific purposes by their providers such as bondholders, grantors, or imposed by law through constitutional provisions or enabling legislation. The Building Fund is restricted by statute to certain capital related costs.

Committed – Amounts designated for specific purposes by the Center's highest level of decision making authority (Board of Education) and cannot be used for any other purposes unless the same highest level (Board of Education) takes action to remove or change the designation.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

The Center commits a portion of the fund balance to honor the commitments made by the Center for encumbrances (purchase orders) for which goods or services have not yet been received. The fund balance committed to encumbrances will be equivalent to the purchase orders rolled forward from one fiscal year to the next fiscal year.

Assigned – Amount the Center intends to use for specific purposes; intent can be expressed by the governing body or by an official to which the governing body delegates the authority.

The Center assigns a portion of the fund balance in both the general fund and building fund for funding the cash flow needs during the first half of each fiscal year. The superintendent and the chief financial officer will determine the amount of assigned fund balance at the end of each fiscal year.

Unassigned – Amounts that are available for any purposes; reported only in the general fund. Fund balance represents the funds not restricted in use by statute nor encumbered by purchase order or legal contract.

G. Assets, Liabilities and Cash Fund Balances

Cash – The Center considers all cash on hand and demand deposits to be cash investments.

Investments - Investments consist of direct obligations of the United States Government and Agencies. All investments are recorded at cost, which approximates market value.

Property Tax Revenue and Receivables – The Center is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the Center. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within 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 timely, the entire tax becomes due and payable on January 2. The second half of taxes becomes delinquent on April 1 of the year following the year of assessment. If taxes are delinquent and unpaid for a period of three years or more the real estate may be sold for such taxes.

Uncollected taxes assessed on valuations made each year are recorded in the Center's combined financial statements. Uncollectible personal and real property taxes are deemed to be immaterial because the property can be sold for the amount of taxes due.

Inventories – The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the Technology Center has therefore chosen to report these items as expenditures/expenses at the time of purchase.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements.

All purchased capital assets are valued at cost when historical records exist and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets capitalized have an original cost of \$2,500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful life's are as follows:

Buildings and structures	20-50 years
Equipment & Fixtures	5-15 years
Vehicles	10 years

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

Compensated Absences – The Center did not have any Compensated Absences for FY2015-16.

Long-Term Debt – Long-term debt is recognized as a liability of the applicable governmental activities statement on net assets.

H. Revenue, Expenses and Expenditures

Revenues are classified by source as follows:

Local – Revenue from local sources is revenue produced within the Center, which includes ad valorem taxes. It is available for current educational expenses and for other purposes authorized by the Technology Center.

Intermediate – Revenue from intermediate sources is revenue from funds collected by an intermediate administrative unit or political sub-division, like a county or municipality, and redistributed to the Technology Center.

State – Those revenues received from the State, which are dedicated or are appropriated by the State legislature. Some of this aid is restricted for specific purposes.

The Center receives revenue from the state to administer certain categorical educational programs. State Board of 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 & Technology Education requires that categorical educational program revenues be accounted for in the general fund.

Federal – Revenue from Federal sources is money originating from the Federal government and made available to the Technology Center either as direct grants or under various programs passed-through the State Department of Career & Technology Education.

Expenditures are classified by function as follows:

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Examples of expenditures that might be included here are the activities of teacher assistant 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.

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 objective of instruction, community services and enterprise programs, rather than as entities within them.

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

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

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

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

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

Deferred outflows of resources: Deferred outflows are the consumption of net position by the center that are applicable to a future reporting period. At June 30, 2016, the center's deferred outflows of resources were comprised of deferred outflows related to pensions.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the center that are applicable to a future reporting period. At June 30, 2016, the center deferred inflows of resources were comprised of deferred inflows to pensions.

