



Financial Statements and
Reports Required by Uniform Guidance
June 30, 2017

Moore Norman Technology Center School District No. 17

INDEPENDENT AUDITOR’S REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
Management’s Discussion and Analysis (Unaudited)	4
BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	11
Statement of Activities	12
<i>Fund Financial Statements – Governmental Funds</i>	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Notes to Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund (Unaudited)	31
Budgetary Comparison Schedule – Building Fund (Unaudited)	32
Schedule of the District’s Proportionate Share of the Net Pension Liability (Unaudited)	33
Schedule of the District’s Contributions (Unaudited)	36
Notes to Required Supplementary Information	35
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	36
Notes to Schedule of Expenditures of Federal Awards	37
SINGLE AUDIT	
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 <i>Government Auditing Standards</i>	38
Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	40
Schedule of Findings and Questioned Costs	42
OTHER INFORMATION	
Schedule of Accountant’s Professional liability insurance Affidavit	47



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, 2017, 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.

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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, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – General Fund, budgetary comparison schedule - 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 35 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 inquires 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 is 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is 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 March 9, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 City of Example's internal control over financial reporting and compliance.

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

Oklahoma City, Oklahoma
March 9, 2018

Our discussion and analysis of the Moore Norman Technology Center, School District #17's (the School District or the School), performance provides an overview of the School District's financial activities for the year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follows this section.

USING THIS ANNUAL REPORT

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

FINANCIAL HIGHLIGHTS

The District's financial status improved from the last year. Total net position increased 33 percent.

- Overall revenues were \$47 million and overall expenses were \$34.4 million.
- The District's net assessed valuation increased by \$129 million or 6.7 percent.
- The District decreased its outstanding long-term debt \$2.7 million.
- The District's share of the cost sharing retirement plan net pension obligation increased long-term debt \$8.8 million.

Reporting the School District as a Whole

The Statement of Net Position and the Statement of Activities

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

	2016	2017
Current and other assets	\$ 78,349,770	\$ 86,121,609
Capital assets	51,655,242	55,728,792
Total assets	130,005,012	141,850,401
Deferred outflows of resources	2,743,920	9,126,118
Long-term liabilities, net of current portion	87,559,163	88,151,307
Other liabilities	5,136,771	11,647,909
Total liabilities	92,695,934	99,799,216
Deferred inflows of resources	2,221,499	729,990
Net Position		
Invested in capital assets, net of debt	44,428,625	45,367,722
Restricted	7,105,725	16,500,020
Unrestricted (deficit)	(13,702,851)	(11,420,429)
Total Net Position	\$ 37,831,499	\$ 50,447,313

Net Position. The District's combined net position was more on June 30, 2017, than they were the year before – increasing by 33.3% from \$37.8 million to \$50.4 million. Most of this change is due to the recognition of deferred outflows and inflows of resources primarily attributed to GASB 68. The increase in noncurrent liabilities is primarily due to the increase in the net pension liability added for the District's portion of the unfunded liability of the Teachers' Retirement System of Oklahoma (TRS).

Moore Norman Technology Center
Management's Discussion and Analysis (Unaudited)
June 30, 2017

For the years ended June 30, 2017 and 2016, net position changed as follows:

	2016	2017
Beginning net position	\$ 33,391,178	\$ 37,831,499
Revenues		
Program revenues		
Charges for services	2,790,852	2,774,227
Operating grants/contributions	2,001,124	1,653,868
General revenues		
Property taxes	28,726,298	38,447,404
Federal and State grants	3,576,261	3,577,995
Investment earnings	13,834	285,177
Other revenue	672,626	281,793
Total revenues	37,780,995	47,020,464
Expenses		
Program expenses		
Instruction	9,870,020	10,409,460
Support services	17,110,317	18,884,365
Non-instruction	3,232,775	1,538,394
Student financial aid	810,741	599,962
Interest on long-term debt	501,299	1,054,180
Depreciation-unallocated	1,815,522	1,918,289
Total expenses	33,340,674	34,404,650
Increase (decrease) in net position	4,440,321	12,615,814
Ending net position	\$ 37,831,499	\$ 50,447,313

Changes in Net Position. The District's total revenues increased 24.46 percent to \$47 million. Property taxes accounted for most of the increase. Property taxes accounted for 82 percent of the District's collections. Another 6 percent came from tuition and fees.

Total revenues surpassed expenses, increasing net position \$12.6 million over the past year.

The District's total expenditures increased by 3.19 percent to \$34.4 million. The District's expenses are primarily related to education, training and support of students and business clients (85%).

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
Miscellaneous	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 schedule presents a summary of general, special revenue (building and bond fund), other governmental fund (activity fund), and expenditures for the fiscal year ended June 30, 2017 and 2016.

