



Financial Statements
June 30, 2015

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, 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 Moore Norman Technology Center School District No. 17, as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 5 and 9 to the financial statements, the College has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – General Fund and Building Fund, the schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 4 through 10 and 31 through 34 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma
February 16, 2016

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, 2015. 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 declined from the last year. Total net position decreased 38.3 percent. 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 9 for further discussion of the effect of this implementation.

- Overall revenues were \$36.6 million and overall expenses were \$32.1 million
- The District's net assessed valuation increased by \$65.76 million or 3.75 percent.
- The District decreased its outstanding long-term debt \$2.9 million, or 23.8 percent (which excludes the net pension liability and compensated absences).
- The District's share of the cost sharing retirement plan net pension obligation increased long-term debt \$20.1 million or 131%.

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>2014</u>	<u>2015</u>
Current and Other Assets	\$ 16,413,719	\$ 16,859,181
Capital Assets	52,291,342	51,538,216
Total Assets	<u>\$ 68,705,061</u>	<u>\$ 68,397,397</u>
Deferred Outflows of Resources**	<u>\$ -</u>	<u>\$ 1,629,641</u>
Long-Term Liabilities (excluding net pension liability)	\$ 10,068,596	\$ 7,022,313
Net Pension Liability**	-	20,093,257
Other Liabilities	4,509,720	4,326,181
Total Liabilities	<u>\$ 14,578,316</u>	<u>\$ 31,441,751</u>
Deferred Inflows of Resources**	<u>\$ -</u>	<u>\$ 5,194,108</u>
Net Position		
Net investment in capital assets	\$ 40,262,714	\$ 41,964,717
Restricted	5,844,697	6,920,446
Unrestricted (deficit)	8,019,334	(15,493,984)
Total Net Position	<u>\$ 54,126,745</u>	<u>\$ 33,391,179</u>

**Note that the 2014 amounts are presented before restatement, as described in Note 9 to the financial statements. These accounts were added as a result of the implementation of GASB 68 and 71.

Net Position. The District's combined net position, as restated, were less on June 30, 2015, than they were the year before – decreasing by 38.3% from \$54.1 million to \$33.4 million. Most of this decrease is mainly due to the recognition of the District's share of the Teachers Retirement System's net pension obligation, described in Note 9 to the financial statements. The 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.

Moore Norman Technology Center School District No. 17
Management's Discussion and Analysis (Unaudited)
June 30, 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 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>	Percent Change
Beginning net position	\$ 50,965,260	\$ 54,126,847	
Change due to implementation of GASB 68 and 71	-	(25,215,612)	
Beginning net position, as restated	<u>50,965,260</u>	<u>28,911,235</u>	
Revenues			
Program revenues			
Charges for services	2,370,233	2,826,389	
Operating grants/contributions	2,191,181	1,766,070	
General revenues			
Property taxes	26,413,723	27,481,893	
Federal and State grants	3,239,670	3,396,922	
Gain from disposals	16,949	-	
Investment earnings	1,790	2,152	
Other revenue	496,973	1,124,134	
Total revenues	<u>\$ 34,730,519</u>	<u>\$ 36,597,560</u>	<u>5.4%</u>
Expenses			
Program expenses			
Instruction	10,409,538	10,152,018	
Support services	16,670,390	16,902,715	
Non-instruction	1,334,982	1,948,503	
Student Financial Aid	791,855	822,290	
Interest on long-term debt	539,605	434,344	
Depreciation-unallocated	1,822,562	1,857,746	
Total expenses	<u>\$ 31,568,932</u>	<u>\$ 32,117,616</u>	<u>1.74%</u>
Increase in net position	<u>3,161,587</u>	<u>4,479,944</u>	<u>41.70%</u>
Ending net position	<u>\$ 54,126,847</u>	<u>\$ 33,391,179</u>	<u>-38.31%</u>

Changes in Net Position. The District's total revenues increased 5.4 percent to \$36.6 million. Property taxes and federal financial aid accounted for most of the increase with a \$1.1 million increase in other revenue for on-behalf revenue from the state to the pension system. Property taxes accounted for 75 percent of the District's collections. Another 8 percent came from tuition and fees.

