Financial Report June 30, 2015



Contents

Introductory Section (unaudited)	
Table of contents School district officials	I İİ
School district officials	
Financial Section	
Independent quaiter's report	1-3
Independent auditor's report Management's discussion and analysis	4-15
Basic financial statements:	4-15
Government-wide financial statements:	
Statement of net position	16-17
Statement of activities	18
Fund financial statements:	
Balance sheet—governmental funds	19
Reconciliation of total governmental fund balances to net position of	
governmental activities	20
Statement of revenues, expenditures and changes in fund balances—	
governmental funds	21
Reconciliation of the statement of revenues, expenditures and changes in fund	
balances of governmental funds to the statement of activities	22
Statement of net position—proprietary fund	23
Statement of revenues, expenses and changes in fund net position—	.
proprietary fund	24
Statement of cash flows—proprietary fund	25
Statement of fiduciary assets and liabilities—agency fund	26
Notes to basic financial statements	27-49
Required supplementary information:	
Budgetary comparison schedule—General Fund	50
Budgetary comparison schedule—Building Fund	51
Schedule of the District's proportionate share of the net pension liability	52
Schedule of the District's contributions	53
Other supplementary information:	
Statement of changes in assets and liabilities—agency fund	54
Compliance Section	
Compliance Section	
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	55-56
Report on compliance for each major federal program; report on internal	
control over compliance; and report on schedule of expenditures of	
federal awards required by OMB Circular A-133	57-58
Schedule of expenditures of federal awards	59-60
Schedule of findings and questioned costs	61-62
Summary schedule of prior audit findings	63
Other information	
Schedule of accountants' professional liability insurance affidavit	64

Board of Education Year Ended June 30, 2015

Board of Education

President Suzette Northcutt Rhodes

> Vice President David Gillogly

Clerk Paul "Buddy" Sanford

> Member Kathy Reeser

Member Kurt Loeffelholz

Minutes Clerk Judie Harris

Superintendent of Schools

Dr. Tom Friedemann

School District Treasurer

Carol Fadaiepour

Financial Section



Independent Auditor's Report

RSM US LLP

To the Board of Education Francis Tuttle Technology Center School District No. 21 Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Francis Tuttle Technology Center School District No. 21 (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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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Emphasis of Matter

As discussed in Note 1, in 2015, the District adopted Governmental Accounting Standards Board (GASB) 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 No. 71 required the District to restate its governmental activities net position as of July 1, 2014 upon adoption. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of the District's proportionate share of the net pension liability, and the schedule of the District's contributions to Teachers' Retirement System of Oklahoma, 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 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 Supplementary 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 statement of changes in assets and liabilities— agency funds, as listed in the table of contents, and the accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information 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 Information

The accompanying schedule of accountants' professional liability insurance affidavit, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 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.

RSM US LLP

Oklahoma City, Oklahoma February 4, 2016

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

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

Organization

Francis Tuttle Technology Center School District 21 (Francis Tuttle) is part of the public school system of Oklahoma under the general direction and control of the State Board of Career and Technology Education. The Francis Tuttle Technology Center School District includes all of the public school districts: Cashion, Crescent, Deer Creek, Edmond, Millwood, Putnam City and Western Heights. The Francis Tuttle District includes portions of four counties: Oklahoma, Logan, Kingfisher and Canadian. Francis Tuttle provides educational opportunities to high school students and adults who reside or work in the District. Francis Tuttle operates three campuses; the Rockwell, Portland and Reno campuses. Each campus has a variety of services and programs to meet the needs of our customers.

Vision - to be the first choice for programs and services in career and technology education.

Mission – We prepare our customers for success in the workplace.

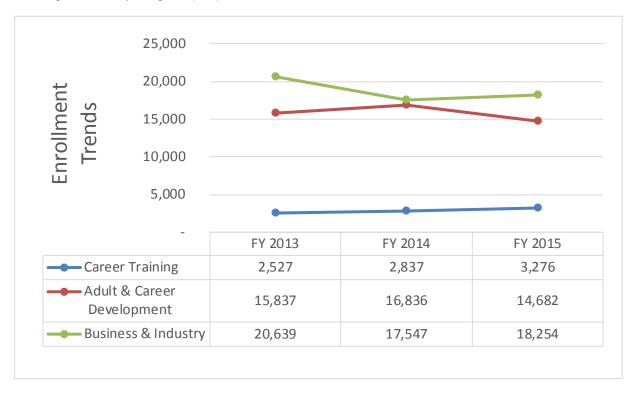
- Career Training Programs: Francis Tuttle offers forty different career training programs. These programs are designed to lead to industry certifications or licenses, employment or continuing education. These programs serve both high school students and adults. The career training programs fall into fifteen career clusters. Each career cluster is designed to offer students several choices of career major. Providing our students with many learning opportunities.
- Adult and Career Development Classes: Adult and Career Development (ACD) 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: Francis Tuttle provides customized industry training to businesses and their employees in our District. This may include pre-employment, safety, skills based or management skills.

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

Financial Highlights

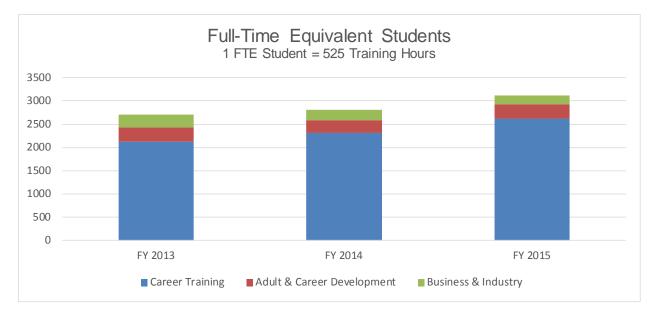
AdValorem property taxes are the largest source of revenue for Francis Tuttle. The growth rate in property valuations has a direct impact on the financial health of the District. Over the last five years the average growth in property valuation has been 3.9 percent per year. In FY 2015, the growth rate for property valuation was 4.8 percent. The District closely monitors property valuations, and adjusts spending accordingly.

Francis Tuttle measures activity in terms of students served. Important measures of students served include both the number of students enrolled and the number of full-time equivalent (FTE) students. Adult & Career Development and Business & Industry classes both have high enrollment in relatively short classes. Career Training classes have far fewer enrollments, but the classes last a full school year. Francis Tuttle contracts to provide special training for employers expanding their workforce through the Training for Industry Program (TIP).



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

All student training hours are converted into full-time equivalent (FTE) student counts. One FTE student is equal to the length of instruction for one high-school student for one school year (3 hours per day x 175 school days = 525 instructional hours).



Financial Statements

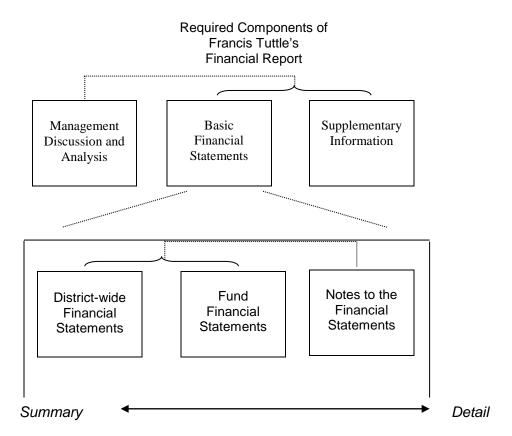
The financial statements consist of three parts: management discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of Francis Tuttle. The first two statements are district-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about Francis Tuttle's overall financial status.

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

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending. The governmental funds are the General and Building Funds.
- Proprietary fund statements offer short- and long-term financial information about the activities that are operated like a business, including internal service funds. Francis Tuttle reports the self-funded Health and Dental Insurance in the Employee Benefits Fund.
- Fiduciary fund statements provide information about financial relationships where Francis Tuttle acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. The fiduciary fund for Francis Tuttle is the Student 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 with the comparison of Francis Tuttle's budget for the year. Required supplementary information also includes pension information.

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015



Overview of Financial Statements

District-Wide Statements

The district-wide statements report information about Francis Tuttle as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 Francis Tuttle's net position and how they have changed. Net position, the difference between Francis Tuttle's assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure Francis Tuttle's financial health or position.

Over time, increases or decreases in Francis Tuttle's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall financial health of Francis Tuttle, you need to consider additional factors, such as changes in the Ad Valorem valuation and the projected student enrollment.

The district-wide financial statements of Francis Tuttle are all reported under governmental activities.

Governmental activities – All of Francis Tuttle'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.

The district-wide financial statements can be found on pages 16-18 of this report.

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

Fund Financial Statements

Francis Tuttle's fund financial statements provide detailed information about each fund – not Francis Tuttle 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 Francis Tuttle's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide 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 spendable resources available at the end of the fiscal year. The governmental fund statements provide a detailed short-term view of Francis Tuttle 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 Francis Tuttle's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The governmental financial statements can be found on pages 19-22 of this report.

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.
Francis Tuttle accounts for the self-funded health and dental insurance program as an Internal
Service fund reported in the proprietary funds statement. Internal service funds are an accounting
device used to accumulated and allocate costs internally among the District's various functions.

The proprietary financial statements can be found on pages 23-25 of this report.

