



Financial Statements
June 30, 2014

Moore Norman Technology Center School District No. 17

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Independent Auditor's Report

To the Board of Education
Moore Norman Technology Center School District No. 17
Norman, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Moore Norman Technology Center School District No. 17 (the District), as of and for the year ended June 30, 2014, 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 Moore Norman Technology Center School District No. 17, as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule – General Fund and Building Fund on pages 4 through 10 and 28 through 29 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 accountants' professional liability insurance affidavit is presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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 Organization*, and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2015 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 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.

Eide Bailly LLP

Oklahoma City, Oklahoma
February 11, 2015

Our discussion and analysis of the Moore Norman Technology Center, School District #17's, performance provides an overview of the School District's financial activities for the year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follows this section.

USING THIS ANNUAL REPORT

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 improved from the last year. Total net position increased 6 percent over the course of the year.

- Overall revenues were \$34.7 million and overall expenses were \$31.6 million
- The District's net assessed valuation increased by \$41.19 million or 2.41 percent.
- The District decreased its outstanding long-term debt \$0.62 million, or 4.5 percent.

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, 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, Childcare Center and Bookstore activities.

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.

THE SCHOOL DISTRICT AS A WHOLE

	<u>2013</u>	<u>2014</u>
Current and Other Assets	\$ 12,857,815	\$ 16,413,719
Capital Assets	53,046,521	52,291,342
Total Assets	<u>\$ 65,904,336</u>	<u>\$ 68,705,061</u>
Long-term Liabilities	\$ 11,263,556	\$ 10,068,596
Other Liabilities	3,675,522	4,509,719
Total Liabilities	<u>\$ 14,939,078</u>	<u>\$ 14,578,315</u>
Net Position		
Invested in capital assets	\$ 39,869,975	\$ 40,262,714
Restricted	3,846,453	5,844,697
Unrestricted	7,248,830	8,019,334
Total Net Position	<u>\$ 50,965,258</u>	<u>\$ 54,126,745</u>

Net Position. The District's combined net position was larger on June 30, 2014, than they were the year before – increasing by 6.2% from \$50.9 million to \$54.1 million. Most of this improvement is mainly due to capital outlays to purchase or build capital assets, and the recognition of property taxes earned, even though not yet collected.

The District's improved financial position is a product of many factors. Growth during the year in taxes was a significant contributor to this improvement.

Moore Norman Technology Center School District No. 17
Management's Discussion and Analysis (Unaudited)
June 30, 2014

For the years ended June 30, 2014 and 2013, net position changed as follows:

	<u>2013</u>	<u>2014</u>	Percent Change
Beginning net position	\$ 49,354,190	\$ 50,965,258	
Revenues			
Program revenues			
Charges for services	2,650,809	2,370,233	
Operating grants/contributions	2,210,747	2,163,121	
General revenues			
Property taxes	24,147,879	26,413,723	
Federal and State grants	3,089,665	3,267,730	
Gain from disposals	-	16,949	
Investment earnings	4,369	1,790	
Other revenue	78,369	496,873	
Total revenues	<u>\$ 32,181,838</u>	<u>\$ 34,730,419</u>	<u>7.92%</u>
Expenses			
Program expenses			
Instruction	9,622,510	10,409,538	
Support services	16,384,922	16,670,390	
Non-instruction	2,103,942	2,126,837	
Interest on long-term debt	603,744	539,605	
Depreciation-unallocated	1,855,652	1,822,562	
Total expenses	<u>\$ 30,570,770</u>	<u>\$ 31,568,932</u>	<u>3.27%</u>
Increase in net position	<u>1,611,068</u>	<u>3,161,487</u>	<u>96.24%</u>
Ending net position	<u>\$ 50,965,258</u>	<u>\$ 54,126,745</u>	6.20%

Changes in Net Position. The District's total revenues increased 1.12 percent to \$34.7 million. Property taxes and federal financial aid accounted for most of the increase. Property taxes accounted for 76 percent of the District's collections. Another 7 percent came from tuition and fees.

Total revenues surpassed expenses, increasing net position \$3.1 million over the past year.

The District's total expenditures decreased by 3.5 percent to \$31.5 million. The District's expenses are primarily related to education, training and support of students and business clients (92.5%).

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:

Moore Norman Technology Center School District No. 17
Management's Discussion and Analysis (Unaudited)
June 30, 2014

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
Federal Revenue	Student Financial Aid PELL Grants

THE SCHOOL DISTRICT'S FUNDS

The following schedules present a summary of general, special revenue (building fund), other governmental fund (activity fund), revenue and expenditures for the fiscal year ended June 30, 2014 and 2013.

