

**METRO TECHNOLOGY CENTERS
SCHOOL DISTRICT NO. 22,
OKLAHOMA COUNTY, OKLAHOMA**

**FINANCIAL STATEMENTS
AND REPORTS OF INDEPENDENT AUDITOR**

JUNE 30, 2015

Audited by

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

BROKEN ARROW, OK

**METRO TECHNOLOGY CENTERS
SCHOOL DISTRICT NO. 22, OKLAHOMA COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2015**

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METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Metro Technology Center School District No. 22
Oklahoma City, Oklahoma 73142

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metro Technology Center School District No. 22 (the District), Oklahoma County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and other schedules, on pages 3-9 and 29-32, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP

February 5, 2016

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

Our discussion and analysis of the Metro Technology Center, School District #22's (the District), performance provides an overview of the School District's financial activities for the year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follows this section. The 2014 balances included in this section have not been restated to reflect adoption of the new pension accounting standards discussed in Note 10.

USING THIS ANNUAL REPORT

The District is governed by a seven member elected board. The District is one of 29 technology centers under the coordinating body of the Oklahoma State System for Career and Technology Education. The District has four campuses and two satellite training sites. The District serves two public school districts, Oklahoma City and Crooked Oak, as well as business and industry and post-secondary students of the District.

The District provides three basic types of instruction:

Full-time Career Majors – The District offers over 100 full-time career majors within 15 of the 16 career clusters. These career majors are designed to lead to industry certifications, licensure, employment and/or continuing education.

Adult and Continuing Education – These classes are designed around specific curriculum providing an introduction to or enhanced knowledge of specific topics Continuing education and licensure classes are offered within 12 of the 15 career clusters.

Business and Industry Services – This division strives to meet the training and development needs of business and industry in the Oklahoma City metropolitan area.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements report the School District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds. For governmental activities, the fund statements tell how these services were financed in the short term as well as what remains for future spending.

FINANCIAL HIGHLIGHTS

The District's financial status was decreased from the last year. This decrease is primarily due to the implementation of GASB statement 68 which requires the District to include its proportionate share of the Oklahoma Teachers' Retirement System's unfunded pension liability. See Note 10 for further discussion of the effect of this implementation.

- Overall revenues were \$38.3 million and overall expenses were \$37.4 million
- The total costs of all District programs decreased 5.7%.
- The general fund reported an increase in fund balance of 52.75%.
- The building fund reported a decrease in fund balance of .48%
- The District's share of the cost sharing retirement plan net pension obligation increased long-term liabilities \$22.1 million .

Reporting the School District as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting,

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in them. You can think of the School District's net position – the difference between assets and liabilities – as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we report the following:

Governmental activities – The School District's basic services are reported here, including the educational activities for daytime high school and adults, short term training for adults, services and training for business and industry, and general administration. Also, the School District charges a fee to customers to help defray expenses involved in providing the services.

The format that is significantly different than a typical statement of revenues, expenses and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program report to the right. The result is a net (expense)revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the District's taxpayers. It also identifies how much each function draws from general revenues or if it is self-financing through fees, contributions and grants.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Some funds are required to be established by State law and by bond covenants. All of the School District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required and other supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

THE SCHOOL DISTRICT AS A WHOLE

	<u>2014</u>	<u>2015</u>
Current and Other Assets	\$ 9,492,703	\$ 10,027,429
Capital Assets	<u>31,672,994</u>	<u>30,344,670</u>
Total Assets	<u>\$ 41,165,697</u>	<u>\$ 40,372,099</u>
Deferred Outflows of Resources	<u>-</u>	<u>1,641,022</u>
Long-term Liabilities	\$ 12,597,251	\$ 34,138,831
Other Liabilities	<u>2,762,842</u>	<u>2,176,996</u>
Total Liabilities	<u>\$ 15,360,093</u>	<u>\$ 36,315,827</u>
Deferred Inflows of Resources	<u>-</u>	<u>6,932,765</u>
Net Position		
Invested in capital assets, net of debt	\$ 20,242,994	\$ 19,454,670
Restricted	5,673,101	1,923,580
Unrestricted	<u>(110,491)</u>	<u>(22,613,721)</u>
Total Net Position	<u>\$ 25,805,604</u>	<u>\$ (1,235,471)</u>

Net Position. The District's combined net position, as restated, was less on June 30, 2015, than the year before – decreasing from \$25.8 million to a deficit of \$1.2 million. Most of this change is mainly due to the recognition of the net pension liability as required by GASB 68, described in Note 10 to the financial statements. The increase in deferred outflows of resources is primarily attributed to implementation of GASB 68 which requires deferral to a future year the expense related to pension payments made during 2015. The increase in deferred inflows of resources is primarily due to implementation of GASB 68 which requires certain changes in the net pension liability to be deferred and recognized in expense in future years. The increase in noncurrent liabilities is primarily due to the net pension liability added for the District's portion of the unfunded liability of the Teachers Retirement System.