	2016 Amount	Percent of Total	2017 Amount	Percent of Total
Property Taxes	\$ 28,772,807	79.18%	\$ 37,508,272	83.36%
Interest	60,538	0.17%	285,177	0.63%
Tuition and Fees	2,054,286	5.65%	2,085,636	4.64%
State Revenue	2,604,922	7.17%	2,300,565	5.11%
Federal Sources	614,857	1.69%	481,714	1.07%
Federal Sources - Student Financial Aid	395,230	1.09%	745,878	1.66%
Miscellaneous	1,835,087	5.05%	1,588,159	3.53%
Total Revenues	<u>\$ 36,337,727</u>	<u>100.00%</u>	<u>\$ 44,995,401</u>	<u>100.00%</u>

The declining economic conditions have also allowed for decreases in state funded 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.

Expenditures

Instruction	Expenditures for direct classroom activities.
Support Services	Expenditures for administrative, technical and logistical support to facilitate and enhance education.
Non-Instructional Services	Activities concerned with providing non-instructional services to students, staff, or community.
Facilities	Activities involved with the acquisition of land buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; improvements to sites; and equipment. These expenditures are included below in capital outlay and debt service.

	2016 Amount	Percent of Total	2017 Amount	Percent of Total
Instruction	\$ 10,258,205	27.97%	\$ 10,071,190	26.08%
Support Services	17,528,530	47.79%	17,920,324	46.39%
Non-Instructional Services	1,013,532	2.76%	873,643	2.26%
Capital Outlay and Debt Service	6,827,782	18.61%	8,966,422	23.21%
Student Financial Aid	810,741	2.21%	599,962	1.55%
Other Outlays	241,712	0.66%	197,068	0.51%
Total Expenditures	<u>\$ 36,680,502</u>	<u>100.00%</u>	<u>\$ 38,628,609</u>	<u>100.00%</u>

The increases in expenditures are due to personnel and benefit costs and an increase in capital outlay and debt services related to the \$60 million bond issue and related projects.

The increases in expenditures are due to positions being filled, along with an increase to salary and benefit costs. The increase in Capital Outlay was due to a planned remodel of the kitchen area and replacement of a sewer line under the building. Overall, the District is in good financial condition.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the General Fund budget had to be revised due to increase in local revenue sources. State revenue decreased due to declining collections. Employees and departments were asked to spend their assigned budget wisely as economic conditions continued to show instability. The District was able to have a \$8.7 million fund balance at the end of the fiscal year.

CAPITAL ASSETS

At the end of June 30, 2017, the School District had \$83.4 million invested in capital assets before depreciation (see table below). This represents a net increase of \$5.95 million or 7.68 percent, over the previous fiscal year.

	2017	2016	2015	2014
Land	\$ 2,052,163	\$ 2,052,163	\$ 2,052,163	\$ 2,052,163
Construction in Progress	5,491,897	1,576,034	2,292	52,278
Buildings and Improvements	67,995,513	66,419,479	66,419,479	65,716,336
Furniture and Equipment	6,767,767	6,404,455	6,083,115	5,843,041
Automobiles	1,120,173	1,024,077	1,098,276	1,098,276
	<u>\$ 83,427,513</u>	<u>\$ 77,476,208</u>	<u>\$ 75,655,325</u>	<u>\$ 74,762,094</u>

See Note 8 for additional information on capital assets.

LONG-TERM LIABILITIES

IT Building Construction Project

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

By the terms of the agreement, the lease payments are guaranteed with Moore Norman Technology Center's Building Fund ad valorem collections. The payments are approximately \$1.3 to \$1.7 million per year for 10 years. Semi-annual payments were made in the year ended June 30, 2017. The amount of the capitalized lease at June 30, 2017 was \$4,282,500.

General Obligation Bonds

On June 1, 2016, Moore Norman Technology Center issued \$60,000,000 in general obligation bonds. The bonds will enable the Center to meet the needs of students and business & industry partners through the expansion and modernization of various programs and classrooms, the addition of safe rooms and vital security features, and the creation of a student services center.

The bonds are payable over 10 years with amount levied for payment through the debt service fund (sinking fund). No payments were made during the year ended June 30, 2017.

See Note 3 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 of Oklahoma (TRS) net pension liability as of June 30, 2017 was \$31,570,121. This was an increase of \$8,842,790 from the prior year (2016). See Note 4 for additional information on the net pension liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

While state revenues are showing some growth this year, next year's budget is predicted to have a no increase or even possible cuts. Our local ad valorem assessed valuation has increased by \$74,383,483 or 3.64%, including the Oklahoma City Community City overlap area, calculating to an increase of approximately \$933,000 in real dollars for the School District in local revenue.

