

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO. V-26

FINANCIAL STATEMENTS

with

AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2015

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO. V-26
FINANCIAL STATEMENTS

JUNE 30, 2015

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Education
Chisholm Trail Technology Center District No.V-26
Omega, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chisholm Trail Technology Center District No.V-26 (the "District") as of and for the year ended June 30, 2015, and the related financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining

fund information of the District, as of June 30, 2015, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, in 2015 Chisholm Trail Technology Center adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The provisions of GASB Statements No. 68 and 71 required Chisholm Trail Technology Center to adjust its net position as of July 1, 2014, upon adoption. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of expenditures of federal awards and school activity funds are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson & Howard, P.C.

Oklahoma City, Oklahoma
March 4, 2016

Management's Discussion and Analysis

Chisholm Trail Technology Center

Unaudited

Chisholm Trail Technology Center is part of the public Career Tech system of Oklahoma, under the direction and control of the Oklahoma State Board of Career and Technology Education. The District is located in Omega, Oklahoma serving one main campus. The districts served are the former Hitchcock School District, Kingfisher, Lomega, and Watonga school districts. The District encompasses parts of Blaine and Kingfisher counties. The major instructional program areas are Health, Information Technology, Networking, Automotive, and Pre Engineering.

This section of Chisholm Trail Technology Center No.V-26 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements that immediately follow this section.

FINANCIAL HIGHLIGHTS

The District complies with reporting requirements under Governmental Accounting Standards Board (GASB) Statements 34, changing the format on the basic financial statements presented. Financial statements may be provided on an accrual, modified accrual, and budgetary basis.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Chisholm Trail Technology Center No.V-26 basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These statements are organized so the reader can understand Chisholm Trail Technology Center as a financial whole; an entire operating entity.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. While this document contains all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014-15?"

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

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

These two statements report the District's net position and changes in them. This change in net position is important because it tells the reader that, for the District as a whole, its financial position has improved or diminished. The causes of this change may be the result of many factors; some financial, some not. Non-

financial factors include the District's property tax base, current property tax laws in Oklahoma restricting revenue growth, facility conditions, required educational programs, and other factors.

The government-wide financial statements can be found on pages 8 and 9.

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

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

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

The District maintains two governmental funds; (1) general fund and (2) building fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, building fund and activity fund. The basic governmental fund financial statements can be found on pages 10 and 11 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements begin on page 15.

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

Government-Wide Financial Analysis

Net position: Recall that the Statement of Net Position provides the perspective of the District as a whole. See the following Schedule of Net Position.

Chisholm Trail Technology Center's Net Position
(Millions of Dollars)

	<u>2015</u>
Current and other assets	\$ 3.00
Capital assets	<u>2.70</u>
Total assets	<u>5.70</u>
Deferred outflows	<u>.24</u>
Long-term debt outstanding	2.12
Other liabilities	<u>.09</u>
Total liabilities	<u>2.21</u>
Deferred inflows	<u>.53</u>
Net position:	
Invested in capital assets, net of debt	2.70
Restricted	.53
Unrestricted (deficit)	<u>(.03)</u>
Total net position	<u>\$ 3.20</u>

Change in Net Position. In the current fiscal year the District's net position for governmental activities increased by \$.70 million.

Changes in Chisholm Trail Technology Center's Net Position
(Millions of Dollars)

	<u>2015</u>
Revenues	
Program revenues	
Charges for services	\$.21
Grants and reimbursements	.20
General revenues	
Property taxes	1.46
State entitlement	1.28
Investment earning	<u>.01</u>
Total revenues	<u>3.16</u>
Expenses	
Program expenses	
Instruction	.65
Support services	1.64
Non-instruction services	.01
Facilities acquisitions	.00
Other outlays	.01
Depreciation-unallocated	<u>.15</u>
Total expenses	<u>2.46</u>
Increase in net position	<u>\$.70</u>

Activity Funds: FY15 closed activity funds with a balance of \$37,892 while FY14 yielded a fund balance of \$31,969. Some activity accounts within this fund are cleared (all tuition, textbooks, material and fees, enrollment fees, general fund refund, miscellaneous, petty cash and surplus auction) at the end of each fiscal year and are re-established at the beginning of the new fiscal year, with such actions, plans, and changes for funds' use coming before the Board of Education for review and approval.