• Fiduciary funds –Francis Tuttle is the trustee, or fiduciary, for assets that belong to others, in the student activity fund. Francis Tuttle is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Francis Tuttle excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The fiduciary financial statements can be found on page 26 of this report.

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

Financial Analysis of Francis Tuttle as a Whole

Net position: Francis Tuttle's total Net Position was \$64,168,317 at June 30, 2015 and \$93,559,430 at June 30, 2014.

Table 1 - Condensed Statement of Net Position

	Governmental Activities				
	2015	2014			
Assets					
Current and other assets	\$ 83,828,319	\$ 78,911,203			
Capital assets	91,286,142	90,022,911			
Total assets	175,114,461	168,934,114			
Deferred outflows of resources	3,989,617	-			
Liabilities					
Current and other liabilities	7,550,244	6,733,878			
Long-term liabilities	49,647,011	21,643,533			
Total liabilities	57,197,255	28,377,411			
Deferred inflows of resources	57,738,506	46,997,273			
Net position					
Net investment in capital assets	70,441,020	66,925,063			
Restricted	13,064,655	13,110,086			
Unrestricted	(19,337,358)	13,524,281			
Total net position	\$ 64,168,317	\$ 93,559,430			

The majority of Francis Tuttle's net position is net investment in capital assets (buildings, land and equipment). These assets are not available for future spending. The restricted net position is limited in use due to statutory restrictions on the Building fund. The unrestricted net position has been reduced by Francis Tuttle's proportionate share of Oklahoma Teachers' Retirement System's (OTRS) net pension liability, see discussion below.

During FY 2015, Francis Tuttle adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions," which significantly changes accounting for pension costs and liabilities. Francis Tuttle 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 net position at July 1, 2014 by \$37 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, Francis Tuttle 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 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 Francis Tuttle'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, Francis Tuttle is making all required contributions, and is not obligated to fund the net pension liability.

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

Statement of Activities

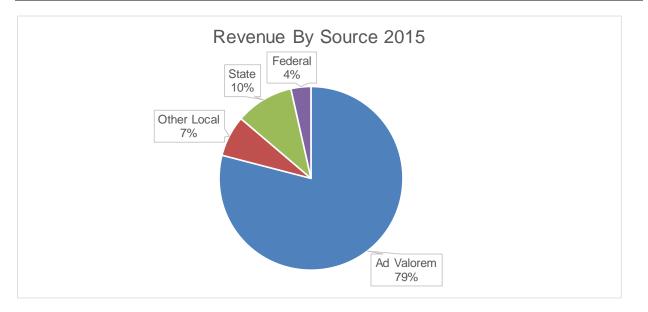
The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges for services, grants, revenues and subsidies that directly relate to specific expense categories are identified to determine the final amount of Francis Tuttle's activities that are supported by other general revenues. The largest general revenue category is Property (Ad Valorem) taxes.

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

Table 2 - Program Rev	venues and Expenses				
	Govern	Governmental Activities			
	2015		2014		
Revenues:					
Program revenues:					
Charges for services and sales	\$ 4,910,89	1 \$	5,476,792		
Operating grants and contributions	4,876,45	7	5,533,352		
General revenue:					
Property taxes	49,444,70	9	46,913,506		
State formula funding	3,527,70	1	3,527,701		
Other	88,58	1	231,766		
Earnings (loss) on investments	104,30	3	196,598		
Total revenues	62,952,64	2	61,879,715		
Program expenses:					
Instruction	21,930,10	0	23,351,815		
Instructional support	8,582,12	9	8,093,690		
Operational support	18,529,89	2	20,743,308		
Non-instructional services	3,738,99	0	4,430,898		
Debt service	1,004,92	7	1,107,644		
Student financial aid and other uses	1,923,23	0	1,872,573		
Total expenses	55,709,26	.8	59,599,928		
Increase in net position	7,243,37	4	2,279,787		

Total revenue surpassed expenses, increasing Net position \$ 7,243,374 in FY 2015 and \$2,279,787 in FY 2014. The increase is due primarily to the change in accounting for pensions. Due to the timing of measurements, pension expense recorded in the governmental financial statements, becomes a deferred outflow in the government-wide statement of activities.

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015



The following shows the District's largest functions - instructional programs, instructional support, operational support, and student financial aid as well as each program's net cost. The net cost is the total cost less revenues generated by the activities and other grants, subsidies and contributions to show the remaining financial needs supported by state and local taxes and other miscellaneous revenue.

Fiscal Years Ended June 30, 2015 and 2014 Net Cost of Governmental Activities

	2	015	2014		
	Total Cost	Net Cost	Total Cost	Net Cost	
Functions/Programs	of Services	of Services	of Services	of Services	
Instruction	\$ 21,930,100	\$ 17,672,107	\$ 23,351,815	\$ 19,840,056	
Instructional Support	8,582,129	7,743,260	8,093,690	7,584,664	
Operational Support	18,529,892	17,836,376	20,771,933	20,568,733	
Non-Instructional Services	3,738,990	1,516,202	4,430,898	1,445,625	
Debt Service	1,004,927	1,004,927	1,107,644	1,107,644	
Financial Aid and Other Uses	1,923,230	149,048	1,872,573	71,687	
Total governmental activities	\$ 55,709,268	\$ 45,921,920	\$ 59,628,553	\$ 50,618,409	

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

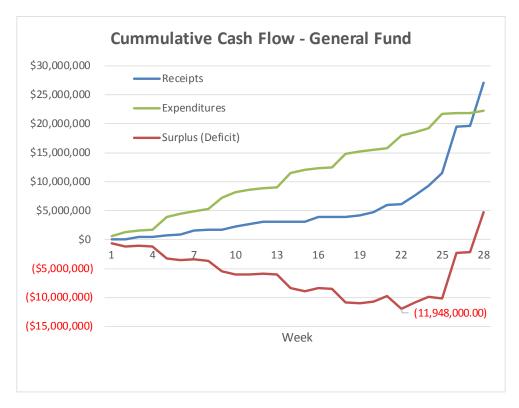
Financial Analysis of Francis Tuttle's Funds

Francis Tuttle's governmental funds reported a total fund balance of \$26,484,047 at June 30, 2015 and \$25,447,981 at June 30, 2014. The primary source of revenue for the governmental funds is property tax. The property tax is not received evenly throughout the fiscal year. The majority of property tax revenues are received between December 15 and March 31 of each year. The governmental funds must carryforward a fund balance large enough to finance the negative cash flow during the first five months of each fiscal year.

The Internal Service Fund reported total fund balance of \$289 at June 30, 2015 and \$371,173 at June 30, 2014. The Internal Service Fund accounts for the operations of the District's self-funded Health plan. Revenues are primarily premium income from Francis Tuttle, employees and retirees. Expenditures of the Internal Service fund are primarily for health and dental claims payments. The District discontinued it's self-funded Health plan effective December 31, 2014. The ending fund balance reflects accrual for all known claims against the plan.

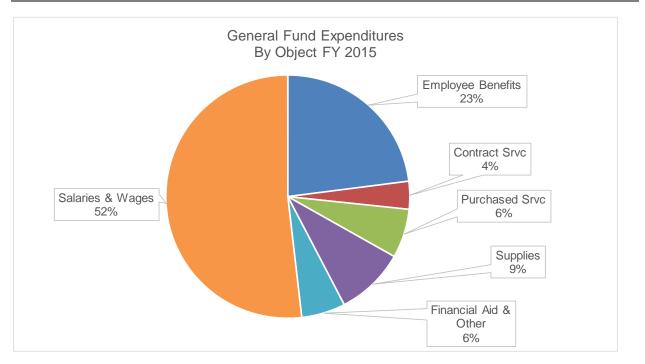
The Fiduciary Fund which holds balances on behalf of school organizations does not have a net fund balance on June 30, 2015 or on June 30, 2014.

<u>General Fund</u>: The General Fund balance is set at a level to fund the cash flow needs of the first half of the fiscal year. Expenditures are generally even throughout the year. Cash receipts lag behind expenditures during the first five months of the fiscal year. The collection of property taxes occurs mainly in December through March. This creates a cash flow deficit during the first part of each fiscal year. The committed fund balance is used to finance this cash flow deficit.



Francis Tuttle is a service entity and as such is labor intensive. Approximately 80 percent of general fund expenditures are for personnel costs (including salaries & wages, employee benefits and contract services).

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015



<u>Building Fund</u>: Francis Tuttle uses the building fund to purchase equipment; pay for utilities; maintain, remodel and build facilities and to support our instructional programs.

Budgetary Highlights

Francis Tuttle prepares budgets in compliance with Oklahoma statutes and in accordance with the School District Budget Act. The first operating budget is prepared prior to the beginning of the school year when certain factors are uncertain, such as the final net assessed property values. The Board approves budget amendments as needed. These budget amendments included the following changes:

- Certification of net assessed property values and the related effect on property tax budgets
- Changes in State formula and grant funding
- Additions to or adjustments of operating grants
- Changes in premiums for health and dental insurance

During the year, Francis Tuttle uses an accounting method prescribed by Oklahoma Statutes. This statutory method of accounting provides for recording income (revenue) when received, and encumbering expenditures when the purchase commitment is made (purchase order is issued). Budget variances are calculated based upon the statutory accounting method.