New accounting pronouncements adopted in fiscal year 2016: The center adopted the following new accounting pronouncement during the year ended June 30, 2016:

Statement No. 72, Fair value Measurement and Application (GASB No. 72) was issued in February 2015 and requires investments to be measured at fair value. Investments are defined as any security or other asset that (a) the government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. The statement requires measurement at acquisition value for donated capital assets, donated works of art, historical treasures and similar assets and capital assets received in a service concession arrangement. This statement is effective for financial statements for periods beginning after June 15, 2015.

Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

New accounting pronouncements issued not yet adopted: The GASB has also issued several new accounting pronouncements which will be effective for the center in future fiscal years. A description of the new accounting pronouncements and the centers consideration of the impact of these pronouncements are described below:

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB No. 73) was issued in June 2015, will be effective for the vocational technical centers beginning with its fiscal year ending June 30, 2016. Those provisions of the statement that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective beginning with fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans (GASB No. 74) was issued in June 2015 and replaces Statements No. 43 Financial Reporting for Postemployment Benefits Plans Other than Pension Plans, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The provisions of Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB No. 75) was issued in June 2015, will be effective for the center beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

Statement No. 77, Tax Abatement Disclosures, issued August 2015, will be effective for the District beginning with its fiscal year ending June 30, 2017. This statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosure about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

Statement No. 82, Pension Issues, issued April 2016, is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statement No.67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

2. Deposit Categories of Credit Risk

Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The Center's investment policies are governed by state statute. Permissible investments include:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the government is pledged.
2. Obligations to the payment of which the full faith and credit of the state is pledged.
3. Certificates of deposits of banks when such certificates of deposits are secured by acceptable collateral as in the deposit of other public monies.
4. Savings accounts or savings certificates of savings and loan associations to the extent that such accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation.
5. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 and 2 of this section including obligations of the United States, its agencies and instrumentalities, and where collateral has been deposited with a trustee of custodian bank in an irrevocable trust or escrow account established for such purposes.
6. County, municipal or school Center direct debt obligations for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school Center ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school Center is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value.
7. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States, its agencies and instrumentalities, and investments in those items listed above.
8. Warrants, bonds or judgments of the school Center.
9. Qualified pooled investment programs, the investments of which consist of those items specified above, as well as obligations of the United States agencies and instrumentalities, regardless of the size of the Center's budget. To be qualified, a pooled investment program for school funds must be governed through an Interlocal cooperative agreement formed pursuant to Title 70 Section 5-117b, and the program must competitively select its investment advisors and other professionals. Any pooled investment program must be approved by the Board of Education.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Deposit Categories of Credit (continued)

Custodial Credit Risk:

Deposits and Investments - The Center's demand deposits are required by law to be collateralized by the amount that is not federally insured. The Center has a written investment policy, which permits investments as authorized by State Statute.

Interest Rate Risk:

Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. However, the Center has no formal written policy addressing interest rate risk.

Credit Risk:

The Center has no formal written policy addressing credit risk.

3. Capital Assets

A summary of changes in general fixed assets for the year ended June 30, 2016, follows:

	Balance July 1, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Land	\$ 80,000	\$ -	\$ -	\$ -	\$ 80,000
Construction in Process	-	-	-	-	-
Total Assets Not Being Depreciated	\$ 80,000	\$ -	\$ -	\$ -	\$ 80,000
<u>Capital Assets Being Depreciated</u>					
Building & Improvements	4,901,620	-	-	-	4,901,620
Vehicles & Equipment	975,899	196,166	-	32,030	1,140,035
Total Capital Assets Being Depreciated	5,877,519	196,166	-	32,030	6,041,655
Less:					
Accumulated Depreciation	(3,400,241)	(229,048)	-	(32,030)	(3,597,259)
Total Capital Assets Being Depreciated - Net	2,477,278	(32,882)	-	-	2,444,396
Total Capital Assets Net	\$ 2,557,278	\$ (32,882)	\$ -	\$ -	\$ 2,524,396