Revenues:

	2013 Amount	Percent of Total	2014 Amount	Percent of Total
Property Taxes	\$ 24,103,438	74.26%	\$ 26,307,727	75.86%
Interest	4,262	0.01%	1,790	0.01%
Tuition and Fees	1,888,014	5.82%	1,457,533	4.20%
State Revenue	3,436,336	10.59%	3,698,881	10.67%
Federal Sources	843,822	2.60%	521,865	1.50%
Federal Sources - Student Financial Aid	925,361	2.85%	895,095	2.58%
Miscellaneous	1,256,318	3.87%	1,797,810	5.18%
Total Revenues	\$ 32,457,551	100%	\$ 34,680,701	100%

The declining economic conditions have led to a decrease in interest rates for investments. The declining economic conditions have also allowed for decreases in state funded Formula Operations, Existing Industry Initiatives and TIP projects. Reduction and elimination of some Carl Perkins grants along with the leveling off of Pell enrollments has caused a decrease in Federal funding. Economic growth within the School District and increase in property valuation led to increases in property taxes revenue.

Moore Norman Technology Center School District No. 17
Management's Discussion and Analysis (Unaudited)
June 30, 2014

Expenditures are classified as follows:

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:				
	2013 Amount	Percent of Total	2014 Amount	Percent of Total
Instruction	\$ 13,563,546	41.74%	\$ 10,859,935	32.78%
Support Services	12,778,463	39.32%	16,782,432	50.65%
Non-Instructional Services	768,018	2.36%	893,961	2.70%
Capital Outlay and Debt Service	4,313,117	13.27%	3,566,087	10.76%
Other Outlays	1,075,953	3.31%	1,031,316	3.11%
Total Expenditures	\$ 32,499,097	100.00%	\$ 33,133,731	100.00%

The increases in expenditures for Support Services from FY 2013 to FY 2014 are due to increases in salary and benefit costs, as well as the addition of new equipment. There was a decrease in our Capital Outlays and Debt Service category expenditures. The decrease was a result of paying off the long-term debt on our South Penn Campus. MNTC incurred some increased costs in our food service management area, which is reported under the Non-instructional Services category.

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. 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 \$5.86 million fund balance at the end of the fiscal year.

Moore Norman Technology Center formally adopted an amended budget on September 19, 2013, which increased the overall budget by \$520,000. There were increases in Ad Valorem of \$515,000 with the final revised ad valorem tax certification. There were also decreases in anticipated state revenue of \$59,000 and a decrease in federal revenue of \$20,000.

CAPITAL ASSETS

At the end of June 30, 2014, the School District had \$74.7 million invested in capital assets before depreciation (see table below). This represents a net increase of \$1.0 million or 1.3 percent, over the previous fiscal year.

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 2,052,163	\$ 2,052,163	\$ 2,052,163	\$ 2,052,163
Construction in Progress	52,278	-	-	14,532,865
Buildings and Improvements	65,716,336	65,219,150	64,600,233	44,627,432
Furniture and Equipment	5,843,041	5,412,688	5,280,019	4,620,356
Automobiles	1,098,276	1,068,110	1,068,110	1,060,935
Totals	<u>\$ 74,762,094</u>	<u>\$ 73,752,111</u>	<u>\$ 73,000,525</u>	<u>\$ 66,893,751</u>

See Note 3 for additional information on capital assets.

LONG-TERM LIABILITIES

IT Building Construction Project

On September 17, 2009, Moore Norman Technology Center entered in a lease agreement with the Cleveland County Public Facilities Authority. The agreement called for the Authority to issue \$15,490,000 in Lease Revenue Bonds. The proceeds of these bonds were used to partially fund the construction of the new building at the Franklin Road Campus, 4701 12th Avenue NW, Norman, OK. The District used local funds to complete the construction project and equip the facility.

By the terms of the agreement, the lease payments are guaranteed with Moore Norman Technology Center's Building Fund ad valorem collections. The payments are approximately \$1.3 to \$1.7 million per year for 10 years. Semi-annual payments were made in the year ended June 30, 2014. The amount of the capitalized lease at June 30, 2014 was \$9,017,500.

Equipment Lease/Purchase Agreements

On September 28, 2011, Moore Norman Technology Center entered in an equipment lease/purchase agreement with MR, Inc. The agreement called for MR, Inc. to issue \$3,500,000 in lease/purchase funds. The proceeds were used to partially fund the construction and equip the new building at the Franklin Road Campus, 4701 12th Avenue NW, Norman, OK.

By the terms of the agreement, the lease payments are guaranteed with Moore Norman Technology Center's General Fund ad valorem collections. The payment is \$935,105.10 per year for four (4) years. The amount of the capitalized lease at June 30, 2014 was \$1,796,806.

On December 30, 2013, Moore Norman Technology Center entered in a second equipment lease/purchase agreement with MR, Inc. The agreement called for MR, Inc. to issue \$1,750,000 in lease/purchase funds. The proceeds are being used to fund technology and other equipment purchases.

By the terms of the agreement, the lease payments are guaranteed with Moore Norman Technology Center's Building Fund ad valorem collections. The payment is \$611,835 per year for three (3) years. The amount of the capitalized lease at June 30, 2014 was \$1,750,000.