Due to continued economic downturns in 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 2018. 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
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash	\$ 80,509,694
Investments	10,262
Property taxes receivable (net)	4,674,052
Due from other governments	889,860
Other receivables	37,741
Nondepreciable capital assets	7,544,060
Depreciable capital assets, net of depreciation	48,184,732
Total assets	<u>141,850,401</u>
Deferred Outflows	
Deferred outflows of resources related to pension	<u>9,126,118</u>
Liabilities	
Accounts payable and other current liabilities	2,652,220
Salaries payable	715,989
Long-term obligations	
Due within one year	8,279,700
Due beyond one year	<u>88,151,307</u>
Total liabilities	<u>99,799,216</u>
Deferred Inflows	
Deferred inflows of resources related to net pensions	<u>729,990</u>
Net Position	
Net investment in capital assets	45,367,722
Restricted for:	
Buildings	10,040,656
Debt service	6,366,787
School organizations	92,577
Unrestricted (deficit)	<u>(11,420,429)</u>
Total Net Position	<u><u>\$ 50,447,313</u></u>

Moore Norman Technology Center
Statement of Activities
For the Year Ended June 30, 2017

Functions/programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction	\$ 10,409,460	2,167,227	\$ 68,782	\$ (8,173,451)
Support services	18,884,365	603,220	904,005	(17,377,140)
Non-instruction services	1,538,394	3,780	-	(1,534,614)
Student financial aid	599,962	-	587,010	(12,952)
Interest on long-term debt	1,054,180	-	94,071	(960,109)
Depreciation - unallocated	1,918,289	-	-	(1,918,289)
Total school district	<u>\$ 34,404,650</u>	<u>\$ 2,774,227</u>	<u>\$ 1,653,868</u>	<u>(29,976,555)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				20,994,670
Property taxes, levied for debt service purposes				10,369,079
Property taxes, levied for building purposes				7,083,655
State aid - formula grants				3,228,370
Federal aid - formula grants				349,625
Other revenue				281,793
Interest income				285,177
Total general revenues				<u>42,592,369</u>
Change in net position				12,615,814
Net position, beginning of year				<u>37,831,499</u>
Net position, end of year				<u>\$ 50,447,313</u>

Moore Norman Technology Center
Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Building Fund	Bond Fund	Debt Service Fund	Other- Activity Fund	Totals
Assets						
Cash	\$ 9,661,388	\$ 9,171,642	\$ 30,522,371	\$ 561,716	\$ 92,578	\$ 50,009,695
Pooled cash and investments	10,262	-	25,000,000	5,500,000	-	30,510,262
Property taxes receivable, net	3,037,670	1,331,311	-	305,071	-	4,674,052
Other receivables	37,741	-	-	-	-	37,741
Due from other governments	889,860	-	-	-	-	889,860
Total assets	\$ 13,636,921	\$ 10,502,953	\$ 55,522,371	\$ 6,366,787	\$ 92,578	\$ 86,121,610
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable and accrued liabilities	489,312	\$ 442,239	1,584,403	\$ -	\$ -	\$ 2,515,954
Salaries payable	695,930	20,059	-	-	-	715,989
Total liabilities	1,185,242	462,298	1,584,403	-	-	3,231,943
Deferred inflows of resources						
Deferred property taxes	2,931,506	1,277,279	-	274,950	-	4,483,735
Deferred grant revenue	814,011	-	-	-	-	814,011
Total deferred inflows of resources	3,745,517	1,277,279	-	274,950	-	5,297,746
Fund Balances						
Fund balances						
Restricted	-	8,763,376	53,714,823	6,091,837	-	68,570,036
Committed	-	-	-	-	91,945	91,945
Assigned	5,878,837	-	223,145	-	633	6,102,615
Unassigned	2,827,325	-	-	-	-	2,827,325
Fund balances, end of year	8,706,162	8,763,376	53,937,968	6,091,837	92,578	77,591,921
Total Liabilities and Fund Balances	\$ 13,636,921	\$ 10,502,953	\$ 55,522,371	\$ 6,366,787	\$ 92,578	
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 \$83,427,513 and the accumulated depreciation is \$27,698,721.						55,728,792
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.						5,297,746
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the funds.						(31,570,121)
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 \$9,126,118 and deferred inflows of \$729,990.						8,396,128
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					\$ 4,282,500	
General obligation bonds					60,016,538	
Accrued interest					143,467	
Compensated absences					554,648	(64,997,153)
Total Net Position - Governmental Activities						\$ 50,447,313

Moore Norman Technology Center
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Building Fund	Bond Fund	Debt Service Fund	Other Governmental - Activity Fund	Totals
Revenues						
Property taxes	\$ 20,445,635	\$ 10,253,932	\$ -	\$ 6,808,705	\$ -	\$ 37,508,272
Interest	61,676	-	223,145	-	356	285,177
Tuition and fees	2,085,636	-	-	-	-	2,085,636
State revenue	2,300,565	-	-	-	-	2,300,565
Federal revenue	1,133,521	94,071	-	-	-	1,227,592
Other	662,984	229,416	-	677	695,082	1,588,159
Total revenues	26,690,017	10,577,419	223,145	6,809,382	695,438	44,995,401
Expenditures						
Current						
Instruction	9,737,482	333,708	-	-	-	10,071,190
Support services	12,593,589	4,636,793	-	-	689,942	17,920,324
Non-instruction services	856,123	17,520	-	-	-	873,643
Student financial aid	599,962	-	-	-	-	599,962
Capital outlay	-	98,623	5,579,074	-	-	5,677,697
Other outlays	184,337	12,731	-	-	-	197,068
Debt service						
Interest and fees paid	-	302,999	-	764,250	-	1,067,249
Principal retirement	-	2,221,476	-	-	-	2,221,476
Total expenditures	23,971,493	7,623,850	5,579,074	764,250	689,942	38,628,609
Net Change in Fund Balance	2,718,524	2,953,569	(5,355,929)	6,045,132	5,496	6,366,792
Beginning fund balance	5,987,638	5,809,807	59,293,897	46,705	87,082	71,225,129
Ending fund balance	\$ 8,706,162	\$ 8,763,376	\$ 53,937,968	\$ 6,091,837	\$ 92,578	\$ 77,591,921