Financial Analysis of the District as a Whole

During FY 2015, Chisholm Trail Technology Center adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions," which significantly changes accounting for pension costs and liabilities. Chisholm Trail Technology Center is allocated its proportionate share of the Oklahoma Teachers' Retirement System's (OTRS) net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by approximately \$2.6 million.

GASB has taken the position that the pension liability arises from the employment at the local government unit, not from State laws defining funding requirements. Previously pension costs were defined as statutorily required contributions. Therefore, Chisholm Trail Technology Center is now required to report our proportionate share of the OTRS net pension liability. It should be noted, that OTRS is a defined benefit plan, but the contributions are not actuarially determined. The statutory contribution rates have historically not been sufficient to fully fund the obligations. This funding disconnect is the primary reason for the unfunded net pension liability.

Decisions regarding the allocations are made by the administrators of the pension plan, not by the Chisholm Trail Technology Center's management. Both employer and employee contribution rates are capped by State statute. Benefit provisions are also determined by State statute. Under current Oklahoma Statutes, Chisholm Trail Technology Center is making all required contributions, and is not obligated to fund the net pension liability.

Factors Bearing on the District's Future

The District has consistently maintained a strong year-end fund balance. The Board of Education and administration at Chisholm Trail Technology Center is confident that with careful financial planning and prudent fiscal management, we can continue to provide a quality education for our students and a secure financial future for the Chisholm Trail Technology Center.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions about this report or additional information may be received by contacting the Administrative Office, Chisholm Trail Technology Center, Rt. 1, Box 60, Omega, Oklahoma 73764.

Mr. Max K. Thomas, Jr.
Superintendent
Chisholm Trail Technology Center
Omega, Oklahoma 73764

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO.V-26

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,940,602
Property taxes receivable (net)	8,929
Due from other governments	46,928
Depreciated capital assets, Net of Depreciation	<u>2,705,550</u>
Total Assets	<u>5,702,009</u>
Deferred Outflows	
Deferred outflows of resources related to pension	<u>240,613</u>
LIABILITIES	
Accounts payable and other current liabilities	94,916
Due beyond one year	<u>2,115,200</u>
Total Liabilities	<u>2,210,116</u>
Deferred Inflows	
Deferred inflows of resources related to net pensions	<u>531,559</u>
NET POSITION	
Invested in capital assets, net of related debt	2,705,550
Restricted for:	
Building	525,896
Unrestricted (deficit)	<u>(30,499)</u>
Total Net Position	<u>\$ 3,200,947</u>

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO. V-26
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Total Governmental Activities
Instruction	\$ (648,987)	\$ 183,119	\$ 182,144	\$ -	\$ (283,724)
Support Services	(1,638,932)	29,663	-	-	(1,609,269)
Non-instruction services	(11,872)	-	-	-	(11,872)
Facilities acquisition	-	-	-	14,825	14,825
Other outlays	(12,597)	971	-	-	(11,626)
Depreciation - unallocated	(146,950)	-	-	-	(146,950)
Total school district	\$ (2,459,338)	\$ 213,753	\$ 182,144	\$ 14,825	(2,048,616)

General Revenues:

Taxes	
Property taxes, levied for general purposes	1,222,558
Property taxes, levied for building purposes	237,942
General taxes	1,923
State aid - formula grants	1,280,157
Federal aid - formula grants	-
Investment earnings	6,312
Total General Revenues	2,748,892
Change in net assets	700,276
Net position, beginning of year, as restated	2,500,671
Fund transfer	-
Net position - ending	\$ 3,200,947