See Note 4 for additional information on long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

While state revenues are showing some growth this year, next year's budget is predicted to have a no increase or even possible cuts due to a shortfall of funds on the state level. Our local ad valorem assessed valuation has increased by \$41,192,936 or 2.41%, including the Oklahoma City Community City overlap area. However, due to the passage of two state questions in November of 2012, the growth in ad valorem collections will be at a much slower rate.

Due to continued economic stagnation, there has been no improvement in the employment situation with our local businesses. Although the economy continued its no growth pattern, we have experienced a slight increase in adult training enrollment. Long-term programs were full, but waiting lists for educational services remain about the same as past years. With the increased graduations requirements for high school students, we continue to monitor our secondary enrollment numbers.

The District will need to proceed with caution in Fiscal Year 2014. Given the instability of the state and national economies, virtually no change in the unemployment rates, the impact on our enrollment and local budget are very uncertain at this time.

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 Superintendent's Office at Moore Norman Technology Center, PO Box 4701, Norman, OK 73070.

Moore Norman Technology Center School District No. 17
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Cash	\$ 116,206
Investments	11,578,931
Property taxes receivable (net)	3,477,107
Due from other governments	582,232
Other receivables	123,565
Restricted cash	535,678
Nondepreciable capital assets	2,104,441
Depreciable capital assets, net of depreciation	<u>50,186,901</u>
Total assets	<u>68,705,061</u>
Liabilities	
Accounts payable and other current liabilities	855,275
Salaries payable	656,547
Long-term obligations	
Due within one year	2,997,898
Due beyond one year	<u>10,068,596</u>
Total liabilities	<u>14,578,316</u>
Net Position	
Net investment in capital assets	40,262,714
Restricted for:	
Buildings	5,728,491
School organizations	116,206
Unrestricted	<u>8,019,334</u>
Total Net Position	<u><u>\$ 54,126,745</u></u>

Moore Norman Technology Center School District No. 17

Statement of Activities

For the Year Ended June 30, 2014

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	\$ 10,409,538	\$ 1,458,231	\$ 623,241	\$ (8,328,066)
Support services	16,670,390	757,947	653,867	(15,258,576)
Non-instruction services	2,126,837	154,055	740,099	(1,232,683)
Interest on long-term debt	539,605	-	145,914	(393,691)
Depreciation - unallocated	1,822,562	-	-	(1,822,562)
Total school district	<u>\$ 31,568,932</u>	<u>\$ 2,370,233</u>	<u>\$ 2,163,121</u>	<u>(27,035,578)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				17,594,772
Property taxes, levied for building purposes				8,818,951
State aid - formula grants				3,057,487
Federal aid - formula grants				210,243
Gain from asset disposal				16,949
Other revenue				496,873
Interest income				1,790
Total general revenues				<u>30,197,065</u>
Change in net position				3,161,487
Net position, beginning of year				<u>50,965,258</u>
Net position, end of year				<u>\$ 54,126,745</u>

Moore Norman Technology Center School District No. 17
Balance Sheet – Governmental Funds
June 30, 2014

	General Fund	Building Fund	Other Governmental Fund - Activity Fund	Totals Governmental Funds
Assets				
Cash	\$ -	\$ -	\$ 116,206	\$ 116,206
Pooled cash and investments	6,673,309	4,905,622	-	11,578,931
Restricted cash	-	535,678	-	535,678
Property taxes receivable, net	2,294,753	1,182,354	-	3,477,107
Other receivables	123,565	-	-	123,565
Due from other governments	582,232	-	-	582,232
Total assets	\$ 9,673,859	\$ 6,623,654	\$ 116,206	\$ 16,413,719
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	418,141	\$ 344,458	\$ -	\$ 762,599
Salaries payable	641,520	15,027	-	656,547
Total liabilities	1,059,661	359,485	-	1,419,146
Deferred inflows of resources				
Deferred property taxes	2,173,521	1,123,154	-	3,296,675
Deferred grant revenue	582,232	-	-	582,232
Total deferred inflows of resources	2,755,753	1,123,154	-	3,878,907
Fund Balances				
Fund balances				
Restricted	-	4,478,221	-	4,478,221
Committed	935,105	-	109,606	1,044,711
Assigned	399,355	662,794	6,600	1,068,749
Unassigned	4,523,985	-	-	4,523,985
Fund balances, end of year	5,858,445	5,141,015	116,206	11,115,666
Total Liabilities and Fund Balances	\$ 9,673,859	\$ 6,623,654	\$ 116,206	
Amounts Reported for Governmental Activities in the Statement of Net Position Are Different Because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$74,762,094 and the accumulated depreciation is \$22,470,752.				52,291,342
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				3,878,907
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	\$ 12,564,306		
	Accrued interest	99,768		
	Compensated absences	495,096		(13,159,170)
Total Net Position - Governmental Activities				\$ 54,126,745