Moore Norman Technology Center
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2017

Total net changes in fund balances - governmental funds \$ 6,366,792

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 capital outlays exceeds depreciation during the period.

Capital Outlays	\$ 6,019,539	
Depreciation Expense	<u>(1,918,289)</u>	4,101,250

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. (27,700)

Because some property taxes 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. 934,847

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. (1,984)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year, vacation and sick leave earned exceeded amounts used. (22,854)

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. This is the difference between the two. (2,061,282)

Support for pension contributions from nonemployer contributing entities not in a special funding situation does not provide current financial resources so are not recorded in governmental funds but are recorded as revenues in the statement of activities. 1,092,199

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

Accrued interest	\$ 13,070	
Payments on Capital Leases	<u>2,221,476</u>	<u>2,234,546</u>

Change in net position of governmental activities \$ 12,615,814

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 a special revenue fund 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.

Bond Fund is a capital project fund used to account for proceeds from long-term financing and revenues and expenditures related to voter authorized construction and other capital asset acquisitions.

Debt Service Fund (or the Sinking Fund) is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

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, 12-month employee may be absent from duties for personal business for six days per fiscal year at no loss of pay. A full-time, 10-month employee may be absent from duties for personal business for seven days per fiscal year at no loss of pay. All full-time, 12-month employees 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 Special Revenue Fund that includes revenue and expenditures.

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

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, 2015 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 \$28,300 in the general fund, \$49,060 in the building fund and \$36,640 in the sinking 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 5% 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 (1) contributions made to Teachers' Retirement System of Oklahoma (TRS the Plan) between the measurement date of the net pension liabilities (June 30, 2016) and the end of the current fiscal year (June 30, 2017). (2) A loss from changes in assumptions used by the actuary is amortized to pension expense over the average expected remaining service life of the Plan (3) the actual pension plan investment earnings less than 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 (4) A loss in changes in assumptions used by the actuary is amortized to pension expense over the average expected remaining service life of the Plan.

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) A gain from 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.

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense. Information about the fiduciary net position of the Teachers' Retirement System of Oklahoma (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 Debt Service – The component of net position that reports assets restricted for debt service.

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, 2017.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Building Fund revenue from levy as being restricted because the use is restricted by State Statute for capital expenditures.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified school program activities as being committed because their use is imposed by the Board of Education regarding use of the funds.

Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the superintendant through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned interest earnings to the funds where earned for the purposes defined by the fund.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

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

Subsequent Events - The District has evaluated subsequent events through March 9, 2018, the date which the financial statements were available to be issued.

Note 2 - Cash and Investments

Deposits - At June 30, 2017, the bank balance of deposits and cash pools was \$52,594,183.

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, 2017, the District was not exposed to custodial credit risk.

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

Credit Risk – Investments - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. Investments held by the District in investment pools (sweep accounts and external investment pools) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The \$10,262 fair market value of the external investment pool held securities whose Standard & Poor's credit ratings were 7.1 percent AA+, 37.9 percent NA, and 55 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 \$10,262, 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 - 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	\$ 548,894	\$ 509,465	\$ 496,511	\$ 561,848	\$ 7,200
General obligation bonds	60,016,538	-	-	60,016,538	6,600,000
Capital Leases					
2009 Capital lease	5,905,000	-	1,622,500	4,282,500	1,672,500
2013 Capital lease	598,976	-	598,976	-	-
	6,503,976	-	2,221,476	4,282,500	1,672,500
	<u>\$ 67,069,408</u>	<u>\$ 509,465</u>	<u>\$ 2,717,987</u>	<u>\$ 64,860,886</u>	<u>\$ 8,279,700</u>
Net pension liability				31,570,121	
Total governmental activity long-term liabilities				<u>\$ 96,431,007</u>	

Payments on the leases are made through the general fund and building fund with property taxes. General obligation bonds will be made through the sinking 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.