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

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO. V-26
BALANCE SHEET - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,378,885	\$ 561,717	\$ 2,940,602
Receivables:			
Property taxes, delinquent - net	7,489	1,440	8,929
Due from other governments	46,928	-	46,928
Total assets	<u>\$ 2,433,302</u>	<u>\$ 563,157</u>	<u>\$ 2,996,459</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	\$ 57,655	\$ 37,261	\$ 94,916
Deferred revenue	-	-	-
Total liabilities	<u>57,655</u>	<u>37,261</u>	<u>94,916</u>

Fund balances:			
Reserved for:			
Building	-	525,896	525,896
Unreserved	<u>2,375,647</u>	<u>-</u>	<u>2,375,647</u>
Total fund balances	<u>2,375,647</u>	<u>525,896</u>	<u>2,901,543</u>
Total liabilities and fund balances	<u>\$ 2,433,302</u>	<u>\$ 563,157</u>	

Amounts reported for governmental activities in the statement of net assets are different because Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Cost of capital assets	\$ 5,042,022	
Accumulated depreciation	<u>(2,336,472)</u>	2,705,550
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the funds.		(2,056,322)
Deferred outflows and inflows of resources related to future periods and, therefore are not reported in the funds.		(290,946)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities consist of -		
Capital lease obligations	\$ -	
Compensated absences	<u>(58,878)</u>	<u>(58,878)</u>
Total net position of governmental activities		<u>\$ 3,200,947</u>

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

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO. V-26
 STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

REVENUES	General Fund	Building Fund	Total Governmental Funds
Local sources	\$ 1,441,652	\$ 237,942	\$ 1,679,594
Intermediate sources	-	-	-
State sources	1,280,804	1,275	1,282,079
Federal sources	69,048	33	69,081
Other	971	-	-
Total revenues	<u>2,792,475</u>	<u>239,250</u>	<u>3,030,754</u>
 EXPENDITURES			
Instruction	\$ 747,877	-	747,877
Support services	1,652,285	53,475	1,705,760
Non-instruction services	11,872	-	11,872
Facilities acquisition	485,035	499,107	984,142
Other outlays	12,597	-	12,597
Repayments	-	-	-
Total expenditures	<u>2,909,666</u>	<u>552,582</u>	<u>3,462,248</u>
Excess (deficiency) of revenues over (under) expenditures	(117,191)	(313,332)	(430,523)
FUND BALANCES, beginning	2,492,838	839,228	3,332,066
Transfers	-	-	-
FUND BALANCES, ending	<u>\$ 2,375,647</u>	<u>\$ 525,896</u>	<u>\$ 2,901,543</u>

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

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO.V-26
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, 2015

Net change in fund balances – total governmental funds	\$	(430,523)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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 expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period. Also contributions received or expended for fixed assets are recorded as revenue or expense in the statement of activities but not in the governmental funds.</p>		
Depreciation expense	\$ (146,950)	
Capital outlays	<u>1,065,796</u>	918,846
<p>Some expenses (compensated absences) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(21,314)
<p>Governmental funds report district pension contributions as expenditures. However, the Statement of Activities reports the cost of pension benefits earned net of employee contributions as pension expense.</p>		
		120,204
<p>Pension contribution received by the State of Oklahoma reported in the Statement of Activities and not in the governmental funds.</p>		
		<u>113,063</u>
Change in net position of governmental funds	\$	<u><u>700,276</u></u>

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

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO. V-26
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

ASSETS	<u>Agency Fund</u>
Cash and cash equivalents	\$ 37,892
Total assets	<u>\$ 37,892</u>
LIABILITIES AND FUND BALANCES	
Due to Student groups	\$ 37,892
Total liabilities	<u>37,892</u>
Net Position:	
Unreserved	<u>-</u>
Total liabilities and net position	<u>\$ 37,892</u>