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

4. Accounts Receivable

Accounts receivables of the governmental activities consist of Ad Valorem tax, tuition, and fees. Receivables detail by fund at June 30, 2016, is as follows:

Governmental Funds

	<u>General</u>	<u>Building</u>	<u>Total Governmental</u>
Receivables			
Ad valorem taxes	\$ 28,779	26,520	55,299
Due from other Governments	28,878		85
Misc. Receivables	85		28,878
	<hr/>	<hr/>	<hr/>
Gross Receivables	57,742	26,520	84,262
Less deferred revenue	(23,487)	(22,970)	(46,457)
	<hr/>	<hr/>	<hr/>
Net total receivables	\$ 81,229	49,490	130,719
	<hr/>	<hr/>	<hr/>

5. Interfund Transactions

Interfund 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. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

6. Employee Retirement System

Description of Plan

The District participates in the state-administrated Teacher's Retirement System of Oklahoma (the "system"), which is a cost-sharing multiple-employer public employee retirement system. The supervising authority for the management and operation of the System is a 13-member Board of Trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost of living adjustments, death benefits and other benefits to plan members and beneficiaries. Oklahoma State Statutes establish benefit provisions and may be amended only through legislative action. The District has no responsibility or authority for the operation and administration of the system nor has it any liability, except for contribution requirements. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152.

Basis of Accounting

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements have also been prepared in compliance with the requirements of the Government Accounting Standards Board Statement No. 34. The financial statements are prepared on the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are recognized when due, pursuant to formal commitments. Benefits and refunds are recognized when due and payable. Administrative expenses are funded through investment earnings.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Employee Retirement System (continued)

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2016, is as follows:

		<u>Dollars in Millions</u>
Actuarial Accrued Liability	\$	22,193
Actuarial Value of Assets		<u>14,578</u>
 Unfunded Actuarial Accrued Liability	 \$	 <u>7,615</u>

Contributions

The contribution rates for the center and its employees, which are prescribed by Oklahoma State statutes, are based on employee's earnings, plus employer-paid fringe benefits. The vocational center is required to contribute 9.5% of applicable employee compensation. The center is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contributions for participating members is 7%. The State of Oklahoma, a non-employee contributing entity, provides funds through 5% of the state's sales, use, corporate, and individual income tax collected. The system also receives 1% of the cigarette tax collected by the state and 5% of the net lottery proceeds collected by the state. Employers of OTRS members whose compensation is paid from federal funds are required to match the contributions of these members on that portion of compensation paid from federal funds. The federal match rate is set by the OTRS Board of Trustees and as of April 1, 2016 is 8.25%.

Annual Pension Cost

The Center's total contribution for 2016 and 2015, were \$307,740 and \$316,374 respectively. The Center's total payroll for fiscal year 2015-16 amounted to \$1,927,209.

On Behalf Contributions

The State of Oklahoma makes retirement contributions each year for teachers employed by Oklahoma School Districts. The contribution amounts are based on the teacher's years of service and amounts paid are prescribed by O.S. 70 Section 17-108.2 subsection A. During fiscal year 2015-16, the State of Oklahoma's contribution was \$13,408. The Center recognized revenue and expenditures of this amount during the year.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Employee Retirement System (continued)

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

At June 30, 2016, the center reported a liability of \$2,518,775 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 July 1, 2015. The center's proportion of the net pension liability was based on the center's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the center's proportion was .04147662 percent.