Budget variances are considered significant if revenues are under budget or expenditures are over budget. During FY 2015 overall revenue collections were in excess of budget. Federal sources were under budget, primarily due to Federal Financial aid less than projections. This is also reflected in expenditures for financial aid less than budget.

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

In order to facilitate building projects that may extend over more than one fiscal year, construction and remodeling may be budgeted for more than is utilized during the year. During FY 2015 more funds were budgeted for the HVAC upgrade project than were encumbered.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015, Francis Tuttle had approximately \$91 million invested in a broad range of capital assets, including land, school buildings, furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$1.3 million from June 30, 2014. The primary reason for the increase was the on-going construction project to update the heating and air conditioning in the Campus Center building on the Rockwell Campus.

Governmental Activities Capital assets - net of depreciation

		2015		2014
Land	\$	4,402,954	\$	4,392,954
Site Improvements	Ŧ	4,668,302	Ŧ	5,117,892
Buildings & Improvements		71,121,448		73,168,399
Equipment & fixtures		7,291,054		6,699,802
Vehicles		132,671		207,349
Construction In Progress		3,669,713		436,515
Total capital assets	\$	91,286,142	\$	90,022,911

Additional information on capital assets can be found in note 5 to the financial statements.

Debt Administration:

Bond Obligations – Francis Tuttle had no outstanding bond obligations as of June 30, 2015 and 2014.

Leases – Francis Tuttle has entered an operating lease for the Francis Tuttle Business Innovation Center.

Francis Tuttle has the following capital leases:

BOA Tranche I On November 28, 2008, Francis Tuttle entered into a ground lease of certain property at the Rockwell campus from Francis Tuttle to Bank of America. In addition, a lease purchase agreement from Bank of America to Francis Tuttle was executed. The lease purchase agreement provides construction financing for the Business and Industry Services Building being constructed on the Rockwell campus. The total amount financed under this agreement was \$10,000,000.

The lease-purchase calls for twenty-four semi-annual payments starting January 2010. The payments will be made out of the building fund. Francis Tuttle will gain ownership to the building incrementally as each payment is made.

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

BOA Tranche II On October 15, 2009, Francis Tuttle entered into a ground lease of certain property at the Rockwell campus from Francis Tuttle to Bank of America. In addition, a lease purchase agreement from Bank of America to Francis Tuttle was executed. The lease purchase agreement provides construction financing for the Culinary Arts Building on the Rockwell campus. The total amount financed under this agreement was \$20,000,000.

The lease-purchase calls for 24 semiannual payments starting July 2011. The payments will be made out of the building fund. Francis Tuttle will gain ownership to the building incrementally as each payment is made.

Additional information on the lease purchase agreements and operating leases can be found in note 6 to the financial statements.

Factors Bearing on Francis Tuttle Technology Center's Future

During 2015, the Millwood Public School District voted to de-annex from the Francis Tuttle Technology Center School District. The de-annexation will be effective July 1, 2016. The de-annexation will reduce AdValorem Property tax for Francis Tuttle. Administration will adjust the budget to reflect this decrease.

There are many factors that may have a positive or negative impact on Francis Tuttle 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 Francis Tuttle Financial Management

This financial report is designed to provide citizens, taxpayers, parents, students and creditors with a general overview of Francis Tuttle'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, Francis Tuttle Technology Center, 12777 N Rockwell Ave, Oklahoma City, OK 73142.

Basic Financial Statements

Statement of Net Position June 30, 2015

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	19,014,553
Investments	10,780,788
Interest receivable	34,655
Property taxes receivable, net-current year	3,375,044
Property taxes receivable, net-succeeding year	49,889,617
Receivables from other governments	147,464
Other receivables	316,987
Due from activity funds	78,611
Inventories	190,600
Total current assets	83,828,319
Capital assets:	
Land	4,402,954
Buildings and equipment	137,095,798
Construction in progress	3,669,713
Less accumulated depreciation	(53,882,323)
Total capital assets	91,286,142
Total assets	175,114,461
Deferred outflows of resources Contributions to Oklahoma Teachers Retirement System	3,989,617

(Continued)

Statement of Net Position (Continued) June 30, 2015

	Governmental Activities
Liabilities	
Current liabilities:	
Accounts payable	2,406,613
Salaries & wages payable	1,852,848
Liability for incurred claims	35,051
Unearned revenue	42,745
Accrued interest payable	440,648
Current portion of long-term liabilities	2,772,339
Total current liabilities	7,550,244
Non-current liabilities:	
Compensated absences	796,724
Lease purchase agreement	18,487,083
Net Pension liability	30,363,204
Total non-current liabilities	49,647,011
Total liabilities	57,197,255
Deferred inflows of resources	
Deferred Inflows-Retirement plan	7,848,889
Property taxes—succeeding year	49,889,617
	57,738,506
Net Position	
Net investment in capital assets	70,441,020
Restricted for capital related costs	13,064,655
Unrestricted	(19,337,358)
Total net position	\$ 64,168,317
	<u> </u>

Statement of Activities Year Ended June 30, 2015

			Program Revenues			_ N	let (Expense)/	
						Operating		Revenue and
			C	Charges for		Grants and		Changes in
Function/Programs		Expenses		Services	C	Contributions		Net Position
Governmental Activities								
Instruction	\$	21,930,100	\$	2,688,103	\$	1,569,890	\$	(17,672,107)
Support services—instructional		8,582,129		-		838,869		(7,743,260)
Support services—operational		18,529,892		-		693,516		(17,836,376)
Operation of non-instruction services		3,738,990		2,222,788		-		(1,516,202)
Debt service		1,004,927		-		-		(1,004,927)
Financial aid and other uses		1,923,230		-		1,774,182		(149,048)
Total governmental								
activities		55,709,268		4,910,891		4,876,457		(45,921,920)
General Revenues: Property taxes, levied for capital related Property taxes, levied for general purpors State aid—formula funding Other local Earnings on investments Total general revenues and special items								16,663,495 32,781,214 3,527,701 88,581 104,303 53,165,294
Change in net position								7,243,374
Net position, beginning of year Prior period adjustments—GASB 68 im Net position—beginning as restated	plen	nentation						93,559,430 (36,634,487) 56,924,943
Net position, end of year							\$	64,168,317

Balance Sheet—Governmental Funds June 30, 2015

	 General Funds	Building Fund	G	Total overnmental Funds
Assets				
Cash and cash equivalents	\$ 9,565,905	\$ 9,413,398	\$	18,979,303
Investments	5,045,868	5,734,920		10,780,788
Interest receivable	14,965	19,600		34,565
Property taxes receivable, net—current year	2,273,981	1,101,063		3,375,044
Property taxes receivable, net-succeeding year	33,076,274	16,813,343		49,889,617
Receivables from other governments	147,464	-		147,464
Other receivables	316,987	-		316,987
Due from activity fund	78,611	-		78,611
Inventories	 190,600	-		190,600
Total assets	\$ 50,710,655	\$ 33,082,324	\$	83,792,979
Liabilities				
Accounts payable	\$ 191,132	\$ 2,215,481	\$	2,406,613
Salaries and wages payable	1,832,791	20,057		1,852,848
Unearned revenue	42,745	-		42,745
Total liabilities	2,066,668	2,235,538		4,302,206
Deferred Inflows of Resources				
Unavailable revenue—property taxes	2,010,844	968,788		2,979,632
Unavailable revenue—tuition	97,426	-		97,426
Unavailable revenue—Federal grant	40,051	-		40,051
Property taxes succeeding year	33,076,274	16,813,343		49,889,617
Total deferred inflows of resources	 35,224,595	17,782,131		53,006,726
Fund Balances				
Non-spendable:				
Inventories	190,600	-		190,600
Restricted for:	,			,
Equity interest in joint venture	229,159	-		229,159
Capital related costs	-	13,064,655		13,064,655
Committed to:				
Fund temporary cash flow deficit	10,325,000	-		10,325,000
Compensated leave	704,373	-		704,373
Assigned to:				
Compensated leave	506,651	-		506,651
Professional services and supplies	65,177	-		65,177
Unassigned	1,398,432	 -		1,398,432
Total fund balances	 13,419,392	 13,064,655		26,484,047
Total liabilities, deferred inflows of				
resources and fund balances	\$ 50,710,655	\$ 33,082,324	\$	83,792,979

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2015

Total fund balance—governmental funds		\$	26,484,047
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. Cost of capital assets Less accumulated depreciation	145,168,465 (53,882,323)	_	91,286,142
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Compensated absences Accrued interest payable Lease purchase agreement	1,211,024 440,648 20,845,122		
Net pension liability	30,363,204	-	(52,859,998)
Revenues that have been deferred in the governmental funds but are recognized as revenue in the government-wide financial statements.			3,117,109
Pension related deferred ouftlows and inflows are not due and payable in the current period, therefore, they are not reported in governmental funds. Deferred Outflows Deferred Inflows	3,989,617 (7,848,889)		(3,859,272)
Internal service fund is used by the District to charge the costs of health and dental insurance benefits for the employees of the District. The assets and liabilities of the internal service fund are included in the governmental statements.			289
Net position of governmental activities		\$	64,168,317