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

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO. V-26
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Agency Fund</u>
REVENUES	
District	\$ 289,825
 EXPENDITURES	
Other outlays	283,902
	<u>5,923</u>
Revenues over (under) expenditures	
Beginning Net Position	31,969
Fund Transfers	<u>-</u>
Ending Net Position	<u>\$ 37,892</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 — Organization

Chisholm Trail Technology Center District No.V-26, Kingfisher County, Oklahoma (the District) is a corporate body for public purposes created under Title 70 of Oklahoma Statutes and, accordingly, is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the Oklahoma State Board of Career and Technology 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 District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

NOTE 2 — Summary of Significant Accounting Policies

Significant accounting and reporting policies applied in the preparation of the accompanying financial statements are as follows:

The District's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to local government units.

The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments including special purpose governments such as school districts. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) which do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District to prepare its financial statements are discussed below.

Reporting Entity – In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by Governmental Accounting Standards Board (GASB) Statement no. 14, The Financial Reporting Entity. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 — Summary of Significant Accounting Policies (continued)

the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

Government-wide and Fund Financial Statements – The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided 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 District 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, interest, and grant revenue 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 the District receives cash.

For the year ended June 30, 2015 the District reports the following:

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO.V-26

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 — Summary of Significant Accounting Policies (continued)

Major Governmental Funds: The general fund is the government's primary operating 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 local property taxes and state funding under the State Vocational Program. Expenditures include all costs associated with the daily operations of the schools.

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

Fiduciary Fund Types: Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments or on behalf of other funds within the District. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

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

Inventories – Inventories in the general fund consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories are accounted for using the purchases method where materials and supplies are recorded as expenditure immediately when purchased. There were no significant amounts of inventory on hand at year-end.

Capital Assets – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	25-40 years
Improvements	7-40 years
Machinery and Equipment	7-25 years

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO.V-26

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 — Summary of Significant Accounting Policies (continued)

Compensated Absences – The liability for compensated absences that are attributable to the District’s governmental funds are recorded in the district-wide financial statements. Payment for vested compensated absence balances is made only upon ending employment; therefore, it is the District’s policy to record all vested compensated absence balances as long-term liabilities.

Budgets and Budgetary Accounting – The District is required by state law to prepare an annual budget. The District by resolution of the Board of Education has adopted the School District Budget Act. This act requires that within the thirty-day period preceding the beginning of each fiscal year, the governing body shall approve a budget for the district. The original budget is to be amended after the June financial activity has been recorded, the State allocations have been released, and the property tax valuations have been certified for all affected counties within the district. A budget is legally adopted by the Board of Education for the General Fund and Building Fund that includes revenues and expenditures.

Encumbrances – Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds, is used.

Cash and Cash Equivalents – The District considers all cash on hand, demand deposits, money market checking and certificates of deposit, held at an individual bank which is subject to early withdrawal penalties no matter what the maturity period, to be cash.

Property Tax Revenues – The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. 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 1. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO.V-26

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 — Summary of Significant Accounting Policies (continued)

Property taxes receivable by the District include uncollected taxes assessed as of October 1, 2012 and earlier. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of the property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements. No provision has been made for uncollectible amounts because uncollectible amounts are considered insignificant.

State Revenues – Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Oklahoma Statutes. Oklahoma Department of Career and Technology Education administers the formula allocations for state funds based on information accumulated from the technology districts.

After review and verification of reports and supporting documentation, the Oklahoma Department of Career and Technology Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

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

Interfund Transfers – During the course of normal operations, the District has transactions between funds including expenditures and transfers of resources to provide services, purchases assets and service debt. Transactions that are normal and recurring between funds are recorded as operating transfers.

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.

Governmental Fund Balance Reserves – The District records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation in future periods.

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO.V-26

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 — Summary of Significant Accounting Policies (continued)

Restricted and Unrestricted Resources – When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first.