For the year ended June 30, 2016, the center recognized pension expense of \$148,808. At June 30, 2016, the school district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 85,553
Changes of assumptions	120,607	
Net difference between projected and actual earnings on pension plan investments		170,871
Differences in center's proportionate share of contributions and changes in proportion	41,527	
Center contributions subsequent to the measurement date	<u>184,008</u>	
Total	\$ <u>346,142</u>	\$ <u>256,424</u>

Deferred pension outflows totaling \$346,142 resulting from the center's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The deferred inflows totaling \$170,871 resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense over five years. The deferred inflows totaling \$85,553 resulting from differences between expected and actual experience will be recognized in pension expense using the average expected remaining service life of the plan participants. The average expected remaining life of the plan participants is determined by taking the calculated total future service years of the plan participants divided by the number of people in the Plan including retirees. The total future service years of the plan participants are estimated at 6.22 years at June 30, 2015 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Employee Retirement System (continued)

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended,		
2017	\$	47,973
2018		47,973
2019		47,973
2020		47,973
2021		47,974
Thereafter		16,558
	\$	<u>256,424</u>

Actuarial assumptions: The total pension liability was determined based on an actuarial valuation prepared as of July 1, 2015 using the following actual assumptions:

- 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-3.0 percent
- Salary Increases-Composed of 3.75 percent wage inflation, including 3.0 percent price inflation, plus a service related component up to 8 percent based on years of service.
- Investment Rate of Return-8.0 percent
- Retirement Age-Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014
- Mortality-RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90.0 percent for males and 80.0 percent 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 expected 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:

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Employee Retirement System (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.00%	6.1%
Domestic Small Cap Equity	10.00%	6.6%
International Large Cap Equity	11.50%	5.8%
International Small Cap Equity	17.5%	5.8%
Core Plus Fixed Income	6.0%	1.8%
High-yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
	100.00%	

*The Domestic All Cap Equity total expected return is a combination of 3 rates – US Large cap, US Mid Cap and US Small Cap.

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

Discount rate – A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2015. 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 total pension liability.

Sensitivity of the Center's proportionate share of the net pension liability to changes in the discount rate

The following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Center's proportionate share of the net pension liability	\$ 3,498,495	\$ 2,518,775	\$ 1,813,417

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/> or by writing to the Oklahoma Teachers Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152 or by calling 405-521-2387.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

8. General Long-Term Debt

State statutes prohibit the Center from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the Center's voters.

At June 30, 2016, the Center had not incurred any debt under these provisions.

General long-term debt of the Center consists of two (2) capital leases.

Capital Lease:

Lease purchase for a bus, dated July 29, 2014, payable in an initial installment of \$9,000, and annual installments of \$9,500, final payment due July 1, 2016	\$ 9,500
Lease purchase for HVAC equipment, dated May 29, 2010 payable in monthly principal and interest installments, final payment due May 21, 2018	<u>91,194</u>
Total	\$ <u>100,694</u>

9. Litigation

The Center is contingently liable for lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the Center at June 30, 2016.

10. Contingent Liabilities

The Center receives significant financial assistance from the United States government in the form of grants and other federal assistance. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Center. The Center estimates that no material liabilities will result from such audits.

11. Risk Management

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

12. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

13. Surety Bonds

The activity fund custodian is bonded by RLI Insurance Company, bond number RSB8006586, for the penal sum of \$100,000 for the continuous term of August 13, 2015, to August 13, 2016.

The encumbrance clerk is bonded by RLI Insurance Company, bond number RSB8006586, for the penal sum of \$100,000 for the continuous term of August 13, 2015, to August 13, 2016.

The minutes clerk is bonded by Western Surety Company, bond number 14236504, for the penal sum of \$1,000 for the continuous term of July 1, 2015, to July 1, 2016.

The superintendent is bonded by Western Surety Company, bond number 14236504, for the penal sum of \$100,000 for the continuous term of July 1, 2015, to July 1, 2016.

The treasurer is bonded by Western Surety Company 14236504, for the penal sum of \$100,000 for the term of July 1, 2015, to July 1, 2016.

14. Long-Term Liabilities

The following is a summary of long-term liabilities of the Center for the year ended June 30, 2016.

