



Financial Statements and
Reports Required by Uniform Guidance
June 30, 2018

Moore Norman Technology Center School District No. 17

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Moore Norman Technology Center School District No. 17 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Moore Norman Technology Center School District No. 17, as of June 30, 2018, 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.

Emphasis of Matters

Correction of Errors

As discussed in Note 12 to the financial statements, errors resulting in the overstatement of grant receivables and improper inclusion of a fiduciary fund as of June 30, 2017, were discovered by management of the District during the current year. Accordingly, adjustments have been made to the net position of the governmental activities and to the fund balance of the general fund to correct the errors. Our opinion is not modified with respect to this matter.

Implementation of GASB No. 75

As discussed in Notes 1 and 6 to the financial statements, the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which had no net impact on beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – General Fund, budgetary comparison schedule - Building Fund, the schedule of District's proportionate share of the net pension liability, the schedule of District's pension contributions, the schedule of District's proportionate share of the OPEB asset, and the schedule of District's OPEB contributions on pages 4 through 11 and 38 through 44 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 or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 21, 2019 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 District's internal control over financial reporting and compliance.

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

Oklahoma City, Oklahoma
March 21, 2019

Our discussion and analysis of the Moore Norman Technology Center, School District #17's, performance provides an overview of the School District's financial activities for the year ended June 30, 2018. 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 21.28 percent.

- Overall revenues were \$47.0 million and overall expenses were \$36.4 million.
- The District's net assessed valuation increased by \$77 million or 3.69 percent.
- The District decreased its outstanding long-term debt \$8.2 million.
- The District's share of the cost sharing retirement plan net pension obligation decreased long-term debt \$6.0 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, and Bookstore activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

THE SCHOOL DISTRICT AS A WHOLE

	2017 (As revised)	2018
Current and other assets	\$ 85,978,483	\$ 70,649,566
Capital assets	55,728,792	74,374,020
Net OPEB Asset	-	172,419
	<u>141,707,275</u>	<u>145,196,005</u>
Total assets		
Deferred outflows of resources	9,126,118	5,991,057
	<u>9,126,118</u>	<u>5,991,057</u>
Long-term liabilities, net of current portion	88,151,307	73,300,466
Other liabilities	11,935,592	13,474,777
	<u>100,086,899</u>	<u>86,775,243</u>
Total liabilities		
Deferred inflows of resources	729,990	3,753,935
	<u>729,990</u>	<u>3,753,935</u>
Net Position		
Invested in capital assets, net of debt	45,367,722	51,910,063
Restricted	16,500,020	18,452,792
Unrestricted (deficit)	(11,851,238)	(9,704,971)
	<u>(11,851,238)</u>	<u>(9,704,971)</u>
Total Net Position	<u>\$ 50,016,504</u>	<u>\$ 60,657,884</u>

Net Position. The District's combined net position was more on June 30, 2018, than they were the year before – increasing by 21.28% from \$50.0 million (as restated) to \$60.7 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 decrease 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, 2018

As described in Note 12, the District's net position for 2017 was restated due to prior period corrections.

For the years ended June 30, 2018 and 2017, net position changed as follows:

	2017 (As revised)	2018	
Beginning net position, as previously reported	\$ 37,831,499	\$ 50,016,504	
Prior period adjustments	(12,193)	-	
Beginning net position, as revised	<u>37,819,306</u>	<u>50,016,504</u>	
Revenues			
Program revenues			
Charges for services	2,191,235	2,114,054	
Operating grants/contributions	1,653,868	1,537,660	
General revenues			
Property taxes	38,447,404	39,020,355	
Federal and State aid	3,434,869	3,113,853	
Investment earnings	285,177	1,168,393	
Other revenue	281,793	42,592	
Total revenues	<u>46,294,346</u>	<u>46,996,907</u>	<u>1.52%</u>
Expenses			
Program expenses			
Instruction	10,409,460	11,210,311	
Support services	18,576,863	20,024,887	
Non-instruction	1,538,394	1,501,904	
Student financial aid	599,962	617,606	
Interest on long-term debt	1,054,180	916,889	
Depreciation-unallocated	1,918,289	2,083,930	
Total expenses	<u>34,097,148</u>	<u>36,355,527</u>	<u>6.62%</u>
Increase (decrease) in net position	<u>12,197,198</u>	<u>10,641,380</u>	<u>-12.76%</u>
Ending net position	<u>\$ 50,016,504</u>	<u>\$ 60,657,884</u>	<u>21.28%</u>

Changes in Net Position. The District's total revenues increased 1.52 percent to \$47.0 million. Property taxes and investment earnings accounted for most of the increase. Property taxes accounted for 83 percent of the District's collections. Another 4 percent came from tuition and fees.

Total revenues surpassed expenses, increasing net position \$10.6 million over the past year.

The District's total expenditures increased by 6.62 percent to \$36.4 million. The District's expenses are primarily related to education, training and support of students and business clients (86%).

As described in Note 12, 2017 amounts have been revised for corrections.

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, 2018 and 2017.