Leased buildings under capital leases in capital assets at June 30, 2017, include the following:

Buildings	\$ 38,322,180
Less accumulated depreciation	<u>(7,035,376)</u>
	<u><u>\$ 31,286,804</u></u>

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

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)				
2018	\$ 1,672,500	\$ 214,144	\$ 1,886,644	4.658%
2019	1,730,000	133,069	1,863,069	5.031%
2020	<u>880,000</u>	<u>45,183</u>	<u>925,183</u>	5.131%
Total capital leases	<u><u>\$ 4,282,500</u></u>	<u><u>\$ 392,396</u></u>	<u><u>\$ 4,674,896</u></u>	

General Obligation Bonds

In June 1, 2016, the District issued \$60 million in general obligation bonds. The bonds mature serially over a 10 year period. The annual requirements to amortize the bond debt outstanding as of June 30, 2017 including interest payments are as follows:

2016 General Obligation Bonds				
2018	\$ 6,600,000	\$ 764,250	\$ 7,364,250	0.050%
2019	6,675,000	760,950	7,435,950	0.050%
2020	6,675,000	757,613	7,432,613	0.050%
2021	6,675,000	754,275	7,429,275	1.250%
2022	6,675,000	670,837	7,345,837	2.000%
2023-2026	<u>26,700,000</u>	<u>1,478,513</u>	<u>28,178,513</u>	.05%-4%
	60,000,000	<u><u>\$ 5,186,438</u></u>	<u><u>\$ 65,186,438</u></u>	
Bond Premium	<u>16,538</u>			
	<u><u>\$ 60,016,538</u></u>			

The bond issue was approved by voters and issued by the District for various capital improvements. These bonds are required to be paid serially within 25 years from the date of issue. General obligation bond debt is limited by state law to 10% of assessed valuation of the District. Proceeds of the general obligation bonds are recorded in a bond fund and at least 85% of the proceeds are restricted to the use for which they were approved by voters in the bond election.

The District's interest expense for 2017 was \$1,067,249.

Note 4 - 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 Teachers' Retirement System of Oklahoma (TRS) (the System). The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is the responsibility of the state legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the employees of the District. The System issues a publically available financial report that can be obtained at <http://www.ok.gov/trs/>.

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

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2017, qualifying employee contributions were reduced by a retirement credit of \$77,189 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2017, the District had a statutory contribution rate of 9.5% plus 7.7% 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, 2017, the District's contributions to the System for were \$1,669,263.

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 \$1,092,199.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2017, the District reported a liability of \$31,570,121 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.37677034%, which was a decrease of 0.00805355% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$3,730,545. At June 30, 2017, 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	\$ -	\$ 729,990
Changes of assumptions	3,519,440	-
Net difference between projected and actual earnings on pension plan investments	3,726,059	-
Changes in proportion and differences between District contributions and appropriate share of contributions	211,356	-
District contributions subsequent to the measurement date	1,669,263	-
	<u>\$ 9,126,118</u>	<u>\$ 729,990</u>

The \$1,669,263 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, 2018. 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	
2018	\$ (1,144,756)
2019	(1,144,757)
2020	(2,360,484)
2021	(1,861,100)
2022	(486,149)
Thereafter	<u>270,381</u>
	<u>\$ (6,726,865)</u>

Actuarial assumptions – The total pension liability in the June 30, 2016 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 – 2.50%
- Salary Increases – Composed of 3.00% wage inflation plus .75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return – 7.5%
- Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the TRS Board in May 2015, in conjunction with five year experience study for the period ending June 30, 2014
- Mortality – Males: RP-2000 Combined Healthy Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled to 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.

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

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	23.50%	1.6 - 4.9%
Domestic Equity	40.00%	5.8 - 7.0%
International Equity	17.50%	6.6%
Private Equity	5.00%	8.3%
Real Estate	7.00%	4.5%
Limited Partnerships	7.00%	7.7%
	<u>100.00%</u>	

Discount rate – A single discount rate of 7.5% was used to measure the total pension liability as of June 30, 2017. Previously, a rate of 8.00% was used. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. 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 7.5%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	<u>\$ 41,330,254</u>	<u>\$ 31,570,121</u>	<u>\$ 23,401,073</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 5 - 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, 2017, the District's contribution to the plan was \$257,380.

Note 6 - 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 2018. Lease expense under these leases for 2017 was \$120,000. Minimum rental payments required under these leases for 2018 are \$121,400.

Encumbrances

The District utilizes encumbrance accounting in its governmental funds. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order is issued and accordingly, encumbrances outstanding at year end are report as expenditures in the year issued for budgetary purposes.

Significant encumbrances included in the governmental funds are as follows:

General Fund	\$ 5,878,837
Building Fund	5,443,229
Bond Fund	28,820,658
Other governmental	<u>609,579</u>
	<u><u>\$ 40,752,303</u></u>