For the years ended June 30, 2015 and 2014, net position changed as follows:

	<u>2014</u>	<u>2015</u>
Beginning net position	\$ 27,627,406	\$ (2,133,520)
Revenues		
Program revenues		
Charges for services	3,786,801	3,281,745
Operating Grants /contributions	3,830,428	3,277,673
General revenues		
Property taxes	24,960,052	26,272,498
Federal and State grants	4,638,968	4,638,968
Gain (Loss) from disposals	(72,726)	45,557
Investment earnings	4,562	4,017
Other Revenue	<u>696,527</u>	<u>781,924</u>
Total revenues	<u>\$ 37,844,612</u>	<u>\$ 38,302,382</u>
Expenses		
Program expenses		
Instruction	\$ 11,414,887	\$ 9,024,033
Support services	21,237,981	20,729,091
Non-instruction	1,104,822	973,159
Facilities and construction	932,026	1,937,346
Other uses	2,555,411	2,287,987
Interest on long-term debt	469,891	449,476
Depreciation-unallocated	<u>1,951,396</u>	<u>2,003,241</u>
Total expenses	<u>\$ 39,666,414</u>	<u>\$ 37,404,333</u>
Increase (Decrease) in net position	<u>(1,821,802)</u>	<u>898,049</u>
Change due to implementation GASB 68	<u>(27,939,124)</u>	
Ending net position	<u>\$ (2,133,520)</u>	<u>\$ (1,235,471)</u>

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

Changes in Net Position The District’s total revenues increased 1.21 percent to \$38.3 million. Property taxes accounted for most of the increase. Property taxes accounted for 5.26 percent of the increase with decreases in charges for services and operating grants/contributions.

Total expenses were less than revenues, increasing net position \$.9 million over the past year. The District’s total expenditures decreased by 5.7 percent to \$37.4 million. .

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is provided. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the School District’s taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

District Sources of Revenue:

Ad Valorem property tax	Taxes for current year and prior years, revenue in lieu of taxes
Interest	Interest earning of investments and taxes
Tuition and Fees	Tuition and fees for Full-time adult classes, Short-term adult classes, Safety Training, Industry Specific, Assessment, Quality Management, and Health Certification
Local Sources	Rental of school facilities and property, sale of surplus equipment, bookstore revenue, reimbursement for insurance loss recoveries, damages to school property, rebates, and fiscal agent expenses.
State Revenue	Formula operation, Existing Industry Initiative, training for industry programs, Safety Training, Welfare to Work, and Professional Development
Federal Revenue - Grants	TANF Grant and Carl Perkins Grants

THE SCHOOL DISTRICT’S FUNDS

The following schedule presents a summary of general, special revenue (building fund), other governmental fund (activity fund), and expenditures for the fiscal year ended June 30,2015 and 2014.

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

Revenues:	2014	Percent	2015	Percent
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>
Property Taxes	\$ 25,268,266	66.30%	\$ 26,252,865	68.67%
Interest	4,421	0.01%	3,875	0.01%
Tuition and Fees	2,674,644	7.02%	1,806,664	4.73%
State Revenue	5,285,009	13.87%	5,244,483	13.72%
Federal Sources	3,063,452	8.04%	3,315,674	8.67%
Miscellaneous	<u>1,817,209</u>	4.77%	<u>1,607,758</u>	4.21%
Total Revenues	<u>\$38,113,001</u>	<u>100%</u>	<u>\$ 38,231,319</u>	<u>100%</u>

Note that 2014 amounts have been adjusted to include financial aid.

Total revenue increased \$118,318. Increase in property valuation led to an increase in property tax revenue.

Expenditures

- Instruction Expenditures for direct classroom activities

- Support Services Expenditures for administrative, technical and logistical support to facilitate and enhance education.

- Non-Instructional Services Activities concerned with providing non-instructional services to students, staff, or community.

- Facilities Activities involved with the acquisition of land buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; improvements to sites; and equipment. These expenditures are included below in capital outlay and debt service.

Expenditures:	2014	Percent	2015	Percent
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>
Instruction	11,519,404	29.78%	9,599,009	25.99%
Support Services	21,571,462	55.77%	21,129,366	57.22%
Non-Instructional Services	1,105,563	2.86%	985,407	2.67%
Capital Outlay and Debt Service	1,926,553	4.98%	2,927,508	7.93%
Other Outlays	<u>2,555,411</u>	<u>6.61%</u>	<u>2,287,987</u>	<u>6.20%</u>
Total Expenditures	<u>\$ 38,678,393</u>	<u>100.00%</u>	<u>\$ 36,929,277</u>	<u>100.00%</u>

Note that 2014 amounts have been adjusted to include financial aid

The decrease in expenditures is due to a shift in timing of teacher contract payments, A/P decrease in outstanding at year end and compensated absence decrease due to retirements

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the General Fund budget had to be revised due to increase in local revenue sources. Additional collections of prior year ad valorem and adjustment to initial fund balance estimate contributed to the budget revisions. State revenue decreased due to declining collections. Employees and departments were asked to spend their assigned budget wisely as economic conditions continued to show instability. The District was able to have a \$2.8 million fund balance at the end of the fiscal year.

Metro Technology Center formally adopted a budget on June 3, 2014. An amended budget was adopted on June 25, 2015 which increased the overall budget by \$702,300. There were increases in beginning fund balance of \$291,000 and Ad Valorem of \$412,000 with the final revised ad valorem tax certification.

CAPITAL ASSETS

At the end of June 30, 2015, the School District had \$30 million invested in capital assets (see table below). This represents a net decrease of \$1.32 million or 4.2 percent, over the previous fiscal year.

	Capital Assets at Year-end (Net of depreciation)	
	<u>2014</u>	<u>2015</u>
Land	\$ 1,700,590	\$ 1,700,590
Computers	139,499	204,717
Buildings	27,390,364	26,295,620
Equipment	1,874,386	1,526,847
Furniture	21,818	14,406
Vehicles/Buses	546,337	602,562
	<u>\$ 31,672,994</u>	<u>\$ 30,344,742</u>

LONG-TERM LIABILITIES

On December 1, 2009, the District entered into a lease purchase agreement with Oklahoma Industries Trust. The agreement called for the Trust to issue \$13.4 million in Lease Revenue Bonds. The proceeds of these bonds was used to fund the construction of the Metro College and Career Academy Building.