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2015

	 General Building Funds Fund		G	Total Governmental Funds	
Revenues:					
Property taxes	\$ 32,353,647	\$	16,462,541	\$	48,816,188
Tuition, fees and other local sources	4,390,368		-		4,390,368
State sources	6,322,027		-		6,322,027
Federal sources	2,175,394		-		2,175,394
Reimbursements	45,261		4,100		49,361
Earnings on investments	48,962		56,102		105,064
Total revenues	 45,335,659		16,522,743		61,858,402
Expenditures:					
Current:					
Instruction	19,235,199		1,964,441		21,199,640
Support services—instructional	7,786,786		532,806		8,319,592
Support services—operational	13,156,013		5,001,809		18,157,822
Non-instructional services	2,152,934		19,589		2,172,523
Capital outlay	-		5,863,902		5,863,902
Debt service	-		3,305,000		3,305,000
Financial Aid and other uses	1,923,230		-		1,923,230
Total expenditures	 44,254,162		16,687,547		60,941,709
Excess (deficiency) of revenues					
over expenditures	1,081,497		(164,804)		916,693
Other financing sources, insurance loss					
recoveries	 -		119,373		119,373
Net change in fund balances	1,081,497		(45,431)		1,036,066
Fund balances, beginning of year	 12,337,895		13,110,086		25,447,981
Fund balances, end of year	\$ 13,419,392	\$	13,064,655	\$	26,484,047

Reconciliation of the Statement of Revenues, Expenditures, and changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$	1,036,066
Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in net assets are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and are allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. Capital outlay expenditures Depreciation expense Capital outlation expense Capital outlation expense		
Retirements and adjustments (16,328)	•	1,263,231
Revenues that have been deferred in the governmental funds but are recognized as revenue in the government wide statements		608,770
Repayment of principal on lease purchase agreements is an expenditure in government funds, but it reduces long-term liabilities in the statement of net position.		2,252,726
Interest on lease purchase agreements is recorded as an expenditure in government funds when paid, but interest expense in the statement of activities is accrued for the reporting period, regardless of when it is paid.		47,347
Internal service fund is used by the District to charge the costs of health and dental insurance benefits for the employees of the District. The changes in net position of the internal service fund is included in the governmental activity.		(370,884)
Compensated absences payable do not require the use of current financial resources, and are therefore not reported as expenditures in governmental funds.		(5,893)
Net pension expense does not require current financial resources therefore, is not reported as expenditures in governmental funds		2,412,011
Changes in net position of governmental activities	\$	7,243,374

Statement of Net Position—Proprietary Fund June 30, 2015

	Governmental Activities Internal Service Fund Employee Benefits Fund
Assets Cash and cash equivalents Other receivables Total assets	\$ 35,250 90 35,340
Liability, liability for incurred claims	35,051
Net position, unrestricted	\$ 289

Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Fund Year Ended June 30, 2015

	Governmental Activities Internal Service	
	Fund	
	Employee	
	Benefits Fund	
Operating revenues:		
Insurance premium revenue	\$ 1,751,736	
Insurance loss recoveries	255,888	
Refunds	30,986	
Total operating revenues	2,038,610	
Operating expenses:		
Support services	57,877	
Medical and dental claims	1,973,541	
Administrative costs	377,315	
Total operating expenditures	2,408,733	
Operating loss	(370,123)	
Nonoperating revenue (expenses), earnings (loss) on investments	(761)	
Net change in position	(370,884)	
Total net position, beginning	371,173	
Total net position, ending	<u>\$ 289</u>	

Statement of Cash Flows—Proprietary Fund Year Ended June 30, 2015

	G	overnmental
	Activities	
	Inte	ernal Service
		Fund
		Employee
	B	enefits Fund
Cash flows from operating activities:	•	4 754 040
Receipts from user charges	\$	1,751,646
Receipts from reinsurance recoveries		255,888
Payments for insurance claims		(2,570,842)
Payments to employees		(45,400)
Payments for administration		(377,315)
Net cash (used in) operating activities		(986,023)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments		40,000
Purchases of investments		-
Investment Income		1,800
Net cash provided by investing activities		41,800
Net increase in cash and cash equivalents		(944,223)
Cash and cash equivalents, beginning of year		979,473
Cash and cash equivalents, end of year	\$	35,250
Reconciliation of operating loss to net cash used in operating activity		
Operating loss	\$	(370,123)
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) decrease in accounts receivable		(90)
(Decrease) increase in liability for incurred claims		(615,810)
Net cash used in operating activities	\$	(986,023)

Statement of Fiduciary Assets and Liabilities—Agency Fund June 30, 2015

Assets Cash and cash equivalents Investments Total assets	\$ 243,200 50,000
l otal assets	293,200
Liabilities Accounts payable	32,279
Due to general fund	78,611
Funds held for school organizations Total liabilities	182,310 \$ 293,200

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting entity:

Francis Tuttle Technology Center School District No. 21, (the "District") is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Career and Technology Education. 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 five elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The District has not identified any component units that should be included in the District's reporting entity. The Francis Tuttle Foundation Inc. is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the Foundation. The resources held by the Foundation for the benefit of the District are not significant to the financial position or activities of the District as a whole and therefore has been excluded from the District's reporting entity.

Basic financial statements:

<u>Government-wide financial statements</u>: 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 primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

<u>Fund financial statements</u>: The District reports its financial activities through the use of fund accounting. This is a system of accounting wherein transactions are reported in self-balancing sets of accounts to reflect results of activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements. Funds are classified into three categories: Governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." In addition, the District's funds are classified between major and non-major. The General Fund and Building Fund are major funds. A description of the activities of the various funds is provided below.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

<u>General Fund</u> – 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, various state appropriations including funding through the State Aid Formula approved by the State Board of Career and Technology Education, and tuition and fees. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Funds – Special revenue funds include the District's building fund.

<u>Building Fund</u> – The building fund consists primarily of monies derived from property taxes levied for the specific purposes as defined by Oklahoma Statutes. The allowable purposes include: erecting or maintaining school buildings; purchasing furniture, equipment, computer software and telecommunications services, energy and utility costs, fire and casualty insurance premiums for school facilities, and student transportation.

<u>Proprietary fund types</u>: Proprietary funds are used to account for activities that are designed to be run like a business. Services from such activities can be provided to either an outside party (enterprise funds) or to the District (internal service funds). Operating revenues and expense result from providing services in connection with the principal operation. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses. In a proprietary fund the fees charged are intended to cover the operating expenses. The Internal Services Fund is reported as a proprietary fund.

<u>Internal Service Fund: Employee Benefits Fund</u> – The employee benefits fund accounts for revenues and expenses for the self-funded health and dental insurance coverage.

<u>Fiduciary fund types</u>: 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 operation.

Agency Funds – Agency funds include the school district activity fund.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting:

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty (60) days of the fiscal year end. For this purpose, the District considers revenues, other than property taxes, that are susceptible to accrual, to be available if they are collected within ninety (90) days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions are recorded only when the payment is due.

Property taxes, interest, tuition and fees, and amounts due from other governments 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.

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

Budgets and budgetary accounting:

The District is required by state law to prepare an annual budget. The District prepares its budget in accordance with the Oklahoma School District Budget Act. A budget is legally adopted by the Board of Education for all funds (with the exception of the agency funds) that includes revenues and expenditures. The approved budget creates an appropriation, which is the legal authority for the District to expend funds. In accordance with the School District Budget Act, the Board must adopt a budget by July 1 for the new fiscal year.

The original budget for FY 2014-15 was approved on June 26, 2014. The District amended the budget on September 9, 2014, February 9, 2015 and June 8, 2015.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Assets, liabilities, deferred inflows/outflows of resources and fund equity:

<u>Cash and cash equivalents</u> – Cash consists of cash on hand, demand deposit accounts, interest bearing checking accounts, less outstanding checks. The District considers highly liquid investments with original maturity of three months or less when purchased to be cash equivalents.

<u>Investments</u> – The District is allowed to invest in various instruments which are directly or indirectly guaranteed or insured by the United States government or the State of Oklahoma and warrants, bonds or judgments of the District. Investments are recorded at fair value generally based on quoted market prices or estimated fair values provided by brokerage statements. The net change in fair value of investments is recognized and reported as earnings (loss) on investments.

<u>Inventories</u> – Inventories are carried at cost, using the first-in, first-out method, and are recorded as expense when used. Inventories include books and supplies held for resale.

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

<u>Capital assets</u> – Capital assets, which include land, building, building improvements, equipment and fixtures, vehicles and construction in progress are reported in the government-wide financial statements. Land, buildings and building improvements are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for equipment and fixtures is \$1,000. Donated capital assets are recorded at estimated fair market value at date of donation.

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

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

Assets	Years
Buildings and building improvements	20-50
Equipment and fixtures	4-15
Vehicles	8

<u>Accounts payable</u> – Accounts payable represent amounts due to vendors for goods and services received by the District for which a payment has not been made.

<u>Salaries & wages payable</u> – Salaries and wages payable represent amounts due under employment contracts for which the services have been performed but payment has not yet been made.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

<u>Compensated absences</u> – A liability for compensated absences is recorded in the government-wide financial statement. The liability includes: Annual (Vacation) Leave; Annual Leave Bank, and 15 year Conditional Sick Leave.