Moore Norman Technology Center School District No. 17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Building Fund	Other Governmental Fund - Activity Fund	Totals Governmental Funds
Revenues				
Property taxes	\$ 17,536,277	\$ 8,771,450	\$ -	\$ 26,307,727
Interest	533	1	1,256	1,790
Tuition and fees	1,457,533	-	-	1,457,533
State revenue	3,698,881	-	-	3,698,881
Federal revenue	1,271,046	145,914	-	1,416,960
Other	982,304	454,527	360,979	1,797,810
Total revenues	24,946,574	9,371,892	362,235	34,680,701
Expenditures				
Instruction	9,425,571	1,434,364	-	10,859,935
Support services	11,877,045	4,548,699	356,688	16,782,432
Non-instruction services	866,988	26,973	-	893,961
Capital outlay	-	660,410	-	660,410
Other outlays	1,031,316	-	-	1,031,316
Debt service				
Interest and fees paid	72,117	470,572	-	542,689
Principal retirement	862,988	1,500,000	-	2,362,988
Total expenditures	24,136,025	8,641,018	356,688	33,133,731
Excess of revenues over expenditures	810,549	730,874	5,547	1,546,970
Other Financing Sources (Uses)				
Proceeds of Capital Lease	-	1,750,000	-	1,750,000
Total Other Financing Sources (Uses)	-	1,750,000	-	1,750,000
Net Change in Fund Balance	810,549	2,480,874	5,547	3,296,970
Beginning fund balance	5,047,896	2,660,141	110,659	7,818,696
Ending fund balance	\$ 5,858,445	\$ 5,141,015	\$ 116,206	\$ 11,115,666

Moore Norman Technology Center School District No. 17
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2014

Total net changes in fund balances - governmental funds			\$ 3,296,970
The change in net position 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 exceeds capital outlays during the period.			
	Capital Outlays	\$ 1,067,383	
	Capital Outlays Financed	(747)	
	Depreciation Expense	<u>(1,822,562)</u>	(755,926)
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 inflows of resources. They are however, recorded as revenues in the statement of activities.			
			105,493
Because some receipts of grant revenue will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds and are, instead counted as deferred inflows of resources. They are, however, recorded as revenues in the statement of activities.			
			(55,274)
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 used exceeded amounts earned.			
			(45,847)
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	\$ 3,083	
	New Capital Leases	(1,750,000)	
	Payments on Capital Leases	<u>2,362,988</u>	616,071
Change in net position of governmental activities			<u>\$ 3,161,487</u>

Note 1 - Summary of Significant Accounting Policies

The Moore Norman Technology Center School District No. 17 (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 Education and is financially dependent on the State of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70 of the Oklahoma Statutes.

The District's financial statements are prepared in accordance with generally accepted accounting principles promulgated by The Governmental Accounting Standards Board (GASB).

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. There are no component units included within the 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 position 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.

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.

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 fund 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.

Capital Assets - Capital assets purchased or acquired with an original cost of \$2,500 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
Business machines and computers	5-10 years
Vehicles	8 years
Other equipment	10-15 years

Compensated Absences - All employees earn sick leave starting the first day of the contract year as defined for each individual. Sick leave is accrued at different rates depending on number of contract days worked. Unused sick leave is cumulative up to 70 days. A full-time employee may be absent from duties for personal business for three days per fiscal year at no loss of pay. All personnel are entitled to annual leave, accruing on a monthly basis at different rates of accrual. Only annual leave is payable to the employee at termination.

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 Building 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.

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, 2010 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 \$10,800 in the general fund and \$10,940 in the building fund. The allowance represents the estimated amount that is deemed uncollectible based on past collection history.

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 11% 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.

Deferred Inflows of Resources - The District's governmental funds 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(s). The District will not recognize the related revenues until a future event occurs. The District has only one type of item which occurs because governmental fund revenues are not recognized 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 for reporting in this category. Accordingly, deferred property taxes and grants are reported in the governmental funds balance sheet. The District did not have deferred inflows of resources to report in its government-wide financial statements for the current year.

Net Position and Fund Balance - District-Wide Financial Statements – When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position on the Statement of Net Position includes 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, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Buildings – The component of net position that 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 position 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, 2014.

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 superintendent 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 has not established a formal stabilization arrangement regarding minimum funding requirements.

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.

Note 2 - Cash and Investments

Deposits - At June 30, 2014, the bank balance of deposits and cash pools was \$13,260,294.

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, 2014, the District was not exposed to custodial credit risk.