	(as revised)	of Total	Amount	of Total
Property Taxes	\$ 37,508,272	84.45%	\$ 38,596,112	84.35%
Interest	285,177	0.64%	1,168,393	2.55%
Tuition and Fees	2,085,636	4.70%	1,796,115	3.92%
State Revenue	2,300,565	5.18%	1,991,495	4.36%
Federal Sources	481,714	1.08%	458,632	1.00%
Federal Sources - Student Financial Aid	745,878	1.68%	935,614	2.04%
Miscellaneous	1,005,167	2.27%	815,811	1.78%
Total Revenues	<u>\$ 44,412,409</u>	<u>100.00%</u>	<u>\$ 45,762,172</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.

	Amount	of Total	Amount	of Total
Instruction	\$ 10,071,190	26.08%	\$ 10,783,221	17.33%
Support Services	17,920,324	46.39%	19,547,312	31.41%
Non-Instructional Services	873,643	2.26%	1,232,274	1.98%
Capital Outlay and Debt Service	8,966,422	23.21%	29,419,636	47.28%
Student Financial Aid	599,962	1.55%	617,606	1.00%
Other Outlays	197,068	0.51%	624,756	1.00%
Total Expenditures	<u>\$ 38,628,609</u>	<u>100.00%</u>	<u>\$ 62,224,805</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.

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 \$10.7 million fund balance at the end of the fiscal year.

CAPITAL ASSETS

At the end of June 30, 2018, the School District had \$102.4 million invested in capital assets (see table below). This represents a net increase of \$19 million or 22.7 percent, over the previous fiscal year.

Land	\$ 2,052,163	\$ 2,052,163	\$ 2,052,163	\$ 2,052,163
Construction in Progress	24,877,341	5,491,897	1,576,034	2,292
Buildings and Improvements	67,995,713	67,995,513	66,419,479	66,419,479
Furniture and Equipment	6,104,576	6,767,767	6,404,455	6,083,115
Automobiles	1,352,676	1,120,173	1,024,077	1,098,276
	<u>\$ 102,382,469</u>	<u>\$ 83,427,513</u>	<u>\$ 77,476,208</u>	<u>\$ 75,655,325</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, 2018. The amount of the capitalized lease at June 30, 2018 was \$2,610,000.

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). Total amount outstanding as of June 30, 2018, was \$53,415,760, including debt premium.

See Note 3 for additional information on long-term liabilities.

Net Pension Liability

The District's share of the Teachers' Retirement System of Oklahoma (TRS) net pension liability as of June 30, 2018 was \$25,600,623. This was a decrease of \$5,969,498 from the prior year (2017). See Note 4 for additional information on the net pension liability.

Net OPEB Asset

The District's implementation of GASB Statement No. 75, *Postemployment Benefits Other Than Pensions (OPEB)* resulted in the recognition of the District's share of the long-term benefits as an asset. The District's share of the TRS net OPEB asset as of June 30, 2018 was \$172,419. This was the first year for recognition of this asset. See note 6 for additional information on the net OPEB asset.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

State revenues for formula operations declined by 19.7% during FY18. Next year's increase is anticipated to be 34%, but all of the increase is from "pass-through" funding intended for mandated increases in salaries. The local ad valorem net assessed valuation increased by \$74.4 million or 3.64% for FY18, resulting in an increase of approximately \$1.13 million in the District's budget for the General and Building Funds. The outlook for FY19's net assessed value growth is 2.36%, which will result in an increase to the budget of approximately \$0.75 million.

Noticeable improvements in the state's economy provide reason for hope that state funding for the immediate future will at least be stable. The low unemployment rates should encourage employers to invest in their workforce in the areas of professional and skills development, as well as growth in compensation. Construction and other economic indicators in the Moore and Norman markets appear to be positive and trending in the right direction to sustain continued growth in District services. Current long-term programs are operating mostly at capacity, with waiting lists similar to previous years. At the national level, the economy continues to show signs of stability and moderate growth, and the modest increases to interest rates have provided a favorable impact on investment earnings for the District.

The District will move forward with cautious optimism in Fiscal Year 2019. Capital improvements will provide facility capacity for increases to long-term programs. Two new programs are being added for FY19, with other programs under consideration for addition in future years.

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, 2018

	Governmental Activities
Assets	
Cash	\$ 5,119,737
Investments	59,225,715
Property taxes receivable (net)	5,183,494
Due from other governments	652,536
Other receivables	468,084
Nondepreciable capital assets	26,929,504
Depreciable capital assets, net of depreciation	47,444,516
Net OPEB asset	172,419
Total assets	<u>145,196,005</u>
Deferred Outflows	
Deferred outflows of resources related to pension and OPEB	<u>5,991,057</u>
Liabilities	
Accounts payable and other current liabilities	3,799,752
Salaries payable	750,025
Long-term obligations	
Due within one year	8,925,000
Due beyond one year	<u>73,300,466</u>
Total liabilities	<u>86,775,243</u>
Deferred Inflows	
Deferred inflows of resources related to net pensions and OPEB	<u>3,753,935</u>
Net Position	
Net investment in capital assets	51,910,063
Restricted for:	
Buildings	12,012,515
Debt service	6,335,068
School organizations	105,209
Unrestricted (deficit)	<u>(9,704,971)</u>
Total Net Position	<u><u>\$ 60,657,884</u></u>