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

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

Deferred inflows of resources are reported in the statement of net position for:

- (1) The actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflows of resources is amortized to pension expense over a total of 5 years, including the current year.
- (2) The difference between expected and actual experience that the pension plan actuary uses to develop expectations such as future salary increases and inflation. This deferred inflow of resources is amortized to pension expense over the average expected remaining service life of the Plan.
- (3) The changes in assumptions used by the actuary is amortized to pension expense over the average expected remaining service life of the Plan.

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

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

Net Position and Fund Balance – District-Wide Financial Statements – When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 — Summary of Significant Accounting Policies (continued)

restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position on the Statement of Net Position include the following.

Net Investment in Capital Assets – The component of net position that consists of the historical cost of capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Buildings – The component of net position that the excess of property taxes and other revenue collected in excess of expenses for operation of the District's buildings.

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

Governmental Fund Financial Statements – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications 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 District'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 removed or changed the designation. The District commits a portion of the fund balance to honor the commitments made by the District 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 District 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.

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.

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO.V-26

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 — Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements Adopted in Fiscal Year 2015 - The District implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68* (GASB 71). GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50 *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27* as they related to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and RSI. GASB 71 requires the recognition of a beginning deferred outflow of resources only for any pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year.

As a result of implementing GASB 68 and GASB 71, the District restated previously reported net position of \$5,081,207 by decreasing it by \$2,580,535. A beginning net deferred outflow of \$155,196 and net pension liability of \$2,735,731 were recognized.

NOTE 3 – Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or saving certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

The District's cash and cash equivalents include certificates of deposit at June 30, 2015. The District adopted a written management and investment policy that follows state statute and can be viewed in its entirety at the District's administrative offices.

Custodial Credit Risk – At June 30, 2015, the District held deposits of approximately \$3,060,913 in financial institutions, which was comprised of money market accounts (\$2,062,913) and certificates of deposit (\$998,000) . The District's cash deposits and certificates of deposit at June 30, 2015, were completely insured or collateralized by Federal Depository Insurance (FDIC), securities held by its agent in the District's name and by irrevocable letters of credit.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 – Cash and Investments (continued)

Due to the required liquidity for those investments, these funds have no defined maturity dates.

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District has the following credit risk: \$998,000 in certificates of deposits and \$2,062,913 in money market funds.

NOTE 4 — Employee Retirement System

Plan description - The District participates in the Oklahoma Teachers' Retirement System (OTRS) a cost-sharing multiple-employer public employee retirement system that is self-administered. OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma State Statutes assigns the authority for management and operation of OTRS to the Board of Trustees of the System. OTRS issues a publicly available annual financial report that can be obtained at www.ok.gov/TRS.

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

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service.
- Members are eligible to retire at maximum benefits when who joined OTRS by June 30, 1992 are age and years of creditable service total 80. Members joining OTRS after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service.
- The maximum retirement benefit is equal to 2 percent of final compensation for each year of credited service. Monthly benefits are 1/12 of this amount.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 — Employee Retirement System (continued)

- Final compensation for members who joined OTRS prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation.
- Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, OTRS will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.

Contributions - The contribution requirements of OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 7 percent of their annual compensation, which the District pays on behalf of full-time employees as allowed by statute. The District's contribution rate is 9.5 percent for the years ended June 30, 2015 and 2014. In addition, the District is required to match the State's contribution rate on salaries that are paid with federal funds. The District's contributions to OTRS in 2015, 2014, and 2013 were \$237,149, \$231,894, and \$226,204, respectively, equal to the required contributions each year. The District's matching contributions to OTRS in 2015, 2014, and 2013, were \$3,464, \$3,943, and \$4,194 respectively.