Total revenues surpassed expenses, increasing net position \$4.5 million over the past year.

The District's total expenditures increased by 1.7 percent to \$32.1 million. The District's expenses are primarily related to education, training and support of students and business clients (83%).

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
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, 2015 and 2014.

Revenues:

	2014 Amount	Percent of Total	2015 Amount	Percent of Total
Property Taxes	\$ 26,307,727	75.86%	\$ 27,182,504	77.22%
Interest	1,790	0.01%	2,152	0.01%
Tuition and Fees	1,457,533	4.20%	2,174,467	6.18%
State Revenue	3,698,881	10.67%	3,420,852	9.72%
Federal Sources	521,865	1.50%	575,853	1.64%
Federal Sources - Student Financial Aid	895,095	2.58%	836,950	2.38%
Miscellaneous	1,797,810	5.18%	1,007,083	2.86%
Total Revenues	\$ 34,680,701	100%	\$ 35,199,861	100%

Formula Operations, Existing Industry Initiatives and TIP projects, economic growth within the School District and increase in property valuation led to increases in property taxes revenue. The ad valorem growth now is not keeping up with the State cuts.

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:			
	2014 Amount	Percent of Total	2015 Amount	Percent of Total
Instruction	\$ 10,859,935	32.78%	\$ 10,474,743	30.13%
Support Services	16,782,432	50.65%	17,462,449	50.23%
Non-Instructional Services	893,961	2.70%	903,456	2.60%
Capital Outlay and Debt Service	3,566,087	10.76%	4,850,870	13.95%
Student Financial Aid	791,855	2.39%	822,290	2.37%
Other Outlays	239,461	0.72%	250,352	0.72%
Total Expenditures	\$ 33,133,731	100.00%	\$ 34,764,160	100.00%

The increases in expenditures for Support Services from FY 2014 to FY 2015 are due to increases in salary and benefit costs, as well as the addition of new equipment. There was an increase in our Capital Outlays and Debt Service category expenditures. This increase was a result of the addition of a new welding classroom and the remodel of other classroom space. The District incurred some increased costs in our food service management area which is reported under the Non-instructional Services category. Overall, the District is good financial position.

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 to 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 \$5.92 million fund balance at the end of the fiscal year.

Moore Norman Technology Center School District No. 17
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Moore Norman Technology Center formally adopted an amended budget on September 18, 2014 which increased the overall budget by \$478,000. There were increases in Ad Valorem of \$498,000 with the final revised ad valorem tax certification. There were also decreases in anticipated state revenue of \$75,000 and a decrease in expenditures of \$55,000.

CAPITAL ASSETS

At the end of June 30, 2015, the School District had \$75.6 million invested in capital assets, before accumulated depreciation (see table below). This represents a net increase of \$0.89 million or 1.19 percent, over the previous fiscal year.

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land	\$ 2,052,163	\$ 2,052,163	\$ 2,052,163	\$ 2,052,163
Construction in Progress	2,292	52,278	-	-
Buildings and Improvements	66,419,479	65,716,336	65,219,150	64,600,233
Furniture and Equipment	6,083,115	5,843,041	5,412,688	5,280,019
Automobiles	1,098,276	1,098,276	1,068,110	1,068,110
Totals	<u>\$ 75,655,325</u>	<u>\$ 74,762,094</u>	<u>\$ 73,752,111</u>	<u>\$ 73,000,525</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 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, 2015. The amount of the capitalized lease at June 30, 2015 was \$7,482,500.

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, 2015 was \$910,420.

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, 2015 was \$1,180,579.

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

Net Pension Liability

Implementation of GASB Statement 68 (See note 9), 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 \$20,093,257. This was a decrease of \$6,638,743 from the prior year (2013) primarily due to investment gains by the Teachers' Retirement System in 2014, which was the measurement year for the net pension liability as of June 30, 2015. See Note 5 for additional information on the net pension liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

While state revenues are declining this year, next year's budget is predicted to have even bigger cuts. Our local ad valorem assessed valuation has increased by \$65,766,909 or 3.75%, including the Oklahoma City Community City overlap area, calculating to an increase of approximately \$988,534 in real dollars for the School District in local revenue.