Moore Norman Technology Center
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Functions/programs				
Governmental activities:				
Instruction	\$ 11,210,311	1,796,115	\$ 176,804	\$ (9,237,392)
Support services	20,024,887	162,026	709,314	(19,153,547)
Non-instruction services	1,501,904	155,913	-	(1,345,991)
Student financial aid	617,606	-	580,171	(37,435)
Interest on long-term debt	916,889	-	71,371	(845,518)
Depreciation - unallocated	2,083,930	-	-	(2,083,930)
Total school district	<u>\$ 36,355,527</u>	<u>\$ 2,114,054</u>	<u>\$ 1,537,660</u>	<u>(32,703,813)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				21,287,575
Property taxes, levied for debt service purposes				10,540,816
Property taxes, levied for building purposes				7,191,964
State aid - formula grants				2,872,787
Federal aid - formula grants				241,066
Other revenue				42,592
Interest income				1,168,393
Total general revenues				<u>43,345,193</u>
Change in net position				10,641,380
Net position, beginning of year, as previously reported				50,447,313
Restatement for correction of errors (See Note 12)				(430,809)
Net position, beginning of year, as restated				<u>50,016,504</u>
Net position, end of year				<u>\$ 60,657,884</u>

Moore Norman Technology Center
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Building Fund	Bond Fund	Debt Service Fund	Other-Activity Fund	Totals
Assets						
Cash	\$ 1,454,696	457,277	\$ 1,428,106	\$ 1,674,449	\$ 105,210	\$ 5,119,738
Pooled cash and investments	16,445	-	-	-	-	16,445
Investments	10,938,934	11,065,817	33,229,519	3,975,000	-	59,209,270
Property taxes receivable, net	3,257,616	1,308,737	-	617,141	-	5,183,494
Other receivables	75,147	40,434	344,753	7,750	-	468,084
Due from other governments	652,536	-	-	-	-	652,536
Total assets	\$ 16,395,374	\$ 12,872,265	\$ 35,002,378	\$ 6,274,340	\$ 105,210	\$ 70,649,567
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Payable to other funds	544,927	-	-	-	-	544,927
Accounts payable and accrued liabilities	926,352	835,160	1,440,575	-	-	3,202,087
Salaries payable	725,435	24,590	-	-	-	750,025
Total liabilities	2,196,714	859,750	1,440,575	-	-	4,497,039
Deferred inflows of resources						
Deferred property taxes	3,103,098	1,231,187	-	569,776	-	4,904,061
Deferred grant revenue	406,863	-	-	-	-	406,863
Total deferred inflows of resources	3,509,961	1,231,187	-	569,776	-	5,310,924
Fund Balances						
Fund balances						
Restricted	-	10,752,196	32,940,781	5,625,253	-	49,318,230
Committed	-	-	-	-	96,011	96,011
Assigned	1,631,240	29,132	621,022	79,311	9,199	2,369,904
Unassigned	9,057,459	-	-	-	-	9,057,459
Fund balances, end of year	10,688,699	10,781,328	33,561,803	5,704,564	105,210	60,841,604
Total Liabilities and Fund Balances	\$ 16,395,374	\$ 12,872,265	\$ 35,002,378	\$ 6,274,340	\$ 105,210	

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 \$102,382,469 and the accumulated depreciation is \$28,008,449.	74,374,020
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.	5,310,924
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the funds.	(25,600,623)
Net OPEB asset is not due and receivable in the current period and, therefore, is not reported in the funds.	172,419
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in the funds. This includes deferred outflows of \$5,991,057 and deferred inflows of \$3,753,935.	2,237,122
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	\$ 2,610,000
General obligation bonds	53,415,760
Accrued interest	82,739
Compensated absences	569,083
	(56,677,582)
Total Net Position - Governmental Activities	\$ 60,657,884

Moore Norman Technology Center
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Building Fund	Bond Fund	Debt Service Fund	Other Governmental - Activity Fund	Totals
Revenues						
Property taxes	\$ 21,112,066	\$ 10,586,908	\$ -	\$ 6,897,138	\$ -	\$ 38,596,112
Interest	174,829	29,131	621,023	79,311	264,099	1,168,393
Tuition and fees	1,796,115	-	-	-	-	1,796,115
State revenue	1,991,495	-	-	-	-	1,991,495
Federal revenue	1,322,875	71,371	-	-	-	1,394,246
Other	355,461	8,335	-	652	451,363	815,811
Total revenues	26,752,841	10,695,745	621,023	6,977,101	715,462	45,762,172
Expenditures						
Current						
Instruction	9,798,676	968,272	16,273	-	-	10,783,221
Support services	12,575,788	5,445,045	823,526	124	702,829	19,547,312
Non-instruction services	865,795	366,479	-	-	-	1,232,274
Student financial aid	617,606	-	-	-	-	617,606
Capital outlay	-	11,352	20,157,389	-	-	20,168,741
Other outlays	624,756	-	-	-	-	624,756
Debt service						
Interest and fees paid	-	214,145	-	764,250	-	978,395
Principal retirement	-	1,672,500	-	6,600,000	-	8,272,500
Total expenditures	24,482,621	8,677,793	20,997,188	7,364,374	702,829	62,224,805
Net Change in Fund Balance	2,270,220	2,017,952	(20,376,165)	(387,273)	12,633	(16,462,633)
Beginning fund balance, as previously reported	8,706,162	8,763,376	53,937,968	6,091,837	92,577	77,591,920
Restatement for correction of error (See Note 12)	(287,683)	-	-	-	-	(287,683)
Beginning fund balance, as restated	8,418,479	8,763,376	53,937,968	6,091,837	92,577	77,304,237
Ending fund balance	\$ 10,688,699	\$ 10,781,328	\$ 33,561,803	\$ 5,704,564	\$ 105,210	\$ 60,841,604