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
Capital Leases	\$ 146,687	\$ 19,000	\$ 64,993	\$ 100,694	\$ 62,462
Net Pension Liability	2,360,498	158,277	-	2,518,775	
Total	\$ 2,507,185	\$ 177,277	\$ 64,993	\$ 2,777,746	\$ 62,462

COMBINING FINANCIAL STATEMENTS

WES WATKINS TECHNOLOGY CENTER NO. 25
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2016

	Agency Fund
	Activity Fund
ASSETS	
Cash	11,238
Investments	-
Total assets	11,238
LIABILITIES AND NET POSITION	
LIABILITIES	
Due to student groups	11,238
Due to other funds	-
Total liabilities	11,238
NET POSITION	
Unreserved/undesignated	-
TOTAL LIABILITIES AND NET POSITION	11,238

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

WES WATKINS TECHNOLOGY CENTER NO. 25
STATEMENT OF CHANGES IN PELL GRANT FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Pell Grant Fund
Revenues	
Local sources	
Interest	-
Miscellaneous	-
Federal sources	
Pell Grants	224,060
Pell Administration	280
Total revenues	<u>224,340</u>
Expenditures	
Other outlays	
Scholarships	-
Tuition and fees	144,432
Student Financial Assistance	83,929
Return to Title IV	<u>(4,301)</u>
Total expenditures	<u>224,060</u>
Excess of revenues over expenditures	<u>280</u>
Transfers In(out)	<u>(280)</u>
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>-</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

WES WATKINS TECHNOLOGY DISTRICT NO. 25
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Fund balances, beginning of year	\$ 732,346	\$ 732,346	\$ 732,346	\$ -
Revenues:				
Local sources	\$ 619,434	\$ 619,434	\$ 843,391	\$ 223,957
Intermediate sources	-	-	-	-
State sources	2,476,987	2,476,987	2,433,411	(43,576)
Federal sources	91,478	91,478	351,440	259,962
Total revenues	\$ 3,187,899	\$ 3,187,899	\$ 3,628,242	\$ 440,343
Expenditures :				
Instruction	\$ 1,490,825	\$ 1,490,825	\$ 1,505,307	\$ (14,482)
Support services	2,201,110	2,201,110	2,021,516	179,594
Non-instructional services	115,000	115,000	85,750	29,250
Capital outlay	-	-	-	-
Other outlays	33,310	33,310	31,942	1,368
Other uses	80,000	80,000	86,601	(6,601)
Total expenditures	\$ 3,920,245	\$ 3,920,245	\$ 3,731,116	\$ 189,129
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ -	\$ -	\$ 629,472	\$ 629,472
Adjustments to prior year encumbrances			19,608	
Other financing sources (uses):				
Operating transfers in/out			(20)	
Bank charges			(20)	
Total other financing sources (uses)				
Cash fund balance, end of year - Budgetary basis			\$ 649,060	
Reconciliation of budgetary basis fund balance with GAAP fund balance				
Budgetary fund balance, June 30, 2016			\$ 649,060	
Accounts receivable not recognized as revenue			34,255	
Expenses not recognized in GAAP basis			33,721	
Accounts payable not recognized in Budgetary Basis			(13,571)	
GAAP fund balance, end of year			\$ 703,465	

WES WATKINS TECHNOLOGY DISTRICT NO. 25
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
BUILDING FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Fund balances, beginning of year	\$ -	\$ -	\$ -	\$ -
Revenues:				
Local sources	\$ 590,880	\$ 590,880	\$ 623,521	\$ 32,641
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	\$ 590,880	\$ 590,880	\$ 623,521	\$ 32,641
Expenditures :				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services	1,200	1,200	1,200	-
Non-instructional services	-	-	-	-
Capital outlay	589,680	589,680	93,307	496,373
Other outlays	-	-	-	-
Other uses	-	-	-	-
Total expenditures	\$ 590,880	\$ 590,880	\$ 94,507	\$ 496,373
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ -	\$ -	\$ 529,014	\$ 529,014
Adjustments to prior year encumbrances	-	-	-	-
Other financing sources (uses):				
Operating transfers in/out	-	-	(1,384)	-
Bank charges	-	-	(1,384)	-
Total other financing sources (uses)	-	-	(1,384)	-
Cash fund balance, end of year - Budgetary basis	\$ 527,630	\$ 527,630	\$ 527,630	\$ 527,630
Reconciliation of budgetary basis fund balance with GAAP fund balance Budgetary fund balance, June 30, 2016	\$ 527,630	\$ 527,630	\$ 527,630	\$ 527,630
Taxes receivable not recognized as revenue	3,550	3,550	3,550	3,550
Expenses not recognized in GAAP basis	28,727	28,727	28,727	28,727
Accounts payable not recognized in Budgetary Basis	-	-	-	-
GAAP fund balance, end of year	\$ 559,907	\$ 559,907	\$ 559,907	\$ 559,907