Due to continued economic downturns recent years, 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 2016. 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, 2015

	<u>Governmental Activities</u>
Assets	
Cash	\$ 84,507
Investments	12,343,294
Property taxes receivable (net)	3,739,856
Due from other governments	517,866
Other receivables	101,576
Restricted cash	72,082
Nondepreciable capital assets	2,054,455
Depreciable capital assets, net of depreciation	<u>49,483,761</u>
Total assets	<u>68,397,397</u>
Deferred Outflows	
Deferred outflows of resources related to pension	<u>1,629,641</u>
Liabilities	
Accounts payable and other current liabilities	573,611
Salaries payable	672,928
Long-term obligations	
Due within one year	3,079,642
Due beyond one year	<u>27,115,570</u>
Total liabilities	<u>31,441,751</u>
Deferred Inflows	
Deferred inflows of resources related to net pensions	<u>5,194,108</u>
Net Position	
Net investment in capital assets	41,964,717
Restricted for:	
Buildings	6,835,939
School organizations	84,507
Unrestricted (deficit)	<u>(15,493,984)</u>
Total Net Position	<u>\$ 33,391,179</u>

Moore Norman Technology Center School District No. 17

Statement of Activities

For the Year Ended June 30, 2015

		Program Revenues		Net (Expense)
				Revenue and
				Changes in
				Net Position
Functions/programs	Expenses	Charges for	Operating	Total Governmental
		Services	Grants and	Activities
			Contributions	
Governmental activities:				
Instruction	\$ 10,152,018	\$ 2,174,467	\$ 291,226	\$ (7,686,325)
Support services	16,902,715	511,648	595,313	(15,795,754)
Non-instruction services	2,770,793	140,274	749,407	(1,881,112)
Interest on long-term debt	434,344	-	130,124	(304,220)
Depreciation - unallocated	1,857,746	-	-	(1,857,746)
Total school district	<u>\$ 32,117,616</u>	<u>\$ 2,826,389</u>	<u>\$ 1,766,070</u>	<u>(27,525,157)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				18,248,552
Property taxes, levied for building purposes				9,233,341
State aid - formula grants				3,153,013
Federal aid - formula grants				243,909
Other revenue				1,124,134
Interest income				2,152
Total general revenues				<u>32,005,101</u>
Change in net position				4,479,944
Net position, beginning of year, as restated (See Note 9)				<u>28,911,235</u>
Net position, end of year				<u>\$ 33,391,179</u>

Moore Norman Technology Center School District No. 17
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Building Fund	Other Governmental Fund - Activity Fund	Totals Governmental Funds
Assets				
Cash	\$ -	\$ -	\$ 84,507	\$ 84,507
Pooled cash and investments	6,757,567	5,585,728	-	12,343,295
Restricted cash	-	72,082	-	72,082
Property taxes receivable, net	2,397,988	1,341,868	-	3,739,856
Other receivables	101,576	-	-	101,576
Due from other governments	517,866	-	-	517,866
Total assets	\$ 9,774,997	\$ 6,999,678	\$ 84,507	\$ 16,859,182
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	366,277	\$ 148,612	\$ -	\$ 514,889
Salaries payable	657,801	15,127	-	672,928
Total liabilities	1,024,078	163,739	-	1,187,817
Deferred inflows of resources				
Deferred property taxes	2,301,755	1,293,766	-	3,595,521
Deferred grant revenue	524,478	-	-	524,478
Total deferred inflows of resources	2,826,233	1,293,766	-	4,119,999
Fund Balances				
Fund balances				
Restricted	-	3,491,754	-	3,491,754
Committed	935,105	-	77,408	1,012,513
Assigned	1,203,670	2,050,419	7,099	3,261,188
Unassigned	3,785,911	-	-	3,785,911
Fund balances, end of year	5,924,686	5,542,173	84,507	11,551,366
Total Liabilities and Fund Balances	\$ 9,774,997	\$ 6,999,678	\$ 84,507	