Moore Norman Technology Center
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2018

Total net changes in fund balances - governmental funds \$ (16,462,633)

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	\$	20,729,160	
Depreciation Expense		<u>(2,083,930)</u>	18,645,230

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. 420,326

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. (264,022)

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. (14,435)

Governmental funds report district pension and OPEB contributions as expenditures (benefits). However, the statement of activities reports the cost of pension and OPEB benefits earned net of employee contributions as pension and OPEB expense (benefit). This is the difference between the two. (1,095,523)

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. 1,078,431

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	\$	60,728	
Payments on Capital Leases and Bonds		<u>8,273,278</u>	<u>8,334,006</u>

Change in net position of governmental activities \$ 10,641,380

Moore Norman Technology Center
Statement of Fiduciary Net Position
June 30, 2018

	<u>Agency Fund</u> <u>Statewide</u> <u>Career Tech</u> <u>Marketing</u>
Assets	
Due from other funds	<u>544,927</u>
Total assets	<u>\$ 544,927</u>
Liabilities	
Payable for statewide marketing	<u>544,927</u>
Total liabilities	<u>\$ 544,927</u>

Note 1 - Summary of Significant Accounting Policies

The Moore Norman Technology Center School District No. 17 (the District) is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70 of the Oklahoma Statutes.

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

The Reporting Entity - The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District. There are no component units included within the reporting entity.

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

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

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

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

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

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

The District reports the following major governmental funds:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund is 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.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. As such, fiduciary funds are not reported in the government-wide statements. The District's fiduciary funds include the following:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The Statewide Career Tech Marketing Fund is used to account for assets that the government holds for others in an agency capacity. Effective August 22, 2018, these funds were transferred to another entity that will hold the funds in an agency capacity.

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 Building Fund that includes revenue and expenditures.

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

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

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

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

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

Property taxes receivable by the District include uncollected taxes assessed as of October 1, 2017 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 \$29,500 in the general fund, \$20,830 in the building fund and \$14,010 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) for defined benefit pension and OPEB plans between the measurement date of the net pension and OPEB liabilities (asset) (June 30, 2017) and the end of the current fiscal year (June 30, 2018). (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 or OPEB 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 and OPEB 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.

Other Postemployment Benefits – 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, 2018.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Building Fund revenue from levy as being restricted because the use is restricted by State Statute for capital expenditures.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified school program activities as being committed because their use is imposed by the Board of Education regarding use of the funds.

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

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

The District 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.

New Accounting Pronouncement - The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 was issued in June 2015 and replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The provisions of GASB No. 75 are effective for fiscal years beginning after June 15, 2017. The adoption of GASB No. 75 resulted in no change to net position as of July 1, 2017.

Subsequent Events - The District has evaluated subsequent events through March 21, 2019, the date which the financial statements were available to be issued.

Note 2 - Cash and Investments

Deposits - At June 30, 2018, the bank balance of deposits and cash pools was \$6,411,473.

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, 2018, 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.

Investment valuation – All securities, with the exceptions of non-negotiable certificates of deposit and Certificate of Deposit Registry (CDARS) which are valued at amortized cost, are stated at fair value. Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements are as follows at June 30, 2018:

	Fair Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
U.S. Treasury	\$ 19,435,083	\$ 19,435,083	\$ -	\$ -
Negotiable certificates of deposit	9,529,188	-	9,529,188	-
External investment pool	16,444	-	16,444	-
	<u>\$ 28,980,715</u>	<u>\$ 19,435,083</u>	<u>\$ 9,545,632</u>	<u>\$ -</u>

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 \$16,445 fair market value of the external investment pool held securities whose Standard & Poor's credit ratings were 8.9 percent AA+, 2.0 percent AA-, and 89.1 percent NR. Securities with an NR rating are bank deposit accounts. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Negotiable certificates of deposit are all insured by FDIC.

The District does not have a formal policy limiting its exposure arising from concentrations of investments.

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

At year ended June 30, 2018, the District had the following investment maturities:

	Fair Value	Maturity (in years)			
		Less than 1	1-5	6-10	More than 10
U.S Treasury	\$ 19,435,083	\$ 17,948,279	\$ 1,486,804	\$ -	\$ -
Negotiable certificates of deposit	9,529,188	7,092,452	2,436,736	-	-
	<u>28,964,271</u>	<u>25,040,731</u>	<u>3,923,540</u>	<u>--</u>	<u>--</u>

	Amortized Cost	Maturity (in years)			
		Less than 1	1-5	6-10	More than 10
Certificate of Deposit Registry	\$ 25,000,000	\$ 25,000,000	\$ -	\$ -	\$ -
External investment pool (OLAP)	16,444				
Non-negotiable certificates of deposit	<u>5,245,000</u>				
Total investments	<u>\$ 59,225,715</u>				

The funds held in the external investment pool have no defined maturity dates due to the nature of the funds. The non-negotiable certificates of deposit are considered deposits so are not subject to investment interest rate risk.