Employees earn leave according to their classification and length of employment. Upon termination unused annual (vacation) leave is payable to the employee. Annual leave in excess of 90 days is transferred to "Annual Leave Bank" which is not available for current use, but is payable upon retirement or termination. Unused sick leave is not generally payable upon termination, and there is not a liability accrued for it.

The District has a Conditional Sick Leave payment for employee with over fifteen years of service. Accumulated unused sick leave, which is not reported to Oklahoma Teachers Retirement System for credit as a service year, is used for calculation of the Conditional Sick Leave payment upon retirement or termination.

<u>Long-term debt</u> – A liability for long-term debt is recorded in the government-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

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

<u>Deferred outflows/inflows of resources</u> - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents the consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2015, the government-wide financial statements included deferred outflows of resources related to pensions.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental fund balance sheet includes deferred inflows of resources related to unavailable property taxes, grants and tuition receivables and property taxes for the succeeding year; such receivables will be recognized as revenues in the governmental funds when they become available. At June 30, 2015, the government-wide financial statements included deferred inflows of resources related to pensions and property taxes for the succeeding year.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

<u>Equity classifications</u>: In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

- Net investment in Capital Assets: This consists of capital assets, net of accumulated depreciation plus deferred outflows of resources (if applicable) less outstanding balances of any bonds, notes, other borrowings, or deferred inflows of resources (if applicable) attributable to the acquisition, construction, or improvement of those assets.
- *Restricted Net Position*: Consists of net position that is legally restricted by outside parties or by law through constitutional provisions of enabling legislation.
- Unrestricted Net Position: This consists of net position that does not meet the definition of restricted net position or net investment in capital assets.

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- Nonspendable Fund Balance: The nonspendable fund balance classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash including inventories and prepaid amounts. It may also include the long-term amount of loans and receivables, as well as property acquired for resale and the corpus (principal) of a permanent fund.
- Restricted Fund Balance: The restricted fund balance classification should be reported when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

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

• Committed Fund Balance: The committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action (resolution) of the District's Board of Education. Also, such constraints can only be removed or changed by the same form of formal action.

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

District policy requires payment to retiring or terminating employees for annual leave bank and Conditional Sick Leave. The District commits a portion of fund balance for this purpose.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

 Assigned Fund Balance: The assigned fund balance classification reflects amounts that are constrained by the District's intent to be used for specific purposes, but meet neither the restricted or committed forms of constraint. Assigned fund balances cannot cause a deficit in unassigned fund balance. Board policy gives authority to the Director of Finance to assign fund balance for specific purposes.

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

• Unassigned Fund Balance: The unassigned fund balance classification is the residual classification for the General Fund only. It is also where negative residual amounts for all other governmental funds would be reported.

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

It is the District's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance are available. The District's policy for the use of unrestricted fund balance amounts require that the fund balance committed to cash flow cannot must be used last, other committed balances would be used first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for the purpose for this the amounts in any of those unrestricted fund balance classifications could be used.

Revenue and expenditures:

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

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

<u>State revenues</u> – Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, and Oklahoma Statutes. The State Board of Career and Technology Education administers the allocation of state aid funds to technology center districts. The state aid funding formula includes the following factors: enrollment, number of school sites in the district, number of approved programs, transportation and local resources.

After review and verification of reports and supporting documentation, the State Department of Career and Technology Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. The failure of a program to meet minimum standards may result in and adjustment of funding. Normally, such adjustments are treated as reductions from or additions to the revenue of the year when the adjustment is made.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Interest earnings - Represent compensation for the use of financial sources over a period of time.

<u>Reimbursements</u> – Reimbursements are receipts deposited into a fund that are not new revenues to the District, but the return of assets.

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

<u>Instructional support services expenditures</u> - Instructional support services expenditures provide technical and logistical support to facilitate and enhance instruction. These services include things such as counseling, library and media services, curriculum development and student transportation. These services exist as adjuncts for fulfilling the objectives of instructional programs rather than as entities within themselves.

<u>Support services – operational expenditures</u> - Operational support services expenditures provide administrative, technical and logistical support to facilitate and enhance instruction. These services include things such as business office, management information services, human resources, facility maintenance and administration. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs rather than as entities within themselves.

<u>Noninstructional services expenditures</u> – Activities concerned with providing non-instructional services to students, staff or the community. These services are primarily food, cafeteria, bookstore, and child development center resale operations.

<u>Facilities acquisition and construction services expenditures</u> – Consist of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

<u>Financial aid expenditures and other uses</u>– 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.

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

District's use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the District to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

New accounting pronouncements adopted in fiscal year 2015:

The District adopted two new accounting pronouncement during the year ended June 30, 2015 as follows:

 Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27 ("GASB No. 68"). GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. The District recorded the cumulative effect of adopting GASB Statements No. 68 and 71, totaling \$36,634,487, as an adjustment of governmental activities net position as of July 1, 2014.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

 Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 ("GASB No. 71"). GASB No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that the beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The adoption of GASB No. 71 resulted in the recording of a deferred outflow of \$3,760,737 at July 1, 2014.

New accounting pronouncements issued not yet adopted:

The GASB has issued several new accounting pronouncements which will be effective to District in fiscal years ended June 30, 2016 and 2017. A description of the new accounting pronouncements are described below:

- GASB Statement No. 72, Fair Value Measurement and Application (GASB No. 72) addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB No. 76): The objective of GASB No. 76 is to identify—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 and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.
- GASB Statement No. 77, *Tax Abatement Disclosures* (GASB No. 77) requires governments that enter into tax abatement agreements to disclose the following information about the agreements: brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; the gross dollar amount of taxes abated during the period; and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Governments may disclose information for individual tax abatement agreements, a reporting government should disclose: The names of the governments that entered into the agreements: the specific taxes being abated; and the gross dollar amount of taxes abated during the period period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The District is currently evaluating the impact that these new standards may have on its financial statements.

Note 2. Prior Period Restatement

The District adopted Governmental Accounting Standards Board (GASB) 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 No. 71 required the District to restate its net position as of July 1, 2014 upon adoption. This change effects the Government Wide Statements.

- a. Record net pension liability as of July 1, 2014.
- b. Record Deferred Outflow of Resources as of July 1, 2014 for contributions after the measurement date.

			Net Position		
	As originally				
	reported as of				Restated as of
	June 30, 2014	Note #	Increase	(Decrease)	July 1, 2014
Government Wide:					
Governmental Activities					
		a.	-	(40,395,224)	
		b.	3,760,737	-	
	93,559,430		3,760,737	(40,395,224)	56,924,943

Note 3. Cash, Cash Equivalents and Investments

<u>Custodial credit risk - deposits</u> – Custodial credit risk is the risk that in the event of failure of a counterparty, the District will not be able to recover its deposits. Deposits are exposed to credit risk if they are uninsured or uncollateralized. The District's policy requires that all deposits in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits. As of June 30, 2015, almost all of the District's deposits were federally insured by FDIC or NCUA. Amounts not insured or collateralized were not significant.

The District had cash deposits at financial institutions with a book balance of \$3,040,720 at June 30, 2015 including activity fund deposits. The bank balance of these deposits was \$4,517,732. The difference between the bank balance and book balance are the outstanding checks.

<u>Custodial credit risk - investments</u> - For an investment, custodial credit risk is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the District and are held by counterparty or the counterparty's trust department but not in the name of the District. The District's policy requires that all investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the investments. As of June 30, 2015, all of the District's investments were either federally insured by FDIC or NCUA or are invested in Federal securities. Further, all of the District's investments are held by its agent in the District's name. Accordingly, no investments are subject to custodial credit risk.

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

The District's investments consist of U.S. agency and instrumentality bonds, State of Oklahoma bonds and certificates of deposit, money market mutual funds, repurchase agreements, and qualified investment pools. The District also has an investment in a joint venture which is further discussed in Note 11. The District's investment policies are governed by state statute. The District's investments are carried at fair value.

<u>Credit risk</u> - Credit risk measures the ability of the issuer to meet its obligation. The District's investment policy is designed to minimize credit risk. The mutual funds held by the District are invested in the Fidelity Institutional Money Market Government Portfolio – Class II which is rated AAA-mf by Moodys and AAAm by Standard & Poor's. Oklahoma Bonds held by the District are rated by Moodys Aaa or Standard & Poor's AA. Investments in Federal Home Loan Banks (FHLB) and Fannie Mae (FNMA) are rated AA+ by Standard & Poor's. Other investments are in certificates of deposits, repurchase agreements, or Oklahoma liquid asset pool which are not rated.

<u>Concentration of Credit Risk</u> - The district policy does not limit the amount the District may invest in any one issuer. As of June 30, 2015 the District's investments were spread among issuers with less than 10 percent invested in any one issuer.

<u>Interest rate risk</u> - Interest rate risk is the risk that changes in interest rate will adversely affect the fair value on an investment. The length of an investment has an inverse relationship with interest rate risk. Short-term investments have very little interest rate risk. As the length of an investment increases, the interest rate risk also increases. The District strives to maintain a balance between the investment yield and acceptable interest rate risk.