Investments - The District participates in an external investment pool, Oklahoma Public School Liquid Asset Pool (OLAP). The plan is sponsored by the Oklahoma State School Boards Association, Cooperative Council of Oklahoma School Administration, Organization of Rural Oklahoma Schools and the Oklahoma Association of School Business Officials. OLAP is governed through an interlocal cooperative agreement and the investment advisors and other professionals are competitively selected. OLAP's portfolio consists of cash and short-term investments valued at amortized cost which approximates fair value. OLAP invests in obligations of the U.S. Government, its agencies and instrumentalities and repurchase agreements, provided that the underlying collateral consists of obligations of the U.S. Government, its agencies and instrumentalities and the OLAP custodian takes delivery of the collateral. To receive a copy of the Oklahoma Public School Liquid Asset Pool annual audit report, call toll free 1-866-472-6527 or visit www.OLAPonline.org. The District's other investments consist of money market mutual fund investments held in sweep accounts.

Credit Risk – Investments - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. Investments held by the District in investment pools (sweep accounts and external investment pools) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The \$10,230 fair market value of the external investment pool held securities whose Standard & Poor's credit ratings were 4.3 percent AA+, 20.2 percent NA and 75.5 percent NR. Securities which carry an NA rating are governmental securities. Securities with an NR rating are bank deposit accounts. The \$11,568,701 fair market value of the sweep account is backed by governmental securities held by the bank. The District does not have a formal policy limiting its exposure arising from concentrations of investments.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Included in the District's cash are investments with a fair market value of \$11,578,931, in an external investment pool. Due to the nature of these funds there are no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Concentration of Credit Risk - The District places no limit on the amount the District can invest in any one issuer. All investments are in money market mutual funds.

Moore Norman Technology Center School District No. 17
Notes to Financial Statements
June 30, 2014

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 2,052,163	\$ -	\$ -	\$ 2,052,163
Construction in progress	-	52,278	-	52,278
Total capital assets not being depreciated	2,052,163	52,278	-	2,104,441
Capital assets being depreciated:				
Buildings and improvements	65,219,150	497,186	-	65,716,336
Furniture, fixtures and equipment	5,412,688	487,753	57,400	5,843,041
Vehicles/buses	1,068,110	30,166	-	1,098,276
Total capital assets being depreciated	71,699,948	1,015,105	57,400	72,657,653
Less accumulated depreciation for:				
Buildings and improvements	16,005,768	1,374,451	-	17,380,219
Furniture, fixtures and equipment	3,819,521	392,115	57,400	4,154,236
Vehicles/buses	880,301	55,996	-	936,297
Total accumulated depreciation	20,705,590	1,822,562	57,400	22,470,752
Total capital assets being depreciated, net	50,994,358	(807,457)	-	50,186,901
Governmental activity capital assets, net	\$ 53,046,521	\$ (755,179)	\$ -	\$ 52,291,342

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

Note 4 - Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Compensated absences	\$ 509,279	\$ 483,386	\$ 490,477	\$ 502,188	\$ 7,091
Capital Leases					
2002 Capital lease	10,517,500	-	1,500,000	9,017,500	1,535,000
2009 Capital lease	2,659,794	-	862,988	1,796,806	886,386
2013 Capital leases	-	1,750,000	-	1,750,000	569,421
	13,177,294	1,750,000	2,362,988	12,564,306	2,990,807
Total governmental activity long-term liabilities	\$ 13,686,573	\$ 2,233,386	\$ 2,853,465	\$ 13,066,494	\$ 2,997,898

Payments on the leases are made through the general fund with property taxes. Compensated absences are generally liquidated by the general fund.

Moore Norman Technology Center School District No. 17

Notes to Financial Statements

June 30, 2014

In September 2009, the District entered into a lease with the Cleveland County Public Facilities Authority (CCPFA), through which CCPFA leased 10+ acres of land in Cleveland County from the District. CCPFA has issued bonds of \$15,490,000 and applied the proceeds to fund the building of an additional classroom building on the Franklin Road campus. The District sub-leases the building and property from CCPFA over a term of 10 years, with lease payments equal to debt service on the bonds. The lease term is one year, with one-year extensions. When the bonds are paid in full, the lease will expire and ownership in the building will be with the District.

In September 2011, the District entered into a lease with MR, Inc. (MR), through which MR leased equipment to the District. The lease term is one year, with one-year extensions through June 2016. Title to the equipment remains with MR until the lease is paid in full.

In December 2013, the District entered into a lease with MR, through which MR leased equipment to the District. The lease term is one year, with one-year extensions through December, 2016. Title to the equipment remains with MR until the lease is paid in full.

The District's interest expense for 2014 was \$539,605.