Concentration of Credit Risk - The District places no limit on the amount the District can invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

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	<u>\$ 561,848</u>	<u>\$ 418,613</u>	<u>\$ 381,378</u>	<u>\$ 599,083</u>	<u>\$ 520,000</u>
General obligation bonds	<u>60,016,538</u>	<u>-</u>	<u>6,600,778</u>	<u>53,415,760</u>	<u>6,675,000</u>
Capital Leases					
2009 Capital lease	<u>4,282,500</u>	<u>-</u>	<u>1,672,500</u>	<u>2,610,000</u>	<u>1,730,000</u>
	<u>4,282,500</u>	<u>-</u>	<u>1,672,500</u>	<u>2,610,000</u>	<u>1,730,000</u>
	<u>\$ 64,860,886</u>	<u>\$ 418,613</u>	<u>\$ 8,654,656</u>	<u>56,624,843</u>	<u>\$ 8,925,000</u>
Net pension liability				<u>25,600,623</u>	
Total governmental activity long-term liabilities				<u>\$ 82,225,466</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.

Capital Leases

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, 2018, include the following:

Buildings	\$ 38,322,180
Less accumulated depreciation	<u>(7,795,820)</u>
	<u><u>\$ 30,526,360</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)				
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>\$ 2,610,000</u></u>	<u><u>\$ 178,252</u></u>	<u><u>\$ 2,788,252</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, 2018 including interest payments are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate</u>
2016 General Obligation Bonds				
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%
	53,400,000	\$ 4,422,188	\$ 57,822,188	
Bond Premium	<u>15,760</u>			
	<u>\$ 53,415,760</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 2018 was \$916,889.

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 publicly 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, 2018, qualifying employee contributions were reduced by a retirement credit of \$77,956 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2018, 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, 2018, the District's contributions to the System for were \$1,633,736.

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 \$1,078,431.

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

At June 30, 2018, the District reported a liability of \$25,600,623 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.38663948%, which was an increase of .00986914% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,383,184. At June 30, 2018, 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	\$ -	\$ 1,747,823
Changes of assumptions	3,038,090	1,530,357
Net difference between projected and actual earnings on pension plan investments	363,902	-
Changes in proportion	928,870	334,903
District contributions subsequent to the measurement date	1,633,736	-
	<u>\$ 5,964,598</u>	<u>\$ 3,613,083</u>

The \$1,633,736 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, 2019. 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	
2019	\$ 178,752
2020	178,752
2021	178,752
2022	108,699
2023	98,164
Thereafter	(25,340)
	<u>\$ 717,779</u>

Actuarial assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry Age Normal
- Asset Valuation Method – 5-year smooth market
- Inflation – 2.50%
- Future ad hoc cost-of-living adjustments – None
- Salary Increases – Composed of 3.25% inflation plus 2.5 percent price inflation, plus a service-related component ranging from 0.00 percent to 8.00 percent based on 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 after retirement – 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.
- Mortality for active members – RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

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

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.50%	7.50%
International Equity	19.00%	8.50%
Fixed Income	23.50%	2.5%
Real Estate **	9.00%	4.5%
Alternative Assets	10.00%	6.1%
	<u>100.00%</u>	

** The Real Estate total expected return is a combination of U.S. Direct Real Estate (unleveraged) and U.S. Value added Real Estate (unleveraged).

Discount rate – A single discount rate of 7.5% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.5%. 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>\$ 36,495,055</u>	<u>\$ 25,600,623</u>	<u>\$ 17,551,816</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, 2018, the District's contribution to the plan was \$264,665.

Note 6 - Other Post-Employment Benefits (OPEB)

In addition to the retirement plan described in Note 4, the District participates in the state-administered Supplemental Health Insurance Program (OPEB Plan) within Teachers' Retirement System of Oklahoma (the OPEB System), which is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Teacher Retirement System (TRS).

Plan Description – The OPEB System provides pays a monthly health insurance premium supplement for each retired member who is enrolled in the health insurance plan provided by the State and Education Employees Group Health and Dental Insurance plan or in an insurance program provided by a participating education employer who provides health insurance coverage to former employees, provided the retired member had at least ten (10) years of Oklahoma service prior to retirement.

Benefits Provided – All retirees are eligible except for special retirees (as defined) and spouses and beneficiaries as long as they have at least 10 years of service. Retirees who elect such coverage receive the smaller of (i) a Medicare supplement benefit, if eligible, or (ii) an amount between \$100 and \$105 per month, depending on service and final average compensation. Payments made on the retirees' behalf to the Employees Group Insurance Division of the Office of Management and Enterprise Services, if the member continues health coverage under that Plan, or (ii) to the member's former employer, if the member retains health coverage under a plan maintained by the former employer.