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 \$75,655,325 and the accumulated depreciation is \$24,117,109.	51,538,216
Property taxes receivable and other receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	4,119,999
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the funds.	(20,093,257)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds. This includes deferred outflows of \$1,629,641 and deferred inflows of \$5,194,108.	(3,564,467)
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	\$ 9,573,499
Accrued interest	67,223
Compensated absences	519,956
	(10,160,678)
Total Net Position - Governmental Activities	\$ 33,391,179

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, 2015

	General Fund	Building Fund	Other Governmental Fund - Activity Fund	Totals Governmental Funds
Revenues				
Property taxes	\$ 18,119,775	\$ 9,062,729	\$ -	\$ 27,182,504
Interest	504	-	1,648	2,152
Tuition and fees	2,174,467	-	-	2,174,467
State revenue	3,420,852	-	-	3,420,852
Federal revenue	1,282,679	130,124	-	1,412,803
Other	660,420	5,344	341,319	1,007,083
Total revenues	<u>25,658,697</u>	<u>9,198,197</u>	<u>342,967</u>	<u>35,199,861</u>
Expenditures				
Instruction	10,283,571	191,172	-	10,474,743
Support services	12,412,119	4,675,664	374,666	17,462,449
Non-instruction services	889,018	14,438	-	903,456
Capital outlay	-	1,393,173	-	1,393,173
Other outlays	1,072,642	-	-	1,072,642
Debt service				
Interest and fees paid	48,718	418,171	-	466,889
Principal retirement	886,387	2,104,421	-	2,990,808
Total expenditures	<u>25,592,455</u>	<u>8,797,039</u>	<u>374,666</u>	<u>34,764,160</u>
Net Change in Fund Balance	66,242	401,158	(31,699)	435,701
Beginning fund balance	<u>5,858,444</u>	<u>5,141,015</u>	<u>116,206</u>	<u>11,115,665</u>
Ending fund balance	<u>\$ 5,924,686</u>	<u>\$ 5,542,173</u>	<u>\$ 84,507</u>	<u>\$ 11,551,366</u>

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, 2015

Total net changes in fund balances - governmental funds \$ 435,701

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	\$ 1,108,396	
Depreciation Expense	<u>(1,857,746)</u>	(749,350)

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.

(3,776)

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.

298,845

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.

(57,753)

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.

(24,860)

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.

1,557,785

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	\$ 32,545	
Payments on Capital Leases	<u>2,990,807</u>	<u>3,023,352</u>

Change in net position of governmental activities

\$ 4,479,944

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 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.

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, 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 \$9,900 in the general fund and \$14,940 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 10% 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 Outflows of Resources -The District reports decreases in net position that related to future periods as deferred outflows of resources on the statement of net position. A deferred outflow is reported for contributions made to Oklahoma Teacher Retirement 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 position that applies to a future period.

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

- (1) The actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred 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 such as future salary increases and inflation. This deferred inflow of resources is amortized to pension expense over the average expected remaining service life of the Plan.
- (3) The changes in assumptions used by the actuary is amortized to pension expense over the average expected remaining service life of the Plan.

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense. Information about the fiduciary net position of the Oklahoma Teacher Retirement System (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.

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 include the following:

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

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

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, 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 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, 2015, the bank balance of deposits and cash pools was \$12,647,952.

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 - 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 \$12,343,294 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 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 \$12,343,294, 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.