Leased buildings and equipment under capital leases in capital assets at June 30, 2014, include the following:

Buildings	\$ 33,125,744
Equipment	52,278
Less accumulated depreciation	<u>(3,032,342)</u>
	<u><u>\$ 30,145,680</u></u>

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

Moore Norman Technology Center School District No. 17
Notes to Financial Statements
June 30, 2014

Future minimum lease payments are:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate</u>
2009 capital leases (IT Building)				
2015	\$ 1,535,000	\$ 418,171	\$ 1,953,171	3.778%
2016	1,577,500	357,068	1,934,568	4.178%
2017	1,622,500	288,520	1,911,020	4.508%
2018	1,672,500	214,144	1,886,644	4.658%
2019	1,730,000	133,069	1,863,069	5.031%
2020	880,000	45,183	925,183	5.131%
	<u>9,017,500</u>	<u>1,456,155</u>	<u>10,473,655</u>	
2012 capital lease (all at 2.711%)				
2015	886,386	48,719	935,105	
2016	910,420	24,685	935,105	
	<u>1,796,806</u>	<u>73,404</u>	<u>1,870,210</u>	
2013 capital lease (all at 2.423%)				
2015	569,421	42,414	611,835	
2016	583,222	28,613	611,835	
2017	597,357	14,478	611,835	
	<u>1,750,000</u>	<u>85,505</u>	<u>1,835,505</u>	
Total capital leases	<u>\$ 12,564,306</u>	<u>\$ 1,615,064</u>	<u>\$ 14,179,370</u>	

Note 5 - Employee Retirement System

Plan Description - The District contributes to the state-administered Oklahoma Teachers' Retirement System ("the System"), a cost-sharing, multiple-employer public employee retirement system (PERS). The System is administered by a board of trustees. PERS provides retirement, disability and death benefits to plan members and beneficiaries. Oklahoma State Statute 70, Article 17 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. The System issues a publicly available report that includes financial statements and required supplementary information for PERS. That report may be obtained by contacting the Oklahoma Teachers' Retirement System.

Funding Policy - Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District was required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2014. Plan members are required to contribute 7% of their annual covered salary. The District's contributions to PERS (net of retirement

credit paid by the State of Oklahoma) for the years ending June 30, June 30, 2014, 2013 and 2012 were \$1,019,219, \$1,002,888, and \$928,848 respectively, equal to the required contributions for each year. State of Oklahoma contributions to the System on behalf of the District's employees for the year ended June 30, 2014 were \$76,316.

Note 6 - Defined Contribution Plan

The District has established the Moore Norman Technology Center 403(b) Plan (the Plan). The plan is intended to be a governmental plan as defined in Internal Revenue Code Section 403(b). Under the Plan, the participants may defer up to 100% of their salary, subject to IRS limits. The District matches the participant's contribution up to \$125 per month, or a total of \$1,500 per year. The participants are fully vested in both their voluntary contributions and the employer contribution. Participants may direct the investment of their individual account balances. For the year ended June 30, 2014, the District's contribution to the Plan was \$212,665.

Note 7 - 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.

The District leases copiers under operating leases expiring 2014 and 2015, but is not legally obligated for the leases beyond one year. Lease expense under these leases for 2014 was \$103,000. Minimum rental payments required under these leases for 2015 are \$99,000.

Note 8 - 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 significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 9 - New GASB Standard

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are address for each classification. GASB No. 68 was issued in June 2012. Although the District has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.



Required Supplementary Information
June 30, 2014

Moore Norman Technology Center School District No. 17

Moore Norman Technology Center School District No. 17
 Budgetary Comparison Schedule – General Fund (Unaudited)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Budgetary fund balance, July 1	\$ 4,500,000	\$ 5,392,571	\$ 5,047,896	\$ 892,571	\$ (344,675)
Resources (inflows)					
Property taxes	16,446,800	16,961,990	17,536,277	515,190	574,287
Interest	500	500	533	-	33
Tuition and fees	1,750,000	1,750,000	1,457,533	-	(292,467)
State revenue	3,497,484	3,438,372	3,698,881	(59,112)	260,509
Federal revenue	1,625,892	1,605,949	1,271,046	(19,943)	(334,903)
Other	410,000	485,000	982,304	75,000	497,304
Total resources	23,730,676	24,241,811	24,946,574	511,135	704,763
Amounts available for appropriation	28,230,676	29,634,382	29,994,470	1,403,706	360,088
Charges to appropriations (outflows)					
Instruction	9,450,000	9,650,000	9,425,571	200,000	224,429
Support services	11,990,000	12,440,000	11,877,045	450,000	562,955
Non-instruction services	775,000	795,000	866,988	20,000	(71,988)
Capital outlay and debt service	925,000	1,000,000	935,105	75,000	64,895
Other outlays	1,414,500	1,190,000	1,031,316	(224,500)	158,684
Total charges to appropriations	24,554,500	25,075,000	24,136,025	520,500	938,975
Budgetary fund balance, June 30	\$ 3,676,176	\$ 4,559,382	\$ 5,858,445	\$ 883,206	\$ 1,299,063