Contributions – Employer and employee contributions are made based upon the TRS Plan provisions contained in State Statute Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. The cost of the subsidy averages 0.15% of normal cost, as determined by an actuarial valuation.

OPEB (Assets) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2018, the District reported an asset of \$172,419 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of the contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017 the District's proportion was 0.38663948%.

For the year ended June 30, 2018, the District recognized OPEB expense (credit) of (\$32,844). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 46,279
Net difference between projected and actual earnings on OPEB plan investments	-	94,573
District contributions subsequent to the measurement date	26,459	-
	<u>\$ 26,459</u>	<u>\$ 140,852</u>

\$26,459 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the measurement year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended	
2019	\$ (32,213)
2020	(32,213)
2021	(32,213)
2022	(32,213)
2023	(8,570)
Thereafter	(3,430)
	<u>\$ (140,852)</u>

See Note 4 employee pension plans for Actuarial assumptions, measurement, discount rate, long-term expected rate of return and target asset allocation.

An assumption change was made to the OPEB Plan during the current valuation lowering the rate of participation in the supplemental insurance benefit from 100% to 50%, based on historical data. The benefits are only available to those retirees that participate and have at least 10 years of service credit at retirement.

Sensitivity of the District's proportionate share of the net OPEB asset to changes in the discount rate – The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net OPEB asset 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 OPEB asset	<u>\$ (7,217)</u>	<u>\$ (172,419)</u>	<u>\$ (313,664)</u>

Due to the structure of the OPEB plan, healthcare cost trend rate sensitivity analysis is not meaningful.

OPEB plan fiduciary net position – Detailed information about the OPEB 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 7 - Contingencies and Commitments

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

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

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	\$ 1,631,240
Building Fund	927,044
Bond Fund	<u>3,099,818</u>
	<u>\$ 5,658,102</u>

Note 8 - Risk Management

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

Note 9 - Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 2,052,163	\$ -	\$ -	\$ 2,052,163
Construction in progress	5,491,897	19,385,444	-	24,877,341
Total capital assets not being depreciated	<u>7,544,060</u>	<u>19,385,444</u>	<u>-</u>	<u>26,929,504</u>
Capital assets being depreciated:				
Buildings and improvements	67,995,513	200	-	67,995,713
Furniture, fixtures and equipment	6,767,767	1,108,013	1,771,204	6,104,576
Vehicles/buses	1,120,173	235,503	3,000	1,352,676
Total capital assets being depreciated	<u>75,883,453</u>	<u>1,343,716</u>	<u>1,774,204</u>	<u>75,452,965</u>
Less accumulated depreciation for:				
Buildings and improvements	21,748,871	1,508,752	-	23,257,623
Furniture, fixtures and equipment	4,977,919	512,876	1,771,204	3,719,591
Vehicles/buses	971,931	62,304	3,000	1,031,235
Total accumulated depreciation	<u>27,698,721</u>	<u>2,083,932</u>	<u>1,774,204</u>	<u>28,008,449</u>
Total capital assets being depreciated, net	<u>48,184,732</u>	<u>(740,216)</u>	<u>-</u>	<u>47,444,516</u>
Governmental activity capital assets, net	<u>\$ 55,728,792</u>	<u>\$ 18,645,228</u>	<u>\$ -</u>	<u>\$ 74,374,020</u>

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

Note 10 - 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, 2018, abated property taxes were approximately \$1,337,600.

Note 11 - New GASB Standards

The District implemented the following GASB Statements:

- 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. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*, seeks to address certain issues that have been raised with respect to those Statements. Specifically, Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in this statement are effective for fiscal years beginning after June 15, 2016, except for where the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

- 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.

Note 12 - Prior Period Restatements

The District has determined that certain transactions were recorded incorrectly in the prior year.

General Fund: An internal review of cash records indicated that funds held in agency had been incorrectly included in District funds and should have been a separate fiduciary fund.

Governmental Activities: In the governmental activities statements, the correction in the general fund for agency fund cash incorrectly reported as District funds was corrected. Additionally, grant revenue recorded as a receivable was overstated as of June 30, 2017 and not deemed collectible and was corrected by management.

As a result of the corrections, beginning balance restatements occurred as follows:

	General Fund
Beginning fund balance, as previously reported	\$ 8,706,162
Correction of error - removal of agency fund	<u>(287,683)</u>
Beginning fund balance, as restated	<u>\$ 8,418,479</u>
	Governmental Activities
Beginning net position, as previously reported	\$ 50,447,313
Correction of error - removal of agency fund	(287,683)
Correction of error - overstated grant receivable	<u>(143,126)</u>
Beginning net position, as restated	<u>\$ 50,016,504</u>



Required Supplementary Information
June 30, 2018

Moore Norman Technology Center School District No. 17

Moore Norman Technology Center
Budgetary Comparison Schedule – General Fund (Unaudited)
For the Year Ended June 30, 2018