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

The District's investments (including activity funds) have the following maturities and average yields:

	Investmen	t Maturities in Y	ears with Average	Yields	
					Total Fair
Category	< 1	1 - 3	3 - 5	> 5	Value
Mutual funds	98,656	-	-	-	98,656
Yield	0.2%				
Repuchase Agreements	15,014,669	-	-	-	15,014,669
Yield	0.3%				
Oklahoma School Liquid Asset Pool	601,494	-	-	-	601,494
Yield	0.03%				
Negotiable certificates of deposit	3,425,823	1,134,146	808,858	-	5,368,827
Yield	0.9%	1.8%	2.4%		
Oklahoma Bond Funds					
OHFA	205,150	336,022	151,144	342,315	1,034,631
ODFA	-	-	237,121	420,983	658,104
Yield	0.8%	2.3%	3.8%	4.4%	,
US Government Agencies					
FHLB	-	-	1,142,478	713,017	1,855,495
FNMA	-	-	-	1,386,572	1,386,572
Yield			2.0%	3.2%	
	\$ 19,345,792 \$	5 1,470,168	\$ 2,339,601 \$	2,862,887	\$ 26,018,448
					000 450
		Non		stment in CME	229,159
		INON-I	negotiable certificat		298,000
			Money market ac	-	502,214
		Total cach	ash equivalents ar	Cash deposits	3,040,720 \$ 30,088,541
		rotar cash, c	ash equivalents af		φ 30,000,341
То	tal governmental a				29,795,341
	Total activit	y funds cash, ca	ash equivalents, ar	nd investments	293,200
				-	\$ 30,088,541

Yields were calculated based on yield to maturity and original cost. A portion of the investments are callable – exercise of the call by the issuer may change the actual yield.

Notes to Financial Statements

Note 4. Receivables (Net of Allowance for Uncollectibles)

Below is the detail of receivables including the applicable allowances for uncollectible accounts:

	Governm	ental Funds	Proprietary Fund		
	General Building Fund Fund		Internal Service Fund	Total	
Interest receivable	\$ 14,965	\$ 19,600	\$-	\$ 34,565	
Property taxes	3,556,981	1,743,063	-	5,300,044	
Property taxes—succeeding year	34,730,087	17,686,117	-	52,416,204	
Receivables from other governments	147,464	-	-	147,464	
Other	316,987	-	-	316,987	
Due from activity fund	78,611	-	90	78,701	
Total gross receivables	38,845,095	19,448,780	90	58,293,965	
Less allowance	(2,936,813)	(1,514,774)	-	(4,451,587)	
Net receivables	\$ 35,908,282	\$ 17,934,006	\$ 90	\$ 53,842,378	

Succeeding year property tax receivables are recorded on the lien date of January 1st with the related revenue reported as a deferred inflow of resources and will not be recognized as revenue until the year for which it is levied.

At June 30, 2015, approximately \$3 million of receivables were considered to be unavailable and were recorded as deferred inflows of resources in the governmental fund statements. At June 30, 2015, approximately \$50 million of succeeding year property taxes were recorded as deferred inflows of resources in the governmental fund statements and government-wide statements.

Notes to Financial Statements

Note 5. Capital Assets and Property, Plant, and Equipment

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

		Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Governmental Activities						
Capital assets, not being depreciated:						
Land	\$	4,392,954	\$ 10,000	\$ -	\$ -	\$ 4,402,954
Construction in Progress		436,515	3,964,238	(731,040)	-	3,669,713
Capital assets, being depreciated:						
Site improvements		8,743,342	45,299	-	(13,975)	8,774,666
Building and improvements		106,693,182	175,349	731,040	-	107,599,571
Equipment and fixtures		17,961,321	2,133,383	-	(638,067)	19,456,637
Vehicles		1,254,083	17,240	-	(6,399)	1,264,924
Totals capital assets, being						
depreciated		134,651,928	2,371,271	731,040	(658,441)	137,095,798
Less accumulated depreciation for:						
Site improvements		(3,625,450)	(494,889)	-	13,975	(4,106,364)
Building and improvements		(33,524,783)	(2,953,340)	-	-	(36,478,123)
Equipment and fixtures		(11,261,519)	(1,525,803)	-	621,739	(12,165,583)
Vehicles		(1,046,734)	(91,918)	-	6,399	(1,132,253)
Total accumulated depreciation	_	(49,458,486)	(5,065,950)	-	642,113	(53,882,323)
Governmental activities capital						
assets, net	\$	90,022,911	\$ 1,279,559	\$ -	\$ (16,328)	\$ 91,286,142

Under the District's capitalization policy assets with a value of less than \$1,000, are not reported in the financial statements nor in depreciation calculations. As of June 30, 2015, the assets with a value of less than \$1,000, totaled \$8,649,132, which accounts for approximately nine percent of total assets.

Depreciation expense for the year ended June 30, 2015, was charged to functions/programs of the District as follows:

Governmental Activities	
Instruction	\$ 2,077,040
Support services—instructional	810,552
Support services—operational	1,823,742
Operation of non-instruction services	354,616
Total depreciation expense	\$ 5,065,950

Note 6. Interfund Receivables and Payables

On June 30, 2015, the Activity Fund had a balance due to the General Fund of \$78,611. This is shown as due from activity funds on the statement of net position and General fund balance sheet and as due to general fund in the statement of fiduciary assets and liabilities – agency fund.

Certain revenues are collected in the Activity Fund on behalf of the General Fund. These include tuition payments and resale revenue. The revenue, net of refunds, is transferred to the General Fund upon approval of the Board of Education.

Notes to Financial Statements

Note 7. Long-Term Liabilities

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

General long-term debt of the District normally would consist of building bonds payable. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund. The District had no outstanding bonds as of June 30, 2015.

Long-term liabilities of the District consists of lease purchase agreements and obligations for compensated absences. The obligations for compensated absences include accrued annual leave and certain contingent leave balances payable only upon retirement or termination. Payments for accrued annual leave and contingent leave are generally paid out of the General Fund.

	Beginning Balance Additions			Reductions	Ending Balance	Due in One Year	
Compensated Absences:							
Annual Leave	\$ 306,720	\$	497,320	\$ (489,740)	\$	314,300	\$ 314,300
Contingent Leave	898,411		125,450	(127,137)		896,724	100,000
	1,205,131		622,770	(616,877)		1,211,024	414,300
Lease Purchase Agreements:							
Bank of America Tranche I	6,411,888		-	(733,187)		5,678,701	764,920
Bank of America Tranche II	16,685,960		-	(1,519,539)		15,166,421	1,593,119
	 23,097,848		-	(2,252,726)		20,845,122	2,358,039
Total long-term debt	\$ 24,302,979	\$	622,770	\$ (2,869,603)	\$	22,056,146	\$ 2,772,339

The long-term liability balances and activity for the year were as follows:

Note 8. Lease Purchase Agreements and Operating Leases

Bank of America Tranche I - On November 28, 2008, Francis Tuttle entered into a ground lease of certain property at the Rockwell campus from Francis Tuttle to Bank of America. In addition, a lease purchase agreement from Bank of America to Francis Tuttle was executed. The lease purchase agreement provides construction financing for the Business and Industry Services Building being constructed on the Rockwell campus. The total amount financed under this agreement will be \$10,000,000. The lease purchase agreement matures on July 15, 2021.

The lease-purchase calls for twenty-four semi-annual payments starting January 2010 and ending in July 2021. The payments will be made out of the building fund. Francis Tuttle will gain ownership to the building incrementally as each payment is made.

Bank of America Tranche II - On November 15, 2009, Francis Tuttle entered into a ground lease of certain property at the Rockwell campus from Francis Tuttle to Bank of America. In addition, a lease purchase agreement from Bank of America to Francis Tuttle was executed. The lease purchase agreement provides construction financing for the Culinary Arts Building being constructed on the Rockwell campus. The total amount financed under this agreement will be \$20,000,000. The lease purchase agreement matures on January 15, 2023.

Notes to Financial Statements

Note 8. Lease Purchase Agreements and Operating Leases (Continued)

The lease-purchase calls for twenty-four semi-annual payments starting July 2011. The payments will be made out of the building fund. Francis Tuttle will gain ownership to the building incrementally as each payment is made.

The lease payments will be as follows:

	 BOA		BOA	_	
Fiscal Year	 Tranche I		Tranche II		Total
2015-16	\$ 1,000,000	\$	2,300,000	\$	3,300,000
2016-17	1,000,000		2,300,000		3,300,000
2017-18	1,000,000		2,300,000		3,300,000
2018-19	1,000,000		2,300,000		3,300,000
2019-20	1,000,000		2,300,000		3,300,000
2020-21	1,000,000		2,300,000		3,300,000
2021-22	575,019		2,300,000		2,875,019
2022-23	-		2,339,207		2,339,207
Total obligation	6,575,019		18,439,207		25,014,226
Less amounts representing interest	 (896,318)		(3,272,786)		(4,169,104)
Lease purchase payable	\$ 5,678,701	\$	15,166,421	\$	20,845,122
Current portion of lease payable	\$ 764,920	\$	1,593,119	\$	2,358,039

The gross amount of buildings acquired under the Bank of America Tranche I and Bank of America Tranche II capital leases was \$9,700,000 and \$19,500,000, respectively.

<u>Operating Lease</u>: The District has entered into a Lease Agreement for the Business Innovation Center. The initial Lease Term begins in July 2013 and continues through June 2023, depending upon annual ratification. Lease payments during FY 2014-15 were \$502,298. The annual lease payments for FY 2016-2023 range from approximately \$505,000 to approximately \$560,000.