Moore Norman Technology Center School District No. 17
 Budgetary Comparison Schedule – Building Fund (Unaudited)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	\$	\$	\$	\$	\$
Budgetary fund balance, July 1	2,250,000	2,483,735	2,660,141	233,735	176,406
Resources (inflows)					
Property taxes	8,160,658	8,472,720	8,771,450	312,062	298,730
Interest	-	-	1	-	1
Proceeds of capital lease	-	-	1,750,000	-	1,750,000
Other	-	4,000	454,527	4,000	450,527
Total resources	8,160,658	8,476,720	10,975,978	316,062	2,499,258
Amounts available for appropriation	10,410,658	10,960,455	13,636,119	549,797	2,675,664
Charges to appropriations (outflows)					
Instruction	730,000	825,000	1,434,364	95,000	(609,364)
Support services	4,409,000	4,559,000	4,548,699	150,000	10,301
Non-instruction services	25,000	25,000	26,973	-	(1,973)
Capital outlay/debt service	2,025,000	2,050,000	2,485,068	25,000	(435,068)
Total charges to appropriations	7,189,000	7,459,000	8,495,104	270,000	(1,036,104)
Budgetary fund balance, June 30	3,221,658	3,501,455	5,141,015	279,797	1,639,560

Moore Norman Technology Center School District No. 17

Notes to Required Supplementary Information

June 30, 2014

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 Building Fund that includes revenue and expenditures.



Other Information
June 30, 2014

Moore Norman Technology Center School District No. 17

Moore Norman Technology Center School District No. 17
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Deferred Grant Revenue (Accounts Receivable) 6/30/13	Federal Grant Receipts	Total Program Expenditures	Matching Expenditures	Total Federal Expenditures	Deferred Grant Revenue (Accounts Receivable) 6/30/14
<u>U.S. Department of Education</u>								
Direct Programs-Student Financial Aid								
Federal Pell Grant Program	84.063*	n/a	\$ (547,015)	\$ 869,575	\$ 712,661	\$ -	\$ 712,661	\$ (390,101)
Pell Admin Fee	84.063*	n/a	-	1,120	1,120	-	1,120	-
Federal Supplemental Educational Opportunity Grant	84.007*	n/a	(13,500)	23,500	21,703	5,426	16,277	(6,277)
FSEOG Admin Fee	84.007*	n/a	(900)	900	41	-	41	(41)
Total Student Financial Aid Cluster			<u>(561,415)</u>	<u>895,095</u>	<u>735,525</u>	<u>5,426</u>	<u>730,099</u>	<u>(396,419)</u>
Carl Perkins Vocational Education Act								
Passed through Oklahoma Department of Career Technology Education								
Carl Perkins Secondary	84.048	421	(145,861)	205,413	175,946	-	175,946	(116,394)
Carl Perkins Tech Prep	84.243	428	(9,447)	9,572	10,430	-	10,430	(10,305)
Total Pass Through Programs			<u>(155,308)</u>	<u>214,985</u>	<u>186,376</u>	<u>-</u>	<u>186,376</u>	<u>(126,699)</u>
Total U.S. Department of Education			<u>(716,723)</u>	<u>1,110,080</u>	<u>921,901</u>	<u>5,426</u>	<u>916,475</u>	<u>(523,118)</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Oklahoma Department of Human Services and								
Oklahoma Department of Career Technology Education								
TANF/HIRE	93.558	452	(25,674)	265,858	381,207	81,909	299,298	(59,114)
Total U.S. Department of Health and Human Services			<u>(25,674)</u>	<u>265,858</u>	<u>381,207</u>	<u>81,909</u>	<u>299,298</u>	<u>(59,114)</u>
Total Expenditures of Federal Awards			<u>\$ (742,397)</u>	<u>\$ 1,375,938</u>	<u>\$ 1,303,108</u>	<u>\$ 87,335</u>	<u>\$ 1,215,773</u>	<u>\$ (582,232)</u>

Note: The above schedule of expenditures of federal awards includes the federal grant activity of Moore Norman Technology Center, School District No. 17 (the District) using the accrual basis of accounting. The information 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 position of the District.

* Denotes a major program cluster



**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***

To the Board of Education
Moore Norman Technology Center School District No. 17
Norman, Oklahoma

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 Moore Norman Technology Center School District No. 17 (the District) as of and for the year ended June 30, 2014, 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 11, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questions costs as item 2014-A to be a material weakness.

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.

Compliance and Other Matters

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

The District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Eide Sallie LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
February 11, 2015



**Independent Auditor's Report on Compliance for Its Major Federal Program;
Report on Internal Control Over Compliance Required by OMB Circular A-133**

To the Board of Education
Moore Norman Technology Center School District No. 17
Norman, Oklahoma:

Report on Compliance for Each Major Federal Program

We have audited Moore Norman Technology Center's 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 Moore Norman Technology Center School District No. 17's major federal programs for the year ended June 30, 2014. Moore Norman Technology Center School District No. 17's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for Moore Norman Technology Center School District No. 17's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 Moore Norman Technology Center School District No. 17's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Moore Norman Technology Center School District No. 17's compliance.