Note 7 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 8 - Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 2,052,163	\$ -	\$ -	\$ 2,052,163
Construction in progress	1,576,034	5,491,897	1,576,034	5,491,897
Total capital assets not being depreciated	<u>3,628,197</u>	<u>5,491,897</u>	<u>1,576,034</u>	<u>7,544,060</u>
Capital assets being depreciated:				
Buildings and improvements	66,419,479	1,576,034	-	67,995,513
Furniture, fixtures and equipment	6,404,455	431,546	68,234	6,767,767
Vehicles/buses	1,024,077	96,096	-	1,120,173
Total capital assets being depreciated	<u>73,848,011</u>	<u>2,103,676</u>	<u>68,234</u>	<u>75,883,453</u>
Less accumulated depreciation for:				
Buildings and improvements	20,240,119	1,508,752	-	21,748,871
Furniture, fixtures and equipment	4,638,599	379,854	40,534	4,977,919
Vehicles/buses	942,248	29,683	-	971,931
Total accumulated depreciation	<u>25,820,966</u>	<u>1,918,289</u>	<u>40,534</u>	<u>27,698,721</u>
Total capital assets being depreciated, net	<u>48,027,045</u>	<u>185,387</u>	<u>27,700</u>	<u>48,184,732</u>
Governmental activity capital assets, net	<u>\$ 51,655,242</u>	<u>\$ 5,677,284</u>	<u>\$ 1,603,734</u>	<u>\$ 55,728,792</u>

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

Note 9 - Tax Abatement

Oklahoma Statutes Title 31 offers a homestead exemption of up to 1 acre property in an urban area or 160 acres in a rural area. In addition, households with gross income under \$20,000 are entitled to an additional \$1,000 exemption. Honorably discharged veterans who are 100 percent disabled and surviving spouse of veteran killed while on active duty are fully exempted. These homestead exemptions reduce the ad valorem taxes remitted to the District.

For the year ended June 30, 2017, abated property taxes were approximately \$1,237,500.

Note 10 - New GASB Standards

The District implemented the following GASB Statements:

- GASBS No. 77, *Tax Abatement Disclosures*, requires new disclosures about tax abatement agreements and their impact on the governmental unit's financial position.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

The following pronouncements will be effective in the future: Management has evaluated these statements as having an impact on the District.

- GASB Statement No. 75, *Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources and expenses/expenditures. Furthermore, this statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered by trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The provisions in this statement are effective for fiscal years beginning after December 15, 2016.
- GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the future retirement of a tangible capital asset. The provisions of this statement are effective for reporting periods beginning after June 15, 2018.
- GASB Statement No. 84, *Fiduciary Activities* establishes general criteria for determining when a governmental unit has a fiduciary role for managing certain types of assets. The focus of the criteria generally is on (a) whether the government is controlling the assets of the fiduciary activity and (b) the beneficiaries with whom the fiduciary relationship exists. The provisions of this statement are effective for reporting periods beginning after December 15, 2018.
- GASB Statement No. 85, *Omnibus 2017*, was issued to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB standards. The provisions of this statement are effective for reporting periods beginning after June 15, 2017.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued to improve consistency in accounting and financial reporting for certain debt extinguishments and to enhance the decision-usefulness of that information. The provisions of this statement are effective for reporting periods beginning after June 15, 2017.



Required Supplementary Information
June 30, 2017

Moore Norman Technology Center School District No. 17

Moore Norman Technology Center
Budgetary Comparison Schedule – General Fund (Unaudited)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Budgetary fund balance, July 1	\$ 4,955,000	\$ 6,684,662	\$ 5,987,638	\$ 1,729,662	\$ (697,024)
Resources (inflows)					
Property taxes	18,995,000	19,595,000	20,445,635	600,000	850,635
Interest	500	7,500	61,676	7,000	54,176
Tuition and fees	1,850,000	1,850,000	2,085,636	-	235,636
State revenue	2,204,896	2,204,896	2,300,565	-	95,669
Federal revenue	431,530	431,530	1,133,521	-	701,991
Other	585,000	585,000	662,984	-	77,984
Total resources	24,066,926	24,673,926	26,690,017	607,000	2,016,091
Amounts available for appropriation	29,021,926	31,358,588	32,677,655	2,336,662	1,319,067
Charges to appropriations (outflows)					
Instruction	10,445,000	10,445,000	9,737,482	-	707,518
Support services	13,491,250	13,491,250	12,593,589	-	897,661
Non-instruction services	1,100,000	1,100,000	856,123	-	243,877
Other outlays (including student financial aid)	265,000	265,000	784,299	-	(519,299)
Total charges to appropriations	25,301,250	25,301,250	23,971,493	-	1,329,757
Budgetary fund balance, June 30	\$ 3,720,676	\$ 6,057,338	\$ 8,706,162	\$ 2,336,662	\$ 2,648,824

Moore Norman Technology Center
 Budgetary Comparison Schedule – Building Fund (Unaudited)
 For the Year Ended June 30, 2017