	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 (as restated)	\$ 7,225,000	\$ 8,978,054	\$ 8,418,479	\$ 1,753,054	\$ (559,575)
Resources (inflows)					
Property taxes	20,395,000	20,987,000	21,112,066	592,000	125,066
Interest	25,000	150,000	174,829	125,000	24,829
Tuition and fees	1,850,000	1,850,000	1,796,115	-	(53,885)
State revenue	1,828,095	1,992,057	1,991,495	163,962	(562)
Federal revenue	1,258,030	1,459,950	1,322,875	201,920	(137,075)
Other	515,000	705,000	355,461	190,000	(349,539)
Total resources	25,871,125	27,144,007	26,752,841	1,272,882	(391,166)
Amounts available for appropriation	33,096,125	36,122,061	35,171,320	3,025,936	(950,741)
Charges to appropriations (outflows)					
Instruction	10,445,000	10,685,000	9,798,676	240,000	886,324
Support services	13,346,250	13,847,500	12,575,788	501,250	1,271,712
Non-instruction services	975,000	1,178,000	865,795	203,000	312,205
Other outlays (including student financial aid)	1,105,000	1,239,500	1,242,362	134,500	(2,862)
Total charges to appropriations	25,871,250	26,950,000	24,482,621	1,078,750	2,467,379
Budgetary fund balance, June 30	\$ 7,224,875	\$ 9,172,061	\$ 10,688,699	\$ 1,947,186	\$ 1,516,638

Moore Norman Technology Center
 Budgetary Comparison Schedule – Building Fund (Unaudited)
 For the Year Ended June 30, 2018

	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	\$ 7,250,000	\$ 8,162,703	\$ 8,763,376	\$ 912,703	\$ 600,673
Resources (inflows)					
Property taxes	10,025,000	10,646,000	10,586,908	621,000	(59,092)
Interest	-	30,000	29,131	30,000	(869)
Federal revenue	-	-	71,371	-	71,371
Other	2,000	7,000	8,335	5,000	1,335
Total resources	10,027,000	10,683,000	10,695,745	656,000	12,745
Amounts available for appropriation	17,277,000	18,845,703	19,459,121	1,568,703	613,418
Charges to appropriations (outflows)					
Instruction	515,000	1,900,000	968,272	1,385,000	931,728
Support services	5,187,500	6,418,000	5,445,045	1,230,500	972,955
Non-instruction services	20,000	385,000	366,479	365,000	18,521
Capital outlay/debt service	2,225,000	2,131,500	1,897,997	(93,500)	233,503
Total charges to appropriations	7,947,500	10,834,500	8,677,793	2,887,000	2,156,707
Budgetary fund balance, June 30	\$ 9,329,500	\$ 8,011,203	\$ 10,781,328	\$ (1,318,297)	\$ 2,770,125

Moore Norman Technology Center
Schedule of the District's Proportionate Share of the Net Pension Liability (Unaudited)
June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's portion of the net pension liability (asset)	0.38663948%	0.37677034%	0.38482389%	0.37348988%
District's proportionate share of the net pension liability (asset)	\$ 25,600,623	\$ 31,570,121	\$ 22,727,331	\$ 20,093,257
District's covered payroll	16,932,158	16,599,105	16,849,389	15,718,200
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	151.20%	190.19%	134.89%	127.83%
Plan fiduciary net position as a percentage of the total pension liability	69.32%	62.24%	70.31%	72.43%

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.

Information to present a 10 year schedule is not currently available

Moore Norman Technology Center
Schedule of District's Pension Contributions (Unaudited)
June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractual required contribution	\$ 1,608,555	\$ 1,576,915	\$ 1,600,692	\$ 1,493,229	\$ 1,472,681
Contribution in relation to the contractually required contribution	1,608,555	1,576,915	1,600,692	1,493,229	1,472,681
Contribution deficiency (excess)	-	-	-	-	-
District's covered payroll	16,932,158	16,599,105	16,849,389	15,718,200	15,501,905
Contribution as a percentage of covered payroll	9.50%	9.50%	9.50%	9.50%	9.50%

Note:

Information to present a 10 year schedule is not currently available.

Moore Norman Technology Center
Schedule of the District's Proportionate Share of the Net OPEB Asset (Unaudited)
June 30, 2018

	<u>2018</u>
District's portion of the net OPEB liability (asset)	0.38663948%
District's proportionate share of the net OPEB liability (asset)	\$ (172,419)
District's covered payroll	16,932,158
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-1.02%
Plan fiduciary net position as a percentage of the total OPEB asset	110.40%

Information to present a 10 year schedule is not currently available.

Moore Norman Technology Center
Schedule of District's OPEB Contributions (Unaudited)
June 30, 2018

	<u>2018</u>	<u>2017</u>
Contractual required contribution	\$ 26,459	\$ 25,182
Contribution in relation to the contractually required contribution	26,459	25,182
Contribution deficiency (excess)	-	-
District's covered payroll	17,087,346	16,932,158
Contribution as a percentage of covered payroll	0.15%	0.15%

Information to present a 10 year schedule is not currently 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.

An assumption change was made to the OPEB Plan during the current valuation lowering the rate of participation in the supplemental insurance benefit from 100% to 50%, based on historical data. The benefits are only available to those retirees that participate and have at least 10 years of service credit at retirement.