Notes to Financial Statements

Note 9. Employee Retirement System

Oklahoma Teachers Retirement System

Plan description: The District participates in the 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 <u>www.ok.gov/TRS/</u>.

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.
- 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.

Notes to Financial Statements

Note 9. Employee Retirement System (Continued)

Contributions: The contribution requirements of OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. 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 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 contributions to OTRS in 2015, 2014, and 2013 were \$2,399,055, \$2,426,850, \$2,113,478, respectively, equal to the required contributions each year. The District's matching contributions to OTRS in 2015, 2014, and 2013, were \$27,795, \$31,650, and \$25,880 respectively. In addition, the District made contributions on behalf of it's full-time employees in in 2015, 2014, and 2013 were \$1,562,767, \$1,469,146, \$1,367,432, 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 \$136 thousand 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.

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 \$ 2 million. 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 \$30,363,204 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 0.56438585 percent.

Notes to Financial Statements

Note 9. Employee Retirement System (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$3,247,086. 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	-	500,476
Changes of assumptions	-	-
Net difference between projected and actual		
earnings on pension plan investments	-	7,348,413
District contributions subsequent to the measurement date	3,989,617	-
Total	3,989,617	7,848,889

Deferred pension outflows totaling \$3,989,617 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 \$7,348,413 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 \$500,476 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 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	(1,931,178)				
2017	(1,931,178)				
2018	(1,931,178)				
2019	(1,931,178)				
2020	(94,074)				
Thereafter	(30,104)				
	(7,848,889)				

Notes to Financial Statements

Note 9. Employee Retirement System (Continued)

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.

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:

		Long-Term Expected
	Target	Real Rate
Asset Class	Allocation	of Return
Domestic All Cap Equity*	7.0%	8.9%
Domestic Large Cap Equity	10.0%	8.5%
Domestic Mid Cap Equity	13.0%	9.2%
Domestic Small Cap Equity	10.0%	9.2%
International Large Cap Equity	11.5%	9.2%
International Small Cap Equity	6.0%	9.2%
Core Plus Fixed Income	17.5%	4.3%
High-yield Fixed Income	6.0%	6.7%
Private Equity	5.0%	10.1%
Real Estate**	7.0%	7.8%
Master Limited Partnerships	7.0%	10.1%
Total	100%	

*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)

Notes to Financial Statements

Note 9. Employee Retirement System (Continued)

Discount rate: The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 5 percent of sales, use and individual income taxes, as established by statute. Based on these assumptions, OTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following 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:

	1% Decrease	Current Discount	1% Increase
	(7.00%)	Rate (8.00%)	(9.00%)
District's net pension liability	42,656,319	30,363,204	19,987,395

Note 10. Employer Funded 403(b) Plan

The Francis Tuttle Technology Center 403(b) plan is a defined contribution plan under the Internal Revenue Code 403(b). The 403(b) plan accepts voluntary contributions for employees of Francis Tuttle Technology Center, up to annual limits set by the IRS. Employees are fully vested in all contributions, as they are made. The 403(b) plan allows the employee to select from Focus Financial or VOYA to receive and administer their contributions. Benefits are limited to the balance in each employee's account.

The District makes employer funded contributions to the 403(b) Plan for the senior management team. The amount of the employer contribution is set by the Board each year as a part of the compensation package and is documented in the employment contracts for the senior management team. The District contributed \$91,200 to the 403(b) plan during FY 2015.

Note 11. Joint Venture

The District participates in a partnership with the City of Edmond to operate the Center for Municipal Excellence (CME) to provide training to municipal workers.

The CME is governed by an Advisory Board with equal representation from the District and the City of Edmond. By agreement, each partner is required to make equal, ongoing, financial contributions, as well as provide in-kind support. The partners have equal interest in the assets of CME which consists of cash and cash equivalents and investments.

During Fiscal Year 2015, the District and the City of Edmond each contributed \$50,000 to the partnership. The District's share of CME's net loss was \$50,785 and is presented in earnings (loss) on investments in the accompanying financial statements. The District's equity interest in the partnership is \$229,159 at June 30, 2015.

Financial statements for CME are available upon request from the District's Finance office.

Notes to Financial Statements

Note 12. Risk Management

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

The District is a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program the District is required to, and has, on deposit 1.6 percent of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6 percent of their payroll if they elect to, but must contribute if their deposits fall below 1.6 percent. The money contributed by each District earns interest and is fully insured. If the District has claims in excess of the amount in its account, it will be liable for the excess.

The District operated a self-insured medical program for District employees, their eligible dependents and District retirees. This program was administered by an independent third party (TPA) and covers medical and dental expenses, as allowed under the plan definition. The District's self-insured medical program ended on December 31, 2014. Francis Tuttle Technology Center rejoined the fully insured health and dental program with the Oklahoma Employees Group Insurance effective January 1, 2015. All known claims against the District's self-insured plan were paid or accrued during fiscal year 2014-15. The remaining liability is \$35,051.

Note 13. Commitments and Contingencies

<u>Schedule of expenditure of federal awards</u>: The schedule shows the federal awards received and expended by the District during the 2014-15 fiscal year. The revised *OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations*, established uniform audit requirements for nonfederal entities which expended more than \$500,000 in federal awards. Amounts received or receivable from grantor agencies are subject to audit and adjustments 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.

<u>Litigation</u>: School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District settlement of which would have a material effect on the financial statements of the District.

<u>Commitments</u>: The District encumbers funds prior to ordering goods or services. At June 30, 2015, the District has encumbered funds (less encumbrances that lapsed after year-end) that total \$65,177 in the general funds and \$3,601,570 in the Building fund for goods or services not yet delivered. The encumbrances in the building fund are primarily commitments for on-going construction projects and for equipment that has been ordered but not delivered.

Required Supplementary Information

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

		Du	14					Variance
		Original	dget	Final	-	Actual		with Final Budget
Revenues collected:		Oliginal		1 mai		/101001		Duager
Property taxes	\$	31,975,000	\$	32,130,000	\$	32,388,486	\$	258,486
Tuition, fees and other local sources	Ŷ	4,109,000	Ŷ	4,389,000	Ŧ	4,415,494	Ŷ	26,494
State sources		4,212,000		4,244,000		4,298,893		54,893
Federal sources		2,315,000		2,383,000		2,206,639		(176,361)
Interest earnings		100,000		100,000		73,987		(26,013)
Non-revenue receipts		60,000		60,000		93,015		33,015
Total revenues collected		42,771,000		43,306,000		43,476,514		170,514
Expenditures:		19 567 050		19 606 939		10 107 510		(200,220)
Instruction		18,567,059		18,696,838		18,487,518		(209,320)
Support services - instructional		7,234,031 13,069,347		7,562,162 12,982,330		7,398,686		(163,476)
Support services - operational Operation of non-instructional		13,009,347		12,902,550		12,727,351		(254,979)
services		1,995,866		2 157 966		2,108,036		(40.920)
Facilities acquisition and		1,995,000		2,157,866		2,100,030		(49,830)
construction services								
Other outlays- reimbursement		-		- 5,000		2,447		(2 552)
Financial aid and other uses		- 1,875,000		1,893,000		1,795,363		(2,553)
								(97,637)
Total expenditures		42,741,303		43,297,196		42,519,401		(777,795)
Excess (deficiency) of								
revenues over (under)								
expenditures		29,697		8,804		957,113		948,309
Other financing sources (uses),								
Lapsed appropriations		-		-		333,361		333,361
Transfer out		(50,000)		(60,000)		(60,000)		-
Net change in fund								
balance		(20,303)		(51,196)	=	1,230,474		1,281,670
Fund balance, beginning of year (restated)						10,089,431	*	
Fund balance, end of year					\$	11,319,905	-	
-						, ,	=	
Reconciliation of statutory basis to GAAP ba	asis:					000 150		
Investment in joint venture						229,159		
Change in fair value of investments						(3,415)		
Inventories						190,600		
Revenue accrual net of portion recorded i		• •	S					
and net of portion deferred in fund stat	emen	ts				457,196		
Unearned revenues						(42,745)		
Reduce encumbrances to accounts payal						564,319		
Balances of deferred benefit fund are sho budgetary purposes, but combined with								
governmental funds						704,373		
Fund balance end of year GAAP basis					\$	13,419,392	-	
,					-		=	

* The beginning of year fund balance (budgetary basis) was restated to include prior year lapsed appropriations.