By the terms of the agreement, the lease payments are guaranteed with Metro Technology Center’s Building Fund ad valorem collections. The payments are approximately 1.03 million per year for 20 years. Semi-annual payments were made in the year ended June 30, 2015. The amount of the capitalized lease at June 30, 2015 was \$10,890,000.

Net Pension Liability

Implementation of GASB Statement 68 (See note 10), resulted in the recognition of the District’s long-term obligation for pension benefits as a liability. The District’s share of the Teachers’ Retirement System’s net pension liability as of June 30, 2015 was \$22,115,235. This was a decrease of \$7,306,886 from the prior year (2013) primarily due to investment gains by the Teachers’ Retirement System in 2014, which was the

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

measurement year for the net pension liability as of June 30, 2015. See Note 4 for additional information on the net pension liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

For FY16, the State Department of Education has instituted 12.5% budget cuts through the state formula allocations. For FY17, the Oklahoma legislature is projecting a budget failure due to revenue shortfalls nearing \$1 billion, this primarily due to the decline in oil prices affecting the energy sector. Oklahoma Governor, Mary Fallin, indicated there will be cuts of 6% to career tech funding in FY17. However, Metro Technology Centers will receive an increase in ad valorem collections in FY17 due to the annexation of Millwood Public Schools to our district. The increase in ad valorem should help offset the state allocation cuts.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, Business Office at Metro Technology Center, 1900 Springlake Drive, Oklahoma City, Oklahoma 73111.

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash	\$ 7,718,375
Property taxes receivable (net)	446,842
Due from other governments	238,429
Other receivables	97,194
Restricted cash	1,526,589
Nondepreciated capital assets	1,700,590
Depreciated capital assets, net of depreciation	<u>28,644,080</u>
 Total assets	 <u>40,372,099</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>1,641,022</u>
LIABILITIES	
Accounts payable and other current liabilities	683,675
Salaries payable	213,870
Accrued interest payable	217,811
Long-term obligations	
Due within one year	1,061,640
Due beyond one year	<u>34,138,831</u>
 Total liabilities	 <u>36,315,827</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred oinfloWS of resources related to pensions	<u>6,932,765</u>
NET POSITION	
Net Investment in capital assets	19,454,670
Restricted for:	
Buildings	521,687
Debt service	1,302,886
School organizations	99,007
Unrestricted	<u>(22,613,721)</u>
 Total Net Position	 <u>\$ (1,235,471)</u>

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Functions/programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net position
				Total Governmental Activities
Governmental activities:				
Instruction	\$ 9,024,033	\$ 2,590,749	\$ 1,326,012	\$ (5,107,272)
Support services	20,729,091	26,389	-	(20,702,702)
Non-instruction services	973,159	664,607	-	(308,552)
Facilities and construction	1,937,346	-	-	(1,937,346)
Student Financial Aid	1,951,661	-	1,951,661	-
Other uses	336,326	-	-	(336,326)
Interest on long-term debt	449,476	-	-	(449,476)
Depreciation - unallocated	2,003,241	-	-	(2,003,241)
Total school district	<u>\$ 37,404,333</u>	<u>\$ 3,281,745</u>	<u>\$ 3,277,673</u>	<u>(30,844,915)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				17,134,267
Property taxes, levied for building purposes				9,138,231
State aid - formula grants				4,638,968
Gain from asset disposal				45,557
Other revenue				781,924
Interest income				4,017
Total general revenues				<u>31,742,964</u>
Change in Net position				898,049
Net position, beginning of year, as restated				<u>(2,133,520)</u>
Net position, end of year				<u>\$ (1,235,471)</u>

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Building Fund	Other Governmental Fund Activity Fund	Totals Governmental Funds
ASSETS				
Cash	\$ (979,035)	\$ 1,071,544	\$ 99,008	\$ 191,517
Pooled cash and investments	3,999,350	3,533,402	-	7,532,752
Property taxes receivable, net	255,121	191,721	-	446,842
Other receivables	97,194	-	-	97,194
Due from other governments	238,429	-	-	238,429
Total assets	<u>\$ 3,611,059</u>	<u>\$ 4,796,667</u>	<u>\$ 99,008</u>	<u>\$ 8,506,734</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	196,358	487,317	-	683,675
Compensated Absences	470,373	36,267	-	506,640
Salaries Payable	213,870	-	-	213,870
Total liabilities	<u>880,601</u>	<u>523,584</u>	<u>-</u>	<u>1,404,185</u>
Deferred Inflows of resources:				
Deferred intergovernmental	154,397	19,633	-	174,030
Total deferred inflows of resources	<u>154,397</u>	<u>19,633</u>	<u>-</u>	<u>174,030</u>
Fund balances				
Restricted	-	4,253,450	99,008	4,352,458
Committed	-	-	-	-
Assigned	1,735,047	-	-	1,735,047
Unassigned	841,014	-	-	841,014
Fund balances, end of year	<u>2,576,061</u>	<u>4,253,450</u>	<u>99,008</u>	<u>6,928,519</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,611,059</u>	<u>\$ 4,796,667</u>	<u>\$ 99,008</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$75,655,325 and the accumulated depreciation is \$24,117,109. 30,344,670

Property taxes receivable and other receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds 174,029

Net pension obligation is not due and payable in the current period and, therefore is not reported in the funds (22,115,235)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds (5,291,743)

Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Capital lease payable	\$ 10,890,000	
Restricted assets held	(1,520,697)	
Accrued interest	217,812	
Compensated absences	1,688,596	(11,275,711)

Total net assets - governmental activities \$ (1,235,471)