Note 3 - 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	\$ 2,052,163	\$ -	\$ -	\$ 2,052,163
Construction in progress	52,278	496,395	546,381	2,292
Total capital assets not being depreciated	<u>2,104,441</u>	<u>496,395</u>	<u>546,381</u>	<u>2,054,455</u>
Capital assets being depreciated:				
Buildings and improvements	65,716,336	703,143	-	66,419,479
Furniture, fixtures and equipment	5,843,041	455,239	215,165	6,083,115
Vehicles/buses	1,098,276	-	-	1,098,276
Total capital assets being depreciated	<u>72,657,653</u>	<u>1,158,382</u>	<u>215,165</u>	<u>73,600,870</u>
Less accumulated depreciation for:				
Buildings and improvements	17,380,219	1,429,950	-	18,810,169
Furniture, fixtures and equipment	4,154,236	378,525	211,389	4,321,372
Vehicles/buses	936,297	49,271	-	985,568
Total accumulated depreciation	<u>22,470,752</u>	<u>1,857,746</u>	<u>211,389</u>	<u>24,117,109</u>
Total capital assets being depreciated, net	<u>50,186,901</u>	<u>(699,364)</u>	<u>3,776</u>	<u>49,483,761</u>
Governmental activity capital assets, net	<u>\$ 52,291,342</u>	<u>\$ (202,969)</u>	<u>\$ 550,157</u>	<u>\$ 51,538,216</u>

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	\$ 502,188	\$ 505,222	\$ 478,954	\$ 528,456	\$ 8,500
Capital Leases					
2009 Capital lease	9,017,500	-	1,535,000	7,482,500	1,577,500
2012 Capital lease	1,796,806	-	886,386	910,420	910,420
2013 Capital lease	1,750,000	-	569,421	1,180,579	583,222
	12,564,306	-	2,990,807	9,573,499	3,071,142
	<u>\$ 13,066,494</u>	<u>\$ 505,222</u>	<u>\$ 3,469,761</u>	<u>\$ 10,101,955</u>	<u>\$ 3,079,642</u>
Net pension liability				20,093,257	
Total governmental activity long-term liabilities				<u>\$ 30,195,212</u>	

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

In September 2009, the District entered into a lease with the Cleveland County Public Facility Authority (CCPFA), through which CCPFA leased 10+ acres of land in Cleveland County from the District. CCPFA has issued bonds 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, Inc. (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 2015 was \$434,345.

Leased buildings and construction in progress under capital leases in capital assets at June 30, 2015, include the following:

Buildings	\$ 33,125,744
Less accumulated depreciation	<u>(4,472,907)</u>
	<u>\$ 28,652,837</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, 2015

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)				
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>7,482,500</u>	<u>1,037,984</u>	<u>8,520,484</u>	
2012 capital lease (all at 2.711%)				
2016	910,420	24,685	935,105	
	<u>910,420</u>	<u>24,685</u>	<u>935,105</u>	
2013 capital lease (all at 2.423%)				
2016	583,222	28,613	611,835	
2017	597,357	14,478	611,835	
	<u>1,180,579</u>	<u>43,091</u>	<u>1,223,670</u>	
Total capital leases	<u>\$ 9,573,499</u>	<u>\$ 1,105,760</u>	<u>\$ 10,679,259</u>	

Note 5 - Employee Retirement System

Teachers' Retirement Plan 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. That financial report 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.
- 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 \$76,201 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 \$1,629,641.

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.

Moore Norman Technology Center School District No. 17

Notes to Financial Statements

June 30, 2015

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 \$20,093,257 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 0.37348988%, which was the same as its proportion measured as of June 30, 2013. The District recognized approximately \$1.1 million in on-behalf revenue related to state payments made to the System in 2014 as dedicated tax revenue.

For the year ended June 30 2015, the District recognized pension expense of \$1,230,303. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 331,197
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,862,911
Changes in proportion and differences between District contributions and appropriate share of contributions	-	-
District contributions subsequent to the measurement date	1,629,641	-
	<u>\$ 1,629,641</u>	<u>\$ 5,194,108</u>

The \$1,629,641 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	\$ 1,278,218
2017	1,278,218
2018	1,278,218
2019	1,278,217
2020	62,490
Thereafter	18,747
	<u>\$ 5,194,108</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

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	<u>\$ 28,423,955</u>	<u>\$ 20,093,257</u>	<u>\$ 13,318,558</u>

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 6 - Defined Contribution Plan

The District has established the Moore Norman Technology Center 403(B) 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, 2015, the District's contribution to the plan was \$263,314.