	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	\$ 5,075,500	\$ 5,136,509	\$ 5,809,807	\$ 61,009	\$ 673,298
Resources (inflows)					
Property taxes	9,500,000	9,500,000	10,253,932	-	753,932
Federal revenue	-	-	94,071	-	94,071
Other	2,000	2,000	229,416	-	227,416
Total resources	9,502,000	9,502,000	10,577,419	-	1,075,419
Amounts available for appropriation	14,577,500	14,638,509	16,387,226	61,009	1,748,717
Charges to appropriations (outflows)					
Instruction	205,000	515,000	333,708	310,000	181,292
Support services	4,858,500	4,887,500	4,636,793	29,000	250,707
Non-instruction services	75,000	75,000	17,520	-	57,480
Capital outlay/debt service	2,500,000	2,500,000	2,623,098	-	(123,098)
Other Outlays	-	-	12,731	-	(12,731)
Total charges to appropriations	7,638,500	7,977,500	7,623,850	339,000	353,650
Budgetary fund balance, June 30	\$ 6,939,000	\$ 6,661,009	\$ 8,763,376	\$ (277,991)	\$ 2,102,367

Moore Norman Technology Center
Schedule of the District's Proportionate Share of the Net Pension Liability (Unaudited)
June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's portion of the net pension liability (asset)	0.37677034%	0.38482389%	0.37348988%	0.37348988%
District's proportionate share of the net portion liability (asset)	\$ 31,570,121	\$ 22,727,331	\$ 20,093,257	\$ 26,732,000
District's converted employee payroll	16,599,105	16,849,389	15,718,200	15,501,905
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	190.19%	134.89%	127.83%	172.44%
Plan fiduciary net position as a percentage of the total pension liability	62.24%	70.31%	72.43%	62.18%

Notes:

In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Only four fiscal years are presented because 10-year data is not yet available.

Moore Norman Technology Center
Schedule of District's Contributions (Unaudited)
June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractual required contribution	\$ 1,669,263	\$ 1,576,915	\$ 1,600,692	\$ 1,493,229	\$ 1,472,681
Contribution in relation to the contractually required contribution	1,669,263	1,576,915	1,600,692	1,493,229	1,472,681
Contribution deficiency (excess)	-	-	-	-	-
District's covered payroll	17,571,189	16,599,105	16,849,389	15,718,200	15,501,905
Contribution as a percentage of covered employee payroll	9.50%	9.50%	9.50%	9.50%	9.50%

Note:

Only five fiscal years are presented because 10-year data is not yet available.

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 the Building Fund that includes revenue and expenditures.

Note 2 - Changes of Assumptions

The actuarial assumptions used in the 2015 valuation were based upon 2015 Actuarial Experience Study Report dated May 13, 2015. The current actuarial assumptions were adopted by the TRS Board of Trustees in May, 2015 and first utilized in June 30, 2015 actuarial valuation report. Among the changes since the prior valuation are the treatment of the administrative expenses, payroll growth rate, healthy post-retirement mortality rates, termination rates and rates for unreduced retirement.



Other Information
June 30, 2017

Moore Norman Technology Center School District No. 17

Moore Norman Technology Center
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Deferred Revenue (Accounts Receivable) 6/30/16	Federal Grant Receipts	Total Grant Expenditures	Matching Expenditures	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) 6/30/17
<u>U.S. Department of Education</u>								
Direct Programs-Student Financial Aid								
Federal Pell Grant Program	84.063*	474	\$ (649,289)	\$ 727,695	\$ 570,154	\$ -	\$ 570,154	\$ (491,748)
Federal Supplemental Educational Opportunity Grant	84.007*	477	(8,148)	18,183	22,475	5,619	16,856	(6,821)
Total Student Financial Aid Cluster			(657,437)	745,878	592,629	5,619	587,010	(498,569)
Carl Perkins Vocational Education Act								
Passed through Oklahoma Department of Career Technology Education								
Carl Perkins Secondary	84.048	421	(114,602)	119,391	290,403	-	290,403	(285,614)
Tech Centers That Work	84.243	429	(14,739)	10,078	10,388	-	10,388	(15,049)
Total Pass Through Programs			(129,341)	129,469	300,791	-	300,791	(300,663)
Total U.S. Department of Education			(786,778)	875,347	893,420	5,619	887,801	(799,232)
<u>National Science Foundation</u>								
Passed through Oklahoma Department of Career Technology Education								
Cyber Security	47.076	484	-	2,500	5,965	966	4,999	(2,499)
Total National Science Foundation			-	2,500	5,965	966	4,999	(2,499)
Passed through Oklahoma Department of Human Services and								
Oklahoma Department of Career Technology Education								
TANF/HIRE	93.558	452	(29,217)	179,825	332,433	93,696	238,737	(88,129)
Total U.S. Department of Health and Human Services			(29,217)	179,825	332,433	93,696	238,737	(88,129)
Total Expenditures of Federal Awards			\$ (815,995)	\$ 1,057,672	\$ 1,231,818	\$ 100,281	\$ 1,131,537	\$ (889,860)

* Denotes a major program cluster

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Moore Norman Technology Center, District No. 17 under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 220, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Moore Norman Technology Center, District No. 17 it is not intended to and does not present financial position, changes in financial position or cash flows.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on using the cash basis of accounting. Some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

Moore Norman Technology Center, District No. 17 has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Subrecipients

Moore Norman Technology Center, District No. 17 did not have any awards that have been passed through to sub recipients.