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Other Governmental Fund Activity Fund	Totals Governmental Funds
Revenues				
Property taxes	\$ 17,134,268	\$ 9,118,597	\$ -	\$ 26,252,865
Interest	3,875	-	-	3,875
Tuition and fees	1,806,664	-	-	1,806,664
State revenue	5,244,482	-	-	5,244,482
Federal revenue	3,315,674	-	-	3,315,674
Other	1,351,882	12,810	243,067	1,607,759
Total revenues	<u>28,856,845</u>	<u>9,131,407</u>	<u>243,067</u>	<u>38,231,319</u>
Expenditures				
Current				
Instruction	8,802,451	571,080	225,478	9,599,009
Support services	15,497,260	5,632,106	-	21,129,366
Non-instruction services	969,357	16,050	-	985,407
Capital outlay	-	2,927,508	-	2,927,508
Student Financial Aid	1,951,661	-	-	1,951,661
Other outlays	331,223	5,103	-	336,326
Total expenditures	<u>27,551,952</u>	<u>9,151,847</u>	<u>225,478</u>	<u>36,929,277</u>
Other Financing Sources (Uses)				
Operating Transfers In	53,986	-	-	53,986
Operating Transfers Out	-	-	(53,986)	(53,986)
Total Other Financing Sources (Uses)	<u>53,986</u>	<u>-</u>	<u>(53,986)</u>	<u>-</u>
Net Change in Fund Balance	1,358,879	(20,440)	(36,397)	1,302,042
Beginning fund balance	<u>1,217,182</u>	<u>4,273,890</u>	<u>135,405</u>	<u>5,626,477</u>
Ending fund balance	<u>\$ 2,576,061</u>	<u>\$ 4,253,450</u>	<u>\$ 99,008</u>	<u>\$ 6,928,519</u>

See Notes to Financial Statements

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Total net changes in fund balances - governmental funds \$ 1,302,042

The change in nets assets reported in the statement of activities is 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 allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceed capital outlays during the period.

Capital Outlays	\$ 676,527	
Depreciation Expense	<u>(2,003,240)</u>	(1,326,713)

Because the cost of capital assets acquired are reported in governmental funds as expenditures in the year of purchase, the proceeds from their sale are reported as revenue. However, the costs of these assets must be included as a reduction of the sales proceeds in the statement of activities.

(1,611)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead counted as deferred revenues. They are however, recorded as revenues in the statement of activities.

19,633

Because some receipts of grant revenue will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead counted as deferred revenues. They are however, recorded as revenues in the statement of activities.

(830)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year, vacation and sick leave earned exceeded amounts used.

18,655

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

346,048

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources. Some expenses do not require current financial resources so therefore are not reported as expenditures in the governmental funds

Accrued Interest	13,849	
Change in Lease Reserve	(13,024)	
New Capital Leases	-	
Payments on Capital Leases	<u>540,000</u>	540,825

Change in net position of governmental activities

\$ 898,049

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metro Technology Center School District No. 22 (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 of the Oklahoma Statutes.

The Reporting Entity

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 governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District. The District has not identified any component units that should be include in the District's reporting entity

Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental Activities include programs primarily supported by taxes, State aid, grants and other intergovernmental revenue. The District does not have any activities classified as business-type activities.

In the government-wide Statement of Net Position, the District's governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – net investment in capital assets; restricted net position and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's programs and functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Direct expenses are those that are clearly identifiable with a specific function. Program revenues must be directly associated with the function. Charges for services include charges and fees to students, or customers who purchase, use or directly benefit from the goods, services, or privileges provided by a given function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs are normally covered by general revenue (property taxes, State and Federal aid, other taxes etc.).

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

Basic Financial Statements – Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. The fund financial statements provide reports on the financial condition and results of operations of governmental fund category.

The District reports the following major governmental funds:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes and various state appropriations. Expenditures include the costs associated with the daily operations of the District.

Building Fund is used to account for monies derived from the building fund levy and rental of facilities to be used for erecting, remodeling, repairing or maintaining school buildings, paying energy and utility costs; paying fire and casualty insurance premiums for school facilities, security systems and personnel.

Additionally, the District reports the following fund:

Activity Fund – The District accounts for resources collected from student or extracurricular activities including admission fees, concession income, fund raising and dues. The Board of Education exercises control over all of these funds.

Basis of Accounting

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

Accrual: The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred. Property taxes are recognized as revenue in the year in 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.

Modified Accrual: The funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. “Available” means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

NOTES TO FINANCIAL STATEMENTS

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

School buildings	50 years
Site improvements	20 years
Equipment and computers	5-10 years
Vehicles	8 years
Other equipment	10-15 years

Compensated Absences

The District accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations.

Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. The District by resolution of the Board of Education has adopted the School District Budget Act. This Act requires that within the thirty-day period preceding the beginning of each fiscal year, a budget shall be approved by the governing body. The original budget is to be amended after the June financial activity has been recorded, the annual Foundation and Salary Incentive Aid allocation has been released, and the property tax valuations have been certified for all affected counties within the district.

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Fund that includes revenue and expenditures.

Cash

The District considers all cash on hand, demand deposits, money market checking and certificates of deposit, held at an individual bank which are subject to early withdrawal penalties no matter what the maturity period, to be cash. All short-term cash surpluses are maintained in a cash pool, excluding the Activity Fund, and investments are pooled into one common pooled account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash account or investment account has an equity therein. Interest earned on the investment of these monies is deposited to the general fund. An individual fund's pooled cash and investments are available upon demand. State statutes require collateral for deposits in excess of insured amounts. The collateral's market value must exceed the insured deposit.