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 in 2015 and 2016. Lease expense under these leases for 2015 was \$94,175. Minimum rental payments required under these leases for 2016 are \$106,250.

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

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

As a result of implementing GASB 68 and GASB 71, the District restated previously reported net position of \$54,126,847 by decreasing it by \$25,215,512. A beginning net deferred outflow of \$1,516,488 and net pension liability of \$26,732,000 were recognized.



Required Supplementary Information
June 30, 2015

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, 2015

	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	<u>\$ 5,095,000</u>	<u>\$ 5,879,812</u>	<u>\$ 5,858,444</u>	<u>\$ 784,812</u>	<u>\$ (21,368)</u>
Resources (inflows)					
Property taxes	17,112,135	17,610,000	18,119,775	497,865	509,775
Interest	500	500	504	-	4
Tuition and fees	1,925,000	1,850,000	2,174,467	(75,000)	324,467
State revenue	3,294,876	3,294,876	3,420,852	-	125,976
Federal revenue	475,892	475,892	1,282,679	-	806,787
Other	515,000	515,000	660,420	-	145,420
Total resources	<u>23,323,403</u>	<u>23,746,268</u>	<u>25,658,697</u>	<u>422,865</u>	<u>1,912,429</u>
Amounts available for appropriation	<u>28,418,403</u>	<u>29,626,080</u>	<u>31,517,141</u>	<u>1,207,677</u>	<u>1,891,061</u>
Charges to appropriations (outflows)					
Instruction	9,690,000	9,720,000	10,283,571	30,000	(563,571)
Support services	13,083,500	12,973,500	12,412,119	(110,000)	561,381
Non-instruction services	925,000	925,000	889,018	-	35,982
Capital outlay and debt service	950,000	975,000	935,105	25,000	39,895
Other outlays	265,000	265,000	1,072,642	-	(807,642)
Total charges to appropriations	<u>24,913,500</u>	<u>24,858,500</u>	<u>25,592,455</u>	<u>(55,000)</u>	<u>(733,955)</u>
Budgetary fund balance, June 30	<u><u>\$ 3,504,903</u></u>	<u><u>\$ 4,767,580</u></u>	<u><u>\$ 5,924,686</u></u>	<u><u>\$ 1,262,677</u></u>	<u><u>\$ 1,157,106</u></u>

Moore Norman Technology Center School District No. 17
 Budgetary Comparison Schedule – Building Fund (Unaudited)
 For the Year Ended June 30, 2015

	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	\$ 3,750,000	\$ 3,883,344	\$ 5,141,015	\$ 133,344	\$ 1,257,671
Resources (inflows)					
Property taxes	8,613,615	8,797,000	9,062,729	183,385	265,729
Other	-	-	135,468	-	135,468
Total resources	8,613,615	8,797,000	9,198,197	183,385	401,197
Amounts available for appropriation	12,363,615	12,680,344	14,339,212	316,729	1,658,868
Charges to appropriations (outflows)					
Instruction	655,000	655,000	191,172	-	463,828
Support services	4,533,500	4,733,500	4,675,664	200,000	57,836
Non-instruction services	25,000	75,000	14,438	50,000	60,562
Capital outlay/debt service	2,650,000	2,925,000	3,915,765	275,000	(990,765)
Total charges to appropriations	7,863,500	8,388,500	8,797,039	525,000	(408,539)
Budgetary fund balance, June 30	\$ 4,500,115	\$ 4,291,844	\$ 5,542,173	\$ (208,271)	\$ 1,250,329

Moore Norman Technology Center School District No. 17
Schedule of the District's Proportionate Share of the Net Pension Liability (Unaudited)
June 30, 2015

	<u>2014</u>	<u>2013</u>
District's portion of the net pension liability (asset)	0.37348988%	0.37348988%
District's proportionate share of the net portion liability (asset)	\$ 20,093,257	\$ 26,732,000
District's converted employee payroll	15,718,200	15,501,905
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	127.83%	172.44%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	62.18%

Moore Norman Technology Center School District No. 17
Schedule of District's Contributions (Unaudited)
June 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractual required contribution	\$ 1,629,641	\$ 1,493,229	\$ 1,472,681
Contribution in relation to the contractually required contribution	1,629,641	1,493,229	1,472,681
Contribution deficiency (excess)	-	-	-
District's covered payroll	17,154,116	15,718,200	15,501,905
Contribution as a percentage of covered employee payroll	9.50%	9.50%	9.50%

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: 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.