CPAs & BUSINESS ADVISORS

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 9, 2018.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-A to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

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

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

Oklahoma City, Oklahoma
March 9, 2018



**Independent Auditor's Report on Compliance for the Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

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 Compliance Supplement* that could have a direct and material effect on Moore Norman Technology Center School District No. 17's major federal program for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 (the District) complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal programs for the year ended June 30, 2017.

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Report on Internal Control over Compliance

Management of 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 each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance 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 a 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 have not been identified. We identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be material weaknesses.

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

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

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

Oklahoma City, Oklahoma
March 9, 2018

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

<u>Name of Federal Program or Cluster</u>	<u>CFDA number</u>
Student Financial Aid Cluster	84.063, 84.007
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

2017-A	Adjustments in Financial Reporting Material Weakness in Internal Controls over Financial Reporting
Criteria:	Controls over complete year-end financial reporting process should be in place to ensure proper reporting in accordance with Generally Accepted Accounting Principles (GAAP).
Condition:	Material adjustments were posted to the financial statements as a result of the audit procedures.
Cause:	Manual errors were made to record financial statement amounts and were not detected by management in the review process.
Context:	The District's general ledger did prepare the financial statements but material adjustments were needed to properly state the financial statements. .
Effect:	The District is at risk for material misstatements. As a result of the audit procedures, we identified several adjustments including a \$3.1 million adjustment to reduce accounts payable for the Bond Fund and a reclassification of \$6.6 million in bonds from long-term to current liabilities.
Recommendation:	We recommend a control process be put in place to properly and timely reconcile relevant financial data to the general ledger in order to be presented in accordance with GAAP.
View of Responsible Officials:	The Moore Norman Technology Center management team agrees with this finding.

Section III – Federal Award Findings and Questioned Costs

2017-001

**U.S. Department of Education
CFDA # 84.063 Federal Pell Grant Program, FY2017**

**Reporting
Material Weakness in Internal Control over Compliance**

Criteria:

Common Origination and Disbursement (COD) System (COD System) – All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System.

Institutions must submit Pell Grant disbursement records no later than 15 days after making the disbursement or becoming aware of the need to adjust a student's previously recorded disbursement.

An institution's failure to submit disbursement records within the required timeframe may result in the Secretary rejecting all or part of the reported disbursement. Such failure may also result in an audit or program review finding or the initiation of an adverse action, such as a fine or other penalty for such failure, in accordance with subpart G of the General Provisions regulations in 34 CFR part 668.

Condition:

22 of the 40 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 15 day required timeframe.

Cause:

The previous regulations had a 30-day requirement and moved to a 15-day requirement in FY16 but was not detected by management until the audit procedures were performed for FY16 which was after the start of the FY17 school year. Control procedures at the District were implemented later in FY17 to report disbursements within the 15 day timeframe.

Effect:

Several disbursements were reported late to the Department of Education.

Questioned Cost:

None reported.

Context:

We selected all FY17 disbursements for a nonstatistical sample of 40 students. Of 60 total disbursements tested, 17 disbursements were not timely reported.

Repeat Finding from
Prior Years:

Yes, prior year finding 2016-001. Finding since FY2014.

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 15 day timeframe is met.
View of Responsible Officials:	The Moore Norman Technology Center management team agrees with this finding.
2017-002	U.S. Department of Education CFDA # 84.063 Federal Pell Grant Program, FY2017
	Special Tests: Return of Funds, Enrollment Reporting Material Weakness in Internal Controls over Compliance
Criteria:	The institution is responsible for timely reporting of a student's enrollment status regarding eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL program. Enrollment Reporting in a timely and accurate manner is important for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.
Condition:	Fall 2016 and Spring 2017 procedures did not allow for accurate or timely communication of enrollment statuses for students (i.e. withdrawals, graduation). Student's status were either communicated beyond the 60 day time window, were reported as differing days from when the institution classified their status, or had not been reported as of fieldwork.
Cause:	Procedures throughout the year were not designed or effectively utilized to communicate the enrollment status change for the students' change in enrollment status.
Effect:	Untimely reporting of student enrollment status does not allow the Department of Education to properly track and monitor students, including initiation of the loan repayment process.

Questioned Cost:	None reported.
Context:	25 items in our nonstatistical sample of 54 student status changes did not have the change in status communicated either timely or accurately, or both.
Repeat Finding from Prior Years:	Yes, prior year finding 2016-002.
Recommendation:	We recommend that the institution implement a more timely method for communicating enrollment status changes and ensure that the information is reported accurately with what the institution is recording.
View of Responsible Officials:	The Moore Norman Technology Center management team agrees with this finding.

STATE OF OKLAHOMA)
County of Oklahoma) ss

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Moore Norman Technology Center School District No. 17 for the audit year 2016-2017.

EIDE BAILLY, LLP

BY Vanessa M. DeStor

Subscribed and sworn to before me on this 9 day of March, 2017.

Jo Carrole 99009509
Notary Public

My commission expires 7-21-19