NOTES TO FINANCIAL STATEMENTS

Investments

The District's investment policies are governed by state statute. Permissible investments include:

1. Direct obligations of the United States Government and Agencies
2. Obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged
3. Certificates of deposit of savings and loan associations and bank and trust companies secured by acceptable collateral
4. Savings accounts or savings certificates of savings and loan associations that are fully insured
5. County, municipal and school district direct debt obligations
6. Money market mutual funds regulated by the Securities and Exchange Commission
7. Warrants, bonds or judgments of the school district
8. Qualified pooled investment programs

Property Tax Revenues

The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

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

Property taxes receivable by the District include uncollected taxes assessed as of October 1, 2014 and earlier. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of the property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Property tax receivables are net of an allowance for uncollectible taxes of \$- in the general fund and \$- in the building fund. The allowance represents the estimated amount that is deemed uncollectible based on past collection history.

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

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

Deferred inflows of resources are reported in the statement of net position for (1) the actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is amortized to pension expense over a total of 5 years, including the current year. (2) the difference between expected and actual experience that the pension plan actuary uses to develop expectations

NOTES TO FINANCIAL STATEMENTS

such as future salary increases and inflation. This deferred inflow of resources is amortized to pension expense over the average expected remaining service life of the Plan. (3) The changes in assumptions used by the actuary is amortized to pension expense over the average expected remaining service life of the Plan.

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

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

State Revenues

Revenues from state sources for current operations are primarily governed by the joint resolution of the Oklahoma House of Representatives and Senate. The Oklahoma Department of Career and Technical Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 14% of the District's revenue comes from state sources.

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

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

Use of Estimates

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

Net Position and Fund Balance

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

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

NOTES TO FINANCIAL STATEMENTS

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

Restricted for School Organizations – The component of net assets that report the assets restricted for use by student organizations and extracurricular activities.

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

Governmental Fund Financial Statements

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District does not have any funds classified as nonspendable as of June 30, 2015.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Building Fund revenue from levy as being restricted because the use is restricted by State Statute for capital expenditures.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified school program activities as being committed because their use is imposed by the Board of Education regarding use of the funds.
- Assigned: This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the superintendant through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned interest earnings to the funds where earned for the purposes defined by the fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

NOTES TO FINANCIAL STATEMENTS

On-behalf Payments – The State of Oklahoma makes direct payments to Oklahoma Teachers Retirement System on behalf participating schools. The pro rata portion of the payment attributable to the District is recognized in these financial statements as an addition to state revenues and recording the related expense.

Subsequent Event - The District has evaluated subsequent events through March 18, 2015, the date which the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

Deposits

At June 30, 2015, the bank balance of deposits, cash investments and cash pools was \$8,490,036.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require collateral for all deposits in excess of federally insured amounts. The District policy for custodial credit risk requires compliance with the provisions of state law. At June 30, 2015, the District was not exposed to custodial credit risk.

Investments

As of June 30, 2015, \$1,520,697 restricted cash consists of combination of government money market mutual funds and FDIC insured savings accounts held by trustee bank. These funds are classified as investments for the purposes of disclosure requirements and therefore, are not subject to custodial credit risk. For presentation on the face of the statement of net position, these funds are classified as cash.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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.

Credit Risk – Investments

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. The District does not have a formal policy limiting its exposure arising from concentrations of investments.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Concentration of Credit Risk

The District places no limit on the amount the district can invest in any one issuer other than the limitations on types of investments contained in state law.

NOTE 3 - LONG-TERM LIABILITIES

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

NOTES TO FINANCIAL STATEMENTS

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Compensated absences	<u>\$ 2,367,673</u>	<u>\$ 645,809</u>	<u>\$ 818,246</u>	<u>\$ 2,195,236</u>	<u>\$ 506,640</u>
Capital leases					
Oklahoma Industries Trust	11,430,000	-	540,000	10,890,000	555,000
	<u>\$ 13,797,673</u>	<u>\$ 645,809</u>	<u>\$ 1,358,246</u>	<u>\$ 13,085,236</u>	<u>\$ 1,061,640</u>
Net Pension Liability				<u>22,115,235</u>	
Total governmental activity long-term liabilities				<u>\$ 35,200,471</u>	

Payments on the leases are made through the building fund with property taxes. Compensated absences are liquidated by the fund where the employee's normal compensation is recorded.

On December 1, 2009, the District entered into a lease purchase agreement with the Oklahoma Industries Trust (an Oklahoma public trust). The purpose of this agreement was to construct and equip a new 57,000 square foot facility to house the Metro College and Career Academy. This facility is located on existing Metro Technology Center property and is designed to provide classroom and other space for alternative education students.

The lease purchase agreement requires the District to make monthly base rental payments, commencing January 25, 2010. According to the agreement, the District shall only be liable for the payment of base rental payments according to the amounts scheduled to be due within each of its fiscal years. This obligation is specifically subject to the annual renewals of the lease and the availability of funds in the District's building fund in sufficient amounts to make required payments under the lease.

Base rental payments are due monthly and are 1/12th of the principal and interest payments due on the certificates of participation for each 12 month period and are reset annually.

The District's interest expense for 2015 was \$449,476.

Leased buildings in capital assets at June 30, 2015, include the following:

Buildings	\$ 14,012,490
Less accumulated depreciation	<u>(1,429,167)</u>
	<u>\$ 12,583,323</u>

Amortization of leased buildings under capital assets is included with depreciation expense.