Other Information
June 30, 2018

Moore Norman Technology Center School District No. 17

Moore Norman Technology Center
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Deferred Revenue (Accounts Receivable) 6/30/17 (As Restated)	Federal Grant Receipts	Total Grant Expenditures	Matching Expenditures	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) 6/30/18
<u>U.S. Department of Education</u>								
Direct Programs-Student Financial Aid								
Federal Pell Grant Program	84.063*	474	\$ (348,622)	\$ 751,036	\$ 563,546	\$ -	\$ 563,546	\$ (161,132)
Federal Supplemental Educational Opportunity Grant	84.007*	477	(7,207)	20,932	20,851	4,754	16,097	(2,372)
Total Student Financial Aid Cluster			<u>(355,829)</u>	<u>771,968</u>	<u>584,397</u>	<u>4,754</u>	<u>579,643</u>	<u>(163,504)</u>
Carl Perkins Vocational Education Act								
Passed through Oklahoma Department of Career Technology Education								
Carl Perkins Secondary	84.048	421	(223,754)	223,754	242,111	5,155	236,956	(236,956)
Carl Perkins Supplemental	84.048	424	(62,965)	62,965	7,668	-	7,668	(7,668)
Carl Perkins total			<u>(286,719)</u>	<u>286,719</u>	<u>249,779</u>	<u>5,155</u>	<u>244,624</u>	<u>(244,624)</u>
Tech Centers That Work	84.243	429	(10,385)	10,385	9,264	-	9,264	(9,264)
Total Pass Through Programs			<u>(297,104)</u>	<u>297,104</u>	<u>259,043</u>	<u>5,155</u>	<u>253,888</u>	<u>(253,888)</u>
Total U.S. Department of Education			<u>(652,933)</u>	<u>1,069,072</u>	<u>843,440</u>	<u>9,909</u>	<u>833,531</u>	<u>(417,392)</u>
<u>National Science Foundation</u>								
Passed through Oklahoma Department of Career Technology Education								
Cyber Security	47.076	484	(2,499)	2,499	-	-	-	-
Total National Science Foundation			<u>(2,499)</u>	<u>2,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>								
Passed through Oklahoma Department of Human Services and								
Oklahoma Department of Career Technology Education								
TANF Cluster:								
TANF/HIRE	93.558	452	(81,481)	81,481	342,871	107,870	235,001	(235,001)
Total U.S. Department of Health and Human Services			<u>(81,481)</u>	<u>81,481</u>	<u>342,871</u>	<u>107,870</u>	<u>235,001</u>	<u>(235,001)</u>
Total Expenditures of Federal Awards			<u>\$ (736,913)</u>	<u>\$ 1,153,052</u>	<u>\$ 1,186,311</u>	<u>\$ 117,779</u>	<u>\$ 1,068,532</u>	<u>\$ (652,393)</u>

* 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, 2018. 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.

Note 5 - Prior Period Restatement

The District has determined that accounts receivable for the Federal Pell Program was overstated as of June 30, 2017 and not deemed collectible and was corrected by management. As a result, the previous receivable of \$491,748 was adjusted to \$348,622 on the Schedule.



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, 2018, 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 21, 2019.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-A to be a material weakness.

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*.

Moore Norman Technology Center School District No. 17's Response to Finding

The District's response to the finding 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 Sully LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
March 21, 2019



**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 the 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, 2018. 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, 2018.

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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 a certain deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

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

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

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

Oklahoma City, Oklahoma
March 21, 2019

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

2018-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:	The District's financial reporting control system in place during the past fiscal year did not identify prior period adjustments, including a fund that should be separately presented as a fiduciary fund and an overstated grant receivable and related revenue. An adjustment to deferred revenue and revenue for the debt service fund was also identified in the course of the audit. Such items should be presented in order to be in accordance with Generally Accepted Accounting Principles (GAAP).
Cause:	The District has a process at year-end to record adjustments for financial statement presentation, but the process was not effective in identifying all the necessary adjustments and disclosures in accordance with GAAP.
Context:	The District's financial statements were prepared by a consulting firm with much assistance from District management, but material adjustments were necessary, including prior period adjustments.
Effect:	The District is at risk for material misstatements. Material adjustments, including restatement of prior period amounts, were necessary to correctly present the financial statements.
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

2018-001

**U.S. Department of Education
CFDA # 84.063 Federal Pell Grant Program, FY2018**

**Special Tests: 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 2017 and Spring 2018 procedures did not allow for accurate or timely communication of enrollment statuses for students (i.e. withdrawals, graduation). Students statuses were either communicated beyond the 60 day time window, were reported as differing days from when the institution classified their status.
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.
Context:	<p>The audit sample include 31 students in our non-statistical sample. Of these 31 students, there were 13 status changes.</p> <p>Four items in our sample of the student status changes were identified as errors:</p> <ul style="list-style-type: none">• One student was not shown as enrolled, so the withdrawal status change could not be properly reported.• Two students had inaccurate status change dates (but both within 10 days of the correct date).• One status change was not reporting within the required 60-day period.
Repeat Finding from Prior Years:	Yes, prior year finding 2017-001 (25 exceptions in 54 status changes), 2016-002 (12 exceptions in 20 status changes).

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.

Questioned Cost: None reported.

View of Responsible
Officials: The Moore Norman Technology Center management team agrees with this finding.