WES WATKINS TECHNOLOGY DISTRICT NO. 25
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
BOND FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Fund balances, beginning of year	\$ 28,562	\$ 28,562	\$ 28,562	\$ -
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures :				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services	-	-	-	-
Non-instructional services	-	-	-	-
Capital outlay	28,562	28,562	28,000	562
Other outlays	-	-	-	-
Other uses	-	-	-	-
Total expenditures	\$ 28,562	\$ 28,562	\$ 28,000	\$ 562
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ -	\$ -	\$ 562	\$ 562
Adjustments to prior year encumbrances			-	-
Other financing sources (uses):				
Operating transfers in/out			-	-
Bank charges			-	-
Total other financing sources (uses)			-	-
Cash fund balance, end of year - Budgetary basis			\$ 562	\$ 562
Reconciliation of budgetary basis fund balance with GAAP fund balance				
Budgetary fund balance, June 30, 2016			\$ 562	
Taxes receivable not recognized as revenue			-	
Expenses not recognized in GAAP basis			-	
Accounts payable not recognized in Budgetary Basis			-	
GAAP fund balance, end of year			\$ 562	\$ 562

SUPPLEMENTARY INFORMATION

**WES WATKINS TECHNOLOGY CENTER NO. 25
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Grantor's Number</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
<u>2015-2016 Programs</u>		
Pell Grant	84.063	PO63P154485
Sub-Total		
Passed-Through State Department of Career and Technology Education:		
Passed-Through State Department of Career and Technology Education		
<u>2015-2016 Programs</u>		
Carl Perkins Secondary	84.148	N/A
Sub-Total		
<u>U.S. Department of Veterans Affairs</u>		
Direct Programs:		
<u>2015-2016 Programs</u>		
VA Report Fee	64.115	N/A
Sub-Total		
TOTAL FEDERAL ASSISTANCE		

The accompanying notes are an integral part of this schedule.

<u>Balance at July 1, 2015</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2016</u>
\$ <u>-</u>	\$ <u>226,852</u>	\$ <u>226,852</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>226,852</u>	\$ <u>226,852</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>110,075</u>	\$ <u>110,075</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>110,075</u>	\$ <u>110,075</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>17</u>	\$ <u>17</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>17</u>	\$ <u>17</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>336,944</u>	\$ <u>336,944</u>	\$ <u>-</u>

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

1. For all federal programs, the Center uses the fund types prescribed by the Oklahoma State Department of Career and Technology Education and conforms to the system of accounting authorized by the State of Oklahoma. General and Building Funds are used to account for resources restricted, or designated for, specific purposes by a grantor. Student Financial Assistance funds are transacted through a separate Pell Grant Fund, which the Center has classified as an Agency fund. Agency Funds are considered Fiduciary Fund types.
2. The accounting and financial reporting treatment applied to a fund is determined by its' measurement focus. The Governmental Fund types are accounted for using a current financial measurement focus. All Federal grant funds were accounted for in the General and Agency Funds. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenue in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

3. Reconciliation of the Schedule of Expenditures of Federal Awards to Statement of Revenue, Expenditures and Changes in Fund Balance is as follows:

Total Federal Revenue as reflected on	
"Schedule of Federal Awards Expended"	\$ <u>336,944</u>
Total Federal Revenue as reflected on	
"Statement of Revenue, Expenditures and Changes In Fund Balance" \$	
General Fund	<u>336,944</u>
Reconciled Total	\$ <u>336,944</u>

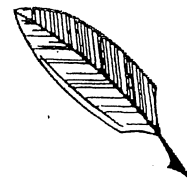
WES WATKINS TECHNOLOGY CENTER NO. 25
SCHOOL ACTIVITY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND SUB-ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

Activities	Balance 7-1-15	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-16
BIS Tuition	\$ 383	\$ 56,632	\$ (204)	\$ 56,059	\$ 752
Full-Time Programs Tuition	150	53,009	(1,230)	51,929	-
Student Fees	-	14,450	(796)	13,654	-
Bookstore	-	1,218	-	1,218	-
BIS Resale	30	10,704	-	10,734	-
Petty Cash	-	200	-	200	-
Livework Projects	-	1,896	-	1,896	-
Special Activities	373	5,815	(577)	4,352	1,259
HOSA	3,188	7,953	326	7,566	3,901
Skills USA	2,269	4,963	200	5,961	1,471
BPA	6	1,726	174	1,901	5
Seminar Center	2,871	4,285	(371)	3,813	2,972
Heath Certification Testing	1,035	15,984	-	16,884	135
Partner School Cooperative	334	2,175	573	2,339	743
Total Activities	\$ 10,639	\$ 181,010	\$ (1,905)	\$ 178,506	\$ 11,238

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



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 No. 25
Hughes County, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wes Watkins Technology Center No. 25, Hughes County, Oklahoma (Center), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center's financial statements, and have issued my report thereon dated February 27, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

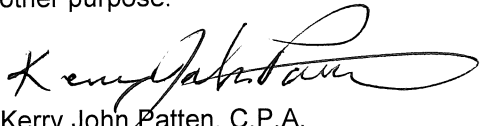
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. Material weaknesses may exist that have not been identified. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Kerry John Patten", with a stylized, flowing script.

Kerry John Patten, C.P.A.
Broken Arrow, OK
February 27, 2017

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
SUMMARY OF PRIOR AUDIT FINDINGS
JULY 1, 2015 TO JUNE 30, 2016**

The summary of prior audit findings is required to report the status of all audit findings reported in the prior audit's schedule of findings and questioned costs relative to federal awards.

The Center had no prior year audit findings relative to federal award programs.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
SCHEDULE OF COMMENTS
JULY 1, 2015 TO JUNE 30, 2016**

Based on my tests of accounting records and related procedures, I found nothing to indicate that Wes Watkins Technology Center No. 25 had not complied with significant compliance rules and regulations of the Oklahoma State Department of Career & Technology Education.

Previous Year's Audit Comments

There were no items in the school's 2015-16 audit report, which required correction.

I would like to express my appreciation for the courtesies and cooperation extended to us by Center administrators and employees during the course of this audit.

**WES WATKINS TECHNOLOGY CENTER NO. 25
HUGHES COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2015 TO JUNE 30, 2016**

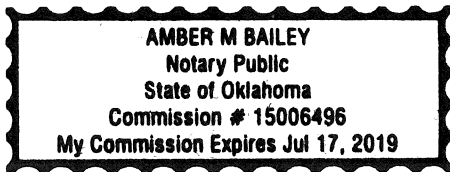
State of Oklahoma }
County of Tulsa)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with WES WATKINS Technology Center for the audit year 2015-16.

Kerry John Patten, C.P.A.
AUDITING FIRM

BY *Kerry John Patten*

AUTHORIZED AGENT



Subscribed and sworn to before me on this

3rd day of March, 2017

Amber M Bailey

NOTARY PUBLIC

My commission expires on:

17th day of July, 2019