The debt matures as follows:

NOTES TO FINANCIAL STATEMENTS

<u>Year Ended June 30,</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>	<u>Interest Rate</u>
Oklahoma Industries Trust				
2016	\$ 555,000	\$ 448,749	\$ 1,003,749	3.000%
2017	570,000	432,099	1,002,099	3.250%
2018	590,000	413,574	1,003,574	3.400%
2019	610,000	393,514	1,003,514	3.600%
2020	630,000	37,155	667,155	3.750%
2021-2030	<u>7,935,000</u>	<u>2,057,042</u>	<u>9,992,042</u>	3.6-4.625%
	<u>\$10,890,000</u>	<u>\$3,782,133</u>	<u>\$14,672,133</u>	

Future minimum lease payments are:

<u>Year Ended June 30,</u>	<u>Lease Payments</u>
2016	\$ 1,003,749
2017	1,002,099
2018	1,003,574
2019	1,003,514
2020	667,155
2021-2030	<u>9,992,042</u>
	<u>\$14,672,133</u>

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM

Teachers' Retirement System of Oklahoma

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

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

- Members become 100% vested in benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining 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 2% of final compensation for each year of credited service.

NOTES TO FINANCIAL STATEMENTS

- Final compensation for members who joined the System prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. For members joining the System after June 30, 1992, final compensation is defined as the average of the five highest consecutive years of annual compensation in which contributions have been made. Final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending upon member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation.
- Upon death, the designated beneficiary of a member who has not retired shall receive total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. The surviving spouse may elect to receive the retirement benefit of the member, in lieu of the aforementioned benefits.
- Upon death of a retired member, the System will pay \$5,000 to the designated beneficiary in addition to the benefits provided by the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon withdrawal from the system, a member's contributions are refundable with interest, based on the years of service.

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2015, qualifying employee contributions were reduced by a retirement credit of \$103,026 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2015, the District had a statutory contribution rate of 9.5% plus 8.25% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2015, the District contributions to the System for were \$1,641,022.

The State of Oklahoma, a non-employer contributing entity, provides funds through 5% of the State's sales, use, corporate and individual income taxes collected. The System receives 1% of the cigarette taxes collected by the State and 5% of net lottery proceeds collected by the State. The District's estimated share of these contributions based on their covered payroll for the measurement period was \$53,728.

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 \$22,115,235 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 that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of the contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.41107405%, which was the same as its proportion measured as of June 30, 2013.

For the year ended June 30 2015, the District recognized pension expense of \$1,294,974. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 364,525
Changes of assumptions	-	1,215,976
Net difference between projected and actual earnings on pension plan investments	-	5,352,264
District contributions subsequent to the measurement date	<u>1,641,022</u>	<u>-</u>
	<u>\$ 1,641,022</u>	<u>\$ 6,932,765</u>

\$1,641,022 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended	
2016	\$ 1,636,273
2017	1,636,273
2018	1,636,273
2019	1,636,273
2020	298,207
Thereafter	<u>89,466</u>
	<u>\$ 6,932,765</u>

Actuarial assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry Age Normal
- Amortization Method – Level Percentage of Payroll
- Amortization Period – Amortization over an open 30-year period
- Asset Valuation Method – 5-year smooth market
- Inflation – 3.00%
- Salary Increases – Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return – 8.00%
- Retirement Age – Experience-based table of rates based on age, service, and gender.
- Mortality – RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July, 2005 to June, 2009.

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

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS

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

Discount rate –A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2013 and 2014. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection also assumed the state’s contribution plus the matching contributions will remain a constant percent of the projected member payroll based on the past five years of actual contributions.

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

District's			
Proportionate share			
of the net pension			
liability	\$ 31,284,249	\$ 22,115,235	\$ 14,658,804

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/>.

NOTE 5 - CONTINGENCIES AND COMMITMENTS

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

The District is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District believes the resolution of these matters will not have a material adverse effect on the financial condition of the District. Should a judgment be awarded against the District, it would be levied through the District’s sinking fund over a three-year period pursuant to state law.

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three 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% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to, but must contribute if their deposits fall below 1.6%. The money contributed by each district earns interest and is fully insured. If the District claims in excess of the amount in its account, it will be liable for the excess.

NOTE 8 - CAPITAL ASSETS

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,700,590	\$ -	\$ -	\$ 1,700,590
Total capital assets not being depreciated	<u>1,700,590</u>	<u>-</u>	<u>-</u>	<u>1,700,590</u>
Capital assets being depreciated:				
Buildings and improvements	43,583,632	-	-	43,583,632
Furniture, fixtures and equipment	11,017,485	410,433	171,296	11,256,622
Vehicles/buses	2,211,237	266,094	53,824	2,423,507
Total capital assets being depreciated	<u>56,812,354</u>	<u>676,527</u>	<u>225,120</u>	<u>57,263,761</u>
Less accumulated depreciation for:				
Buildings and improvements	16,193,267	1,094,744	-	17,288,011
Furniture, fixtures and equipment	8,981,783	698,555	169,686	9,510,652
Vehicles/buses	1,664,900	209,941	53,823	1,821,018
Total accumulated depreciation	<u>26,839,950</u>	<u>2,003,240</u>	<u>223,509</u>	<u>28,619,681</u>
Total capital assets being depreciated, net	<u>29,972,404</u>	<u>(1,326,713)</u>	<u>1,611</u>	<u>28,644,080</u>
Governmental activity capital assets, net	<u>\$ 31,672,994</u>	<u>\$ (1,326,713)</u>	<u>\$ 1,611</u>	<u>\$ 30,344,670</u>

Depreciation expense was not allocated to the various functions because the District believes all functions are supported equally.

NOTE 9 – FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30,2015, fund balances, other than unassigned are composed of the following:

NOTES TO FINANCIAL STATEMENTS

	General	Building Fund	Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Restricted			
Buildings	\$ -	\$4,253,450	\$ -
Student Activities	-	-	99,008
Assigned			
2016 Budget	1,735,047	-	-
District Programs	841,014	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$2,576,061</u>	<u>\$4,253,450</u>	<u>\$ 99,008</u>

NOTE 10 – NEW GASB STANDARDS

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

As a result of implementing GASB 68, the District restated previously reported net position by decreasing it \$27,753,026. A beginning net deferred outflow of \$1,669,095 and net pension liability of \$29,422,121 were recognized. The effect on prior year amounts is not readily determinable because amounts as of June 30, 2013 were provided only as a beginning balance of the net pension liability.