The State makes a contribution on behalf of each teacher meeting minimum salary requirements (known as the OTRS years of service credit). The credit amount is determined based on years of service and ranges from \$60.15 per year for 0 years of service to \$1,410.53 per year for 25 years or more of service. For the fiscal year ended June 30, 2015, the State paid approximately \$8,313 on behalf of teachers employed at the District. In accordance with generally accepted accounting practices, the District recognized the on-behalf-of payments as revenue and expense/expenditure in the government wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 — Employee Retirement System (continued)

The State of Oklahoma is also required to contribute to the System on behalf of the participating employers. For 2015, the State of Oklahoma contributed 5 percent of state revenues from sales and use taxes and individual income taxes, to the System on behalf of participating employers. The District has estimated the amounts contributed to the System by the State of Oklahoma on its behalf based on a contribution rate provided to the District. For the year ended June 30, 2015, the total amount contributed to the System by the State of Oklahoma on behalf of the District was approximately \$119 thousand. In accordance with generally accepted accounting practices, District recognized the on-behalf-of payments as revenue and expense/expenditure in the government wide and fund financial statements. These on-behalf payments do not meet the definition of a special funding situation.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2015, the District reported a liability of \$2,056,322 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's contributions to OTRS relative to total contributions of OTRS for all participating employers for the year ended June 30, 2014. Based upon this information, the District's proportion was .0382254 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$120,409. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 33,894
Changes of Assumptions	-	-
Net Difference between projected and actual earning on pension plan investment	-	497,665
District contributions subsequent to measurement date	240,613	-
	<hr/>	<hr/>
Total	\$ 240,613	\$ 513,559

Deferred pension outflows totaling \$240,613 resulting from the District's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows totaling \$531,559 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 \$33,894 resulting from differences between expected and actual experience will be recognized in pension expense using the average expected remaining life of the Plan. The average expected

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 — Employee Retirement System (continued)

remaining life of the Plan is determined by taking the calculated total future service future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the plan are estimated at 6.32 years at June 30, 2014 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	Deferred Inflows
2016	\$ (130,787)
2017	(130,787)
2018	(130,787)
2019	(130,787)
2020	(6,371)
Thereafter	<u>(2,040)</u>
	<u>\$ (531,559)</u>

Actuarial assumptions - The total pension liability was determined based on an actuarial valuation prepared as of July 1, 2014 using the following actuarial 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—3.00 percent
- Salary Increases—Composed of 3.00 percent inflation, plus 1.00 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return—8.00 percent
- Retirement Age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality—RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90 percent for males and 80 percent for females.

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO.V-26

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 — Employee Retirement System (continued)

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, 2014, are summarized in the following table:

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the District calculated using the discount rate of 8.0 percent, as well as what the District’s net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (8.0%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District’s net pension liability	\$ <u>2,888,863</u>	\$ <u>2,056,322</u>	\$ <u>1,353,629</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - Capital Assets

Capital assets consisted of the following at June 30, 2015:

Capital assets not being depreciated:

Land	\$ 76,000
Construction in Progress	1,030,088

Capital assets (being depreciated unless otherwise noted):

Buildings	3,325,563
Furniture and fixtures	220,186
Vehicles	<u>390,185</u>

Total capital assets	<u>5,042,022</u>
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Less accumulated depreciation	<u>(2,336,472)</u>
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Capital assets, net	<u>\$ 2,705,550</u>
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Depreciation expense of \$146,950 for the year ended June 30, 2015 was unallocated.

NOTE 6 - Long-Term Liabilities

Long-term liabilities of the District at June 30, 2015, consist of \$58,878 for compensated absences and \$2,056,322 for net pension liability.

NOTE 7 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance.

The District also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the District reports the required contribution to the pool, net of any refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the District's losses for

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7 - Risk Management (continued)

the last five years. OSAG provides coverage in excess of the loss fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years, it is returned to them with no interest.

The District is also a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to contribute 1.6% of their taxable payroll for unemployment insurance. The funds for each district are kept separate and districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in their account they would be liable for the excess.