Opinion on the Major Federal Program

In our opinion, Moore Norman Technology Center School District No. 17 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002. Our opinion on its federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Moore Norman Technology Center School District No. 17 (the District) is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2014-002 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2014-001 to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Oklahoma City, Oklahoma
February 11, 2015

Moore Norman Technology Center School District No. 17
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness identified Yes

Significant deficiencies identified No

Noncompliance material to financial statements No

Federal Awards

Internal control over major programs:

Material weakness identified Yes

Significant deficiencies identified Yes

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a) Yes

Name of Federal Program or Cluster CFDA number

Student Financial Aid Cluster 84.063, 84.007

Dollar threshold used to distinguish
between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee Yes

Section II - Findings relating to the Financial Statements

2014-A Material Adjustments

Condition:	The District's general ledger and financial statement report did not agree with the client-prepared capital asset schedule that was accurately prepared due to late reconciliation procedures.
Criteria:	Controls over complete year-end financial reporting process should be in place to ensure proper presentation in accordance with Generally Accepted Accounting Principles (GAAP). Such controls should include a timely review and reconciliation of underlying financial data.
Cause:	Controls to ensure accuracy of all capital assets were not timely performed.
Context:	The District's general ledger did not properly include all capital assets in accordance with generally accepted accounting principles.
Effect:	The District is at risk for material misstatements. As a result of the audit procedures, we identified approximately \$341,000 in capital assets as noted on a client-prepared schedule that were not properly recorded in the general ledger.
Recommendation:	We recommend a control process be put in place to properly and timely reconcile relevant financial data to the general ledger in order to be presented in accordance with GAAP.
Response:	The asset identified was a roofing project which was left off an initial property spreadsheet sent to the firm who assists in preparing our financial statements. The omission was caught and corrected almost immediately and an update spreadsheet was sent to the firm. This same spreadsheet was sent to the auditors. In preparing the preliminary financial statements, the original spreadsheet was used, not the updated one. The financial statements once completed were sent to the auditors and me at the same time. The auditors found the omission in their review just prior to me finding it. The financial were corrected and resubmitted. In subsequent years, I will have the firm send me the financials for review and I will then send them to the auditors after I have reviewed them.

Section III - Findings and Questioned Costs for Federal Awards

2014-001 Reporting

U.S. Department of Education
Student Financial Aid Cluster (CFDA # 84.063 and #84.007)

Condition:	Three of 35 students selected who received Pell grants during the current year did not have the disbursement properly reported to the U.S. Department of Education within the 30 day required timeframe.
Criteria:	Institutions must report student payment data within 30 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data.
Cause:	Control procedures at the District was not sufficient to identify all disbursements and have them reported within the 30 day timeframe.
Context:	Three of the thirty-five students selected from those who received Pell grants during FY14 did not have the disbursement reported to the U.S. Department of Education within the required 30 calendar days.
Effect:	At least three disbursements were reported late to the Department of Education.
Recommendation:	We recommend that the control process of reporting Pell disbursements is performed on a more routine and consistent basis in order to timely identify any disbursements that may have been missed during routine reporting so the 30 day timeframe is met.
Response:	The District has a new Student Accounting system that helps track the student progress and changes of enrollment much more efficiently and also keeps the Financial Aid office more up to date with changes. The FA office can now easily run reports on a weekly basis to detect any changes in enrollments.

2014-002 Special Tests, Return of Title IV Funds

U.S. Department of Education
Student Financial Aid Cluster (CFDA # 84.063 and #84.007)

Condition:	Two of the 8 students selected that withdrew from the District during the current year did not have the unearned portion of their Pell grant returned to the Department of Education within the 45 day timeframe required.
Criteria:	Per 34 CFR section 668.22(j), returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED no later than 45 days after the date the institution determines that the student withdrew.

Moore Norman Technology Center School District No. 17
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Cause:	Internal control at the District was not sufficient to identify all students receiving Pell Awards who withdrew from the District and that would require a portion of the award to be paid back to the ED within the 45 day timeframe.
Context:	Two of eight students selected from those that withdrew during FY14 did not have the unearned portion of the Pell Grant returned to the Department of Education within the time period specified.
Effect:	The District did not pay back previously claimed Pell Award within the 45 day timeframe as required for students that withdraw.
Recommendation:	We recommend that the control process of comparing student withdraws to listings of current Pell Award Program participants is performed on a more routine and consistent basis and any unearned amounts that are claimed to the ED as a result of a crossover payment period be returned to the ED as soon as possible within the 45 day timeframe allowed.
Response:	The District has implemented procedures to prevent this from re-occurring. Additional personnel have been added to assist with these procedures, to monitor student starts, withdrawals, and schedule changes to insure these activities are cross-referenced with the financial aid list.

No Findings or Questioned Costs for Federal Awards for FY13.

June 30, 2014

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EIDE BAILLY, LLP

BY

Vanessa M. Dutton

Subscribed and sworn to before me on this 11th day of February, 2015.

Notary Public

My commission expires 7-21-15