NOTE 11 – PRIOR PERIOD RESTATEMENT

Governmental Activities: The Government-Wide statements, has been restated by \$186,098 due to an error in cash balance reported. In addition, as described in Note 10, the implementation of GASB 68 resulted in a restatement. These adjustments decreased net position for the prior year by \$27,939,124.

General Fund: The beginning fund balance of the General Fund has been restated by \$186,098 due to an error in cash balance reported. This adjustments decreased fund balance for the prior year

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	<u>Variance with Final Budget</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Budgetary fund balance, July 1	<u>\$ 1,500,000</u>	<u>\$ 1,790,602</u>	<u>1,548,949</u>	<u>\$ 290,602</u>	<u>\$ (241,653)</u>
Resources (inflows)					
Property taxes	15,900,000	16,311,691	17,027,661	411,691	715,970
Interest	10,000	10,000	3,875	-	(6,125)
Tuition and fees	2,760,000	2,760,000	1,806,664	-	(953,336)
State revenue	5,242,968	5,242,968	5,134,918	-	(108,050)
Federal revenue	507,000	507,000	3,360,382	-	2,853,382
Other	<u>1,320,000</u>	<u>1,320,000</u>	<u>1,589,389</u>	<u>-</u>	<u>269,389</u>
Total resources	<u>25,739,968</u>	<u>26,151,659</u>	<u>28,922,889</u>	<u>411,691</u>	<u>2,771,230</u>
Amounts available for appropriation	<u>27,239,968</u>	<u>27,942,261</u>	<u>30,471,838</u>	<u>702,293</u>	<u>2,529,577</u>
Charges to appropriations (outflows)					
Instruction	10,117,500	10,117,500	9,033,136	-	1,084,364
Support services - Instructional	4,037,500	4,037,500	4,419,338	-	(381,838)
Support services - Noninstructional	10,070,000	10,070,000	11,026,468	-	(956,468)
Non-instruction services	1,425,000	1,425,000	963,360	-	461,640
Other outlays and debt service	<u>1,589,968</u>	<u>2,292,261</u>	<u>2,228,898</u>	<u>702,293</u>	<u>63,363</u>
Total charges to appropriations	<u>27,239,968</u>	<u>27,942,261</u>	<u>27,671,200</u>	<u>702,293</u>	<u>271,061</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,800,638</u>	<u>\$ -</u>	<u>\$ 2,800,638</u>
Accounts receivable not recognized as revenue for budgetary basis			436,348		
Accounts Payable not recognized as expenditures for budgetary basis			(190,552)		
Compensated Absences not recognized as expenditures for GAAP basis			<u>(470,373)</u>		
Fund Balance, End of year GAAP Basis			<u>2,576,061</u>		

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
BUDGETARY COMPARISON SCHEDULE – BUILDING FUND (UNAUDITED)
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	
	Original	Final		Original to Final	Final to Actual
Budgetary fund balance, July 1	<u>3,600,000</u>	<u>3,590,000</u>	\$ 3,494,425	\$ (10,000)	\$ (95,575)
Resources (inflows)					
Property taxes	8,600,000	8,668,240	9,019,629	68,240	351,389
Other	<u>150,000</u>	<u>150,000</u>	<u>12,810</u>	<u>-</u>	<u>(137,190)</u>
Total resources	<u>8,750,000</u>	<u>8,818,240</u>	<u>9,032,439</u>	<u>68,240</u>	<u>214,199</u>
Amounts available for appropriation	<u>12,350,000</u>	<u>12,408,240</u>	<u>12,526,864</u>	<u>58,240</u>	<u>118,624</u>
Charges to appropriations (outflows)					
Instruction	850,000	850,000	427,389	-	422,611
Support services	5,775,500	5,775,500	5,138,568	-	636,932
Non-instruction services	35,000	35,000	16,050	-	18,950
Capital outlay and Debt Service	<u>5,689,500</u>	<u>5,747,740</u>	<u>2,334,808</u>	<u>58,240</u>	<u>3,412,932</u>
Total charges to appropriations	<u>12,350,000</u>	<u>12,408,240</u>	<u>7,921,918</u>	<u>58,240</u>	<u>4,486,322</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	\$ 4,604,946	\$ -	\$ 4,604,946
Accounts receivable not recognized as revenue for budgetary basis			172,088		
Accounts Payable not recognized as expenditures for budgetary basis			(487,317)		
Compensated Absences not recognized as expenditures for GAAP basis			<u>(36,267)</u>		
Fund Balance, End of year GAAP Basis			<u>4,253,450</u>		

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (UNAUDITED)
YEAR ENDED JUNE 30, 2015

	<u>2014</u>	<u>2013</u>
District's portion of the net pension liability (asset)	0.41107405%	0.41107405%
District's proportionate share of the net pension liability (asset)	22,115,235	29,422,121
District's covered employee payroll	17,028,811	17,330,242
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	129.87%	169.77%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	62.18%

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
SCHEDULE OF DISTRICT CONTRIBUTIONS
UNAUDITED)
YEAR ENDED JUNE 30, 2015

	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,617,737	\$ 1,646,373
Contributions in relation to the contractually required contribution	1,617,737	1,646,373
Contribution deficiency (excess)	-	-
District's covered payroll	17,028,811	17,330,242
Contributions as a percentage of Covered employee Payroll	9.50%	9.50%

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

Note 1: Budgeting and Budgetary Control

The District is required by state law to prepare an annual budget. The District by resolution of the Board of Education has adopted the School District Budget Act. This Act requires that within the thirty-day period preceding the beginning of each fiscal year, a budget shall be approved by the governing body. The original budget is to be amended after the June financial activity has been recorded, the annual Foundation and Salary Incentive Aid allocation has been released, and the property tax valuations have been certified for all affected counties within the district.