NOTE 8 - Contingencies and Commitments

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

As of June 30, 2015, the District had outstanding commitments of approximately \$112,361 for purchases.

NOTE 9 – Surety Bonds

The District treasurer is bonded with Western Surety Company, number 61655678, continuous in the amount of \$50,000. The District also maintains a public official position schedule bond with CNA Surety, bond number 70944476, for a term ending July 23 of each year. As of June 30, 2015 the following position were insured each for \$10,000: business manager, BIS coordinators, BIS assistant, receptionists, board clerk, and project life coordinator. The position of superintendent was insured for \$100,000.

NOTE 10 — Subsequent Events

Management has evaluated all subsequent events through March 4, 2016, the date the financial statements were available to be issued.

NOTE 11 — Prior Year Audit Finding

No prior year audit findings.

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO. V-26
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 BUDGETED GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2015

UNAUDITED

	General Fund			Building Fund		
	Budget Original and Final	Actual	Variance	Budget Original and Final	Actual	Variance
Beginning fund balances, budgetary basis	\$ 1,646,514	\$ 1,646,514	\$ -	\$ 319,259	\$ 319,259	\$ -
Revenues						
Local sources	1,167,021	1,441,975	274,954	207,444	238,050	30,606
Intermediate sources	-	-	-	-	-	-
State sources	1,287,733	1,281,096	(6,637)	-	1,275	1,275
Federal sources	69,026	76,411	7,385	-	33	33
Other	-	971	971	-	-	-
Total revenues, budgetary basis	2,523,780	2,800,453	276,673	207,444	239,358	31,914
Expenditures						
Instruction	763,107	763,107	-	-	-	-
Support Services	2,172,782	2,172,780	2	53,475	53,475	-
Non-Instructional services	40,065	40,065	-	-	-	-
Facilities acquisition and construction	63,429	63,429	-	47,155	47,155	-
Other outlays	12,597	12,597	-	-	-	-
Other uses	1,118,314	-	1,118,314	426,073	-	426,073
Repayments	-	-	-	-	-	-
Total expenditures, budgetary basis	4,170,294	3,051,978	1,118,316	526,703	100,630	426,073
Excess of revenues and beginning fund over expenditures - budgetary basis	\$ -	\$ 1,394,989	\$ 1,394,989	\$ -	\$ 457,987	\$ 457,987
Estopped warrants	-	-	-	-	-	-
Canceled encumbrances	-	220,762	-	-	66,469	-
Fund transfer	-	-	-	-	-	-
Excess of revenues, estopped warrants, cancelled encumbrances and beginning fund balances over expenditures	-	1,615,751	-	-	524,456	-
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances						
Add:						
Ad valorem taxes receivable	-	7,489	-	-	1,440	-
Due from other governments	-	46,928	-	-	-	-
Encumbrances reclassified as commitments	-	112,361	-	-	-	-
Encumbrances reversed (not commitments)	-	593,118	-	-	-	-
Ending fund balances	\$ 2,375,647	\$ 2,375,647	\$ -	\$ 525,896	\$ 525,896	\$ -

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO. V-26
SCHEDULE OF SCHOOL ACTIVITY FUNDS
JULY 1, 2014 TO JUNE 30, 2015