Budgetary Comparison Schedule - Building Fund Year Ended June 30, 2015

								Variance
		Budg	get		-			with Final
Deveryon a alla sta di		Original		Final		Actual		Budget
Revenues collected:	۴	40 404 000	۴	40.070.000	¢	40 470 045	۴	400.045
Property taxes	\$	16,184,000	\$	16,279,000	\$	16,472,645	\$	193,645
Other local sources		-		100,000		119,374		19,374
Federal sources		-		-		-		-
Interest earnings		125,000		125,000		107,576		(17,424)
Non-revenue receipts		-		-		4,100		4,100
Total revenues collected		16,309,000		16,504,000		16,703,695		199,695
Expenditures:								
Instruction		1,499,000		2,402,500		2,322,609		(79,891)
Support services		5,838,844		6,736,844		5,941,198		(795,646)
Operation of non-instruction		-,,-		-, -,-		-,- ,		(
services		20,000		145,000		135,246		(9,754)
Facilities acquisition and		-,		-,		, -		
construction services		9,004,270		9,707,270		9,134,501		(572,769)
Debt service		3,305,000		3,305,000		3,305,000		-
Correcting entry		-		5,000		20		(4,980)
Total expenditures		19,667,114		22,301,614		20,838,574		(1,463,040)
Excess (deficiency) of								
revenues over (under)								
expenditures		(3,358,114)		(5,797,614)		(4,134,879)		1,662,735
Other financing sources (uses), Lapsed appropriations		-		-		1,433,149		1,433,149
Net change in fund						1,100,110		1,100,110
balance		(3,358,114)		(5,797,614)	=	(2,701,730)		3,095,884
Fund balance, beginning of year (restated)						11,424,534	*	
Fund balance, end of year					\$	8,722,804	-	
					φ	0,722,004	=	
Reconciliation of statutory basis to GAAP ba	asis:							
Change in fair value of investments						38,950		
Revenue accrual net of portion deferred in	n fund	statements				151,875		
Reduce encumbrances to accounts payal						4,151,026		
Fund balance end of year GAAP basis					\$	13,064,655		
,					<u> </u>		=	

* The beginning of year fund balance (budgetary basis) was restated to include prior year lapsed appropriations.

Schedule of the District's Proportionate Share of the Net Pension Liability Oklahoma Teachers' Retirement System Last Ten Fiscal Years *

	As of	June 30, 2014
District's proportion of the net pension liability (asset)		0.5644%
District's proportionate share of the net pension liability (asset)	\$	30,363,204
District's covered-employee compensation	\$	23,443,816
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		129.51%
Plan fiduciary net position as a percentage of the total pension liability		72.43%

* Only the current fiscal year is presented using a June 30, 2014 measurement date because 10-year date is not yet available.

Required Contributions to Retirement System Year Ended June 30, 2015

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution Contributions in relation to the	\$ 2,426,850	\$ 2,293,898	\$ 2,142,559	\$ 2,014,364	\$ 1,914,932	\$ 1,868,361	\$ 1,666,925	\$ 1,465,715	\$ 1,208,563	\$ 1,031,669
statutorily required contribution	(2,426,850)	(2,293,898)	(2,142,559)	(2,014,364)	(1,914,932)	(1,868,361)	(1,666,925)	(1,465,715)	(1,208,563)	(1,031,669)
Contribution deficiency (excess)	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
District's covered-employee compensation	\$ 24,890,542	\$ 23,443,816	\$ 21,980,236	\$ 20,956,068	\$ 19,945,427	\$ 19,932,435	\$ 18,781,433	\$ 17,717,532	\$ 16,054,269	\$ 14,440,308
Contributions as a percentage of covered-employee payroll	9.75%	9.78%	9.75%	9.61%	9.60%	9.37%	8.88%	8.27%	7.53%	7.14%

Other Supplementary Information

Statement of Changes in Assets and Liabilities - Agency Fund Year Ended June 30, 2015

	 June 30, 2014 Balance	Additions	Deductions	June 30, 2015 Balance
Assets				
Cash	\$ 174,684	\$ 4,172,965	\$ (4,104,449)	\$ 243,200
Investments	50,000	-	-	50,000
Total assets	224,684	4,172,965	(4,104,449)	293,200
Liabilities				
Accounts payable	18,715	51,000	(37,436)	32,279
Due to general fund	54,219	3,468,805	(3,444,413)	78,611
Funds held for school organizations	 151,750	200,579	(170,019)	182,310
Total liabilities	\$ 224,684	\$ 3,720,384	\$ (3,651,868)	\$ 293,200



RSM US LLP

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*

Independent Auditor's Report

To the Board of Education Francis Tuttle Technology Center School District No. 21 Oklahoma City, 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 Francis Tuttle Technology Center School District No. 21 (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 February 4, 2016. The District's financial statements have been restated as of July 1, 2014 due to the implementation of GASB Statement Nos. 68 and 71 to recognize a net pension liability and deferred outflow of resources of the governmental activities. Our opinion was not modified with respect to this matter.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Oklahoma City, Oklahoma February 4, 2016



Report on Compliance For the Major Federal Program and Report on Internal Control Over Compliance

RSM US LLP

Independent Auditor's Report

To the Board of Education Francis Tuttle Technology Center School District No. 21 Oklahoma City, Oklahoma

Report on Compliance for the Major Federal Program

We have audited Francis Tuttle Technology School District No. 21's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2015. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

RSM US LLP

Oklahoma City, Oklahoma February 4, 2016

Schedule of Expenditures of Federal Awards

Allocations Expenditures

Year Ended June 30, 2015

		Pass-		Accrued			Accrued
Federal Grantor	Federal	Through	Program	or (Deferred)			or (Deferred)
Pass Through Agency	CFDA	Grantor's	or Award	Revenue at	Revenue		Revenue at
Program Title	Number	Number	Amount	July 1, 2014	Recognized	Expenditures	June 30, 2015
U.S. Department of Education							
Direct Programs							
PELL Grant 2013-2014 (P268K133980)	84.063	474	\$ 11,835	\$ -	\$ 11,835	\$ 11,835	\$ -
PELL Grant 2014-2015 (P268K143980)	84.063	474	1,530,793	-	1,530,793	1,530,793	-
PELL Grant 2015-2016 (P268K153980)	84.063	474	100,241	-	100,241	100,241	-
PELL Administrative Fee	84.063	474	-	-	2,745	2,745	-
FSEOG (P007A136077)	84.007	477	14,537	-	16,503	16,503	-
Federal College Work-Study (P033A136077)	84.033	476	15,000	-	11,199	11,199	-
Federal College Work-Study Admin Fee	84.033	476	-		1,835	1,835	-
Subtotal				-	1,675,151	1,675,151	-
Oklahoma Department of Career and Technology Education							
Carl Perkins	84.048	421	261,830	128,837	301,304	212,751	40,284
Oklahoma Department of Rehabilitation Services							
Project SEARCH (F003225)	84.126	456	-	-	84,336	102,507	18,171
US Department of Health and Human Services							
Oklahoma Department of Career and Technology Education							
Temporary Assistance to Needy Families	93.558	452	211,294	58,119	189,823	210,246	78,542
US Department of Defense							
Oklahoma Department of Career and Technology Education							
BID Assistance	12.002	436	13,179	-	13,051	13,051	-

(Continued)

Program Title	Number	Number	Amount	July 1, 2014	Recognized	Expenditures	June 30, 2015
National Science Foundation							
Oklahoma Department of Career and Technology Education							
National Science Foundation/Cyber Security	47.076	484	1,500	-	-	-	-
US Department of Labor							
Oklahoma Department of Commerce							
BRAC: General Familiarization	17.260	433.3690		344	344	-	-
Total federal financial assistance				\$ 187,300	\$2,264,009	\$ 2,213,706	\$ 136,997

Note: The above schedule of expenditures of federal awards includes the federal grant activity of Francis Tuttle Technology Center, School District No. 21 using the accrual basis of accounting.

The information is presented in accordance with the requirements of the OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organization.

Expenditures are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodifie	ed			
Internal control over financial reporting:				
 Material weakness(es) identified? 		Yes	\checkmark	No
 Significant deficiency(ies) identified 	?	Yes	\checkmark	None Reported
 Noncompliance material to financia 	Il statements noted?	Yes	\checkmark	No
Federal Awards				
Internal control over major programs:				
 Material weakness(es) identified? 		Yes	$\overline{\checkmark}$	No
 Significant deficiency(ies) identified 	J?	└── Yes		None Reported
Type of auditor's report issued on complia	ance for major programs: Unmodified			
 Any audit findings disclosed that an 	e required to be reported in accordance with			
Section 510(a) of Circular A-133?		Yes	\checkmark	No
Identification of major program:				
CFDA Number	Name of Federal Program or Cluster			
Student Financial Aid Cluster:				
84.063	Pell Grant Program			
84.007	Supplemental Educational Opportunity Grant			
84.033	College Workstudy			
Dollar threshold used to distinguish betwee	een type A and type B programs: \$300,000			

Auditee qualified as low-risk auditee?

(continued)

Ves No

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None reported.

III. Findings and Questioned Costs for Federal Awards None reported.

Summary Schedule of Prior Audit Findings Year Ended June 30, 2015

			Corrective Action or
Number	Comment	Status	Other Explanation

None reported.

FRANCIS TUTTLE TECHNOLOGY CENTER SCHOOL DISTRICT NO. 21 SCHEDULE OF ACCOUNTANTS' PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT Year Ended June 30, 2015

STATE OF OKLAHOMA COUNTY OF OKLAHOMA

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that that said firm did have, in full force and effect, Accountant's Professional Liability Insurance, in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with Francis Tuttle Technology Center School District No. I-21 for the audit year ended June 30, 2015.

RSM US LLP

Signature of Authorized Agent

Michael J. Gibson Printed Name of Authorized Agent

Subscribed and sworn to before me on this

2016 Dav of NOTARY PUBLIC

My commission expires on:

2016 Day of 1200329 Commission No.