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Fund that includes revenue and expenditures.

Note 2: Budgetary Basis of Accounting

Under the budgetary basis of accounting, revenues are recognized when they are received rather than earned. Purchases of materials, outside services and capital outlays are recognized as expenditures when the commitment to purchase is made (encumbered).

Note 3: Changes of Assumptions

The actuarial assumptions used in the 2014 valuation were based upon 2009 Experience Investigation Study Report. The current actuarial assumptions were adopted by the TRS Board of Trustees in September 2010 and first utilized in June 30, 2010 actuarial valuation report. The retirement assumption was modified after the experience investigation study to incorporate the change in retirement eligibility for members hired on or after November 1, 2011.

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Deferred Revenue (Accounts Receivable) 6/30/14	Federal Grant Receipts	Total Grant Expenditures	Matching Expenditures	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) 6/30/15
U.S. Department of Education								
Direct Programs-Student Financial Aid								
Federal Pell Grant Program 2014-15	84.063	474	\$ -	\$ 1,369,104	\$ 1,369,104	\$ -	\$ 1,369,104	\$ -
Federal Pell Grant Program 2013-14	84	474	-	3,534	3,534	-	3,534	-
Pell Admin Fee	84.063	n/a	-	1,950	1,950	-	1,950	-
Direct Student Loans 2013-14	84.268	471	-	103,484	103,484	-	103,484	-
Direct Student Loans 2014-15	84.268	471	-	1,188,401	1,188,401	-	1,188,401	-
Total Student Financial Aid Cluster			-	2,666,473	2,666,473	-	2,666,473	-
Carl Perkins Vocational Education Act								
Passed through Oklahoma Department of Career Technology Education								
Carl Perkins Secondary	84.048	421	(26,617)	242,707	254,445		254,445	(38,355)
Carl Perkins Supplemental	84.048	424	(10,687)	32,138	23,444		23,444	(1,993)
Tech Centers That Work	84.048	429	(12,000)	20,167	11,500		11,500	(3,333)
Total Pass Through Programs			(49,304)	295,012	289,389	-	289,389	(43,681)
Total U.S. Department of Education			(49,304)	2,961,485	2,955,862	-	2,955,862	(43,681)
U.S. Department of Health and Human Services								
Passed through Oklahoma Department of Human Services and Oklahoma Department of Career Technology Education								
TANF Job Readiness	93.558	456	(21,847)	71,751	98,944	3,944	95,000	(45,096)
TANF/HIRE	93.558	452	(85,987)	221,091	310,155	25,398	284,757	(149,653)
Total U.S. Department of Health and Human Services			(107,834)	292,842	409,099	29,342	379,757	(194,749)
Total Expenditures of Federal Awards			\$ (157,138)	\$ 3,254,327	\$ 3,364,961	\$ 29,342	\$ 3,335,619	\$ (238,430)

Note 1 Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of Metro Technology Center, School District No. 22 (the District). The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organization*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net assets of the District.

Note 2 Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

February 5, 2016

The Honorable Board of Education
Metro Technology Center School District No. 22
Oklahoma City Oklahoma 73142

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metro Technology Center School District No. 22 (the District), Oklahoma County, Oklahoma, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 5, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

February 5, 2016

The Honorable Board of Education
Metro Technology Center School District No. 22
Oklahoma City Oklahoma 73142

Report on Compliance for Each Major Federal Program

We have audited Metro Technology Center School District No. 22, Oklahoma City Oklahoma's, (the District), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the accompanying schedule of audit results, findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP

METRO TECHNOLOGY CENTER
SCHOOL DISTRICT NO. 22, OKLAHOMA COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Section 1 - Summary of Auditor's Results

1. An unqualified opinion was issued on the financial statements in respect to accounting principles generally accepted in the United States.
2. The audit disclosed no significant deficiencies in the internal controls over financial reporting that were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.
4. The audit disclosed no significant deficiencies in the internal controls over major programs.
5. An unqualified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. Programs determined to be major were Pell grants (84.063) and Direct Student Loans (84.268), which were clustered in the determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The auditee was determined to be a low-risk auditee.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS

None

Section 3 – Findings and questioned costs for federal awards

None

METRO TECHNOLOGY CENTER
SCHOOL DISTRICT NO. 22, OKLAHOMA COUNTY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2015

2014-1 Financial Reporting/Reconciling

The district has significantly improved on the financial reporting component. Reconciliation procedures have been implemented and are functioning, therefore being able to provide financial information to management on a more timely basis.

METRO TECHNOLOGY CENTER
SCHOOL DISTRICT NO. 22, OKLAHOMA COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE
AFFIDAVIT
JULY 1, 2014 TO JUNE 30, 2015

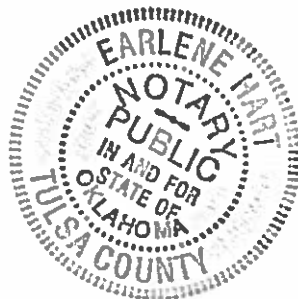
State of Oklahoma)
) ss
County of Tulsa)

The undersigned auditing firm of lawful ages, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Metro Technology Center School for the audit year 2014-2015.

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

By Jeffrey D. Hewett
Authorized Agent

Subscribed and sworn to before me
This 5th day of February, 2016



Earlene Hart
Notary Public (or Clerk or Judge)

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