	<u>Balance 7/1/14</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Adjustments</u>	<u>Balance 6/30/15</u>
Petty cash	\$ -	\$ 200	\$ 200	-	\$ -
Concession	3,081	11,840	6,543	(264)	8,114
Cosmetology live work	-	149	149	-	-
Health careers HOSA	1,304	611	893	-	1,022
Automotive Skills USA	2,445	7,440	6,430	144	3,599
TANF	9	-	-	-	9
PN tuition	-	44,539	44,539	-	-
PN mat/fees	3,000	10,748	10,775	-	2,973
PN HOSA	3,277	1,442	2,701	53	2,071
School Wide Fundraising	-	975	-	-	975
Interest	13	-	-	77	90
Miscellaneous	-	68	86	18	-
Enrollment fees	-	1,975	1,920	(55)	-
BIS tuition	-	50,710	50,710	-	-
BIS textbooks	-	1,010	1,010	-	-
BIS mat/fees	300	4,411	4,411	-	300
PN textbooks	-	10,052	10,052	-	-
Howell-Legako-Hayes B/S fund	4,574	0	20	-	4,554
Health testing	1,596	470	1,065	-	1,001
Auto repairs	1,914	6,845	6,896	(184)	1,679
Cosmetology skills USA	3,353	2,095	2,081	-	3,367
Full-time tuition	-	77,287	82,003	4,716	-
Full-time textbooks	-	10,060	10,060	-	-
Full-time mat/fees	-	15,140	15,240	100	-
PN scholarship	80	-	-	-	80
Computer/networking skills USA	1,336	227	613	-	950
BPA-business prof of America	1,746	1,693	2,074	100	1,465
Student financial aid	935	19,833	21,799	3,668	2,637
Student emergency assist fund	2,931	-	-	-	2,931
NTHS miscellaneous	-	-	-	-	-
General fund refund	-	1,632	1,632	-	-
Pre-engineering-skills USA	75	-	-	-	75
Total	<u>\$ 31,969</u>	<u>\$ 281,452</u>	<u>\$ 283,902</u>	<u>\$ 8,373</u>	<u>\$ 37,892</u>

JOHNSTON & AHLSCHEWEDE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3545 NW 58TH STREET, SUITE 325C – OKLAHOMA CITY, OKLAHOMA 73112 – VOICE & FAX (405) 917-7272

INDEPENDENT AUDITORS' 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

Board of Education
Chisholm Trail Technology Center District No.V-26
Omega, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chisholm Trail Technology Center District No. V-26 (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 4, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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 dark ink that reads "Johnson & O'Connell, P.C." The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
March 4, 2016

CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO.V-26

SCHEDULE OF ACCOUNTANTS'
PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

JUNE 30, 2015

STATE OF OKLAHOMA)
) SS:
COUNTY OF KINGFISHER)

BEFORE ME, the undersigned auditing firm, Johnston & Ahlschwede, P.C., whose authorized agent, Linda Ahlschwede, is of lawful age, being first duly sworn on her 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* during the entire audit engagement with Chisholm Trail Technology Center District No. V-26 for the audit year ended June 30, 2015.

JOHNSTON & AHLSCHEWEDE, P.C.
Auditing Firm

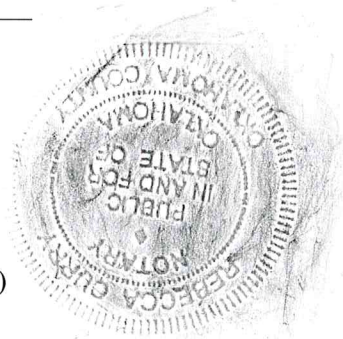
Linda Ahlschwede
Linda Ahlschwede, Authorized Agent

Subscribed and sworn to before me on this 7th day of March, 2016.

My commission expires on the 29th day of October, 2019.

Notary Public *Rebecca Curry* #07010410

(SEAL)



CHISHOLM TRAIL TECHNOLOGY CENTER DISTRICT NO.V-26

SCHEDULE OF STATUTORY, FIDELITY AND HONESTY BONDS

FOR THE YEAR ENDED JUNE 30, 2015

The District treasurer is bonded with the Western Surety Company, number 61655678, continuous in the amount of \$50,000. The District also maintains a public official position schedule bond with CNA Surety, bond number 70944476, for a term ending July 23 of each year. As of June 30, 2015 the following position were insured each for \$10,000: business manager, BIS coordinators, BIS assistant, receptionists, board clerk, and project life coordinator. The position of superintendent was insured for \$100,000.