Other Information
June 30, 2015

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, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Deferred Grant Revenue (Accounts Receivable) 6/30/14	Federal Grant Receipts	Total Program Expenditures	Matching Expenditures	Total Federal Expenditures	Deferred Grant Revenue (Accounts Receivable) 6/30/15
<u>U.S. Department of Education</u>								
Direct Programs-Student Financial Aid								
Federal Pell Grant Program	84.063*	n/a	\$ (390,101)	\$ 822,027	\$ 732,943	\$ -	\$ 732,943	\$ (301,017)
Pell Admin Fee	84.063*	n/a	-	1,105	1,105	-	1,105	-
Federal Supplemental Educational Opportunity Grant	84.007*	n/a	(6,277)	13,777	19,741	4,935	14,806	(7,306)
FSEOG Admin Fee	84.033*	n/a	(41)	41	553	-	553	(553)
Total Student Financial Aid Cluster			<u>(396,419)</u>	<u>836,950</u>	<u>754,342</u>	<u>4,935</u>	<u>749,407</u>	<u>(308,876)</u>
Carl Perkins Vocational Education Act								
Passed through Oklahoma Department of Career Technology Education								
Carl Perkins Secondary	84.048	421	(104,970)	206,015	198,318	-	198,318	(97,273)
Carl Perkins Tech Prep	84.243	428	(10,305)	14,717	9,073	-	9,073	(4,661)
Total Pass Through Programs			<u>(115,275)</u>	<u>220,732</u>	<u>207,391</u>	<u>-</u>	<u>207,391</u>	<u>(101,934)</u>
Total U.S. Department of Education			<u>(511,694)</u>	<u>1,057,682</u>	<u>961,733</u>	<u>4,935</u>	<u>956,798</u>	<u>(410,810)</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	(59,114)	224,997	329,982	57,043	272,939	(107,056)
Total U.S. Department of Health and Human Services			<u>(59,114)</u>	<u>224,997</u>	<u>329,982</u>	<u>57,043</u>	<u>272,939</u>	<u>(107,056)</u>
Total Expenditures of Federal Awards			<u>\$ (570,808)</u>	<u>\$ 1,282,679</u>	<u>\$ 1,291,715</u>	<u>\$ 61,978</u>	<u>\$ 1,229,737</u>	<u>\$ (517,866)</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, 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 16, 2016.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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 Bailly LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
February 16, 2016



**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, 2015. 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, 2015.

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.

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. *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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance 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 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 16, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
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Internal control over financial reporting:

Material weakness identified	No
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Significant deficiencies identified	None noted
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Noncompliance material to financial statements	No
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Federal Awards

Internal control over major programs:

Material weakness identified	No
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Significant deficiencies identified	Yes
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Type of auditor's report issued on compliance for major programs	Unmodified
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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
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Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee	No
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Section II - Findings relating to the Financial Statements

None.

Section III - Findings and Questioned Costs for Federal Awards

2015-001 Reporting

U.S. Department of Education

Student Financial Aid Cluster (CFDA # 84.063 and #84.007)

Condition:	Three of 45 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 forty-five students selected from those who received Pell grants during FY15 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 and Corrective Action Plan:	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. The FA Administrative Assistant has been assigned with the task of double-checking the disbursements to ensure that all have been transmitted.

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.

Status: Repeat finding. See 2015-001.

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.

Status: No similar findings noted in current year.

June 30, 2015

STATE OF OKLAHOMA

$$\begin{pmatrix}) \\) \\) \end{pmatrix} \quad \text{SS}$$

EIDE BAILLY, LLP

BY

Subscribed and sworn to before me on this 16 day of February, 2016.

Notary Public

My commission expires 7-21-19

