

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

**FINANCIAL STATEMENTS
AND REPORTS OF INDEPENDENT AUDITOR**

JUNE 30, 2013

Audited by

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

BROKEN ARROW, OK

**METRO TECHNOLOGY CENTERS
SCHOOL DISTRICT NO. 22, OKLAHOMA COUNTY
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013**

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METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metro Technology Center School District No. 22 (the District), Oklahoma County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Building Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 25-26, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP
March 11, 2014

Our discussion and analysis of the Metro Technology Center, School District #22's (the District), performance provides an overview of the School District's financial activities for the year ended June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follows this section.

USING THIS ANNUAL REPORT

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

The District provides three basic types of instruction:

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

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

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

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

FINANCIAL HIGHLIGHTS

The District's financial status improved from the last year. Total net assets increased 2.23 percent over the course of the year.

- The District's net position increased \$2.9 million or 11.8%.
- Overall revenues were \$35.7 million and overall expenses were \$32.8 million
- The total costs of all District programs decreased 7.79%.
- The general fund reported a minimal decrease in fund balance of less than 1%.
- The building fund reported an increase in fund balance of 60%.

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.

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

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

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

THE SCHOOL DISTRICT AS A WHOLE

	<u>FY 2012</u>	<u>FY 2013</u>
Current and Other Assets	\$ 8,757,384	\$ 9,171,518
Capital Assets	33,390,105	33,071,933
Total Assets	<u>\$ 42,147,489</u>	<u>\$ 42,243,451</u>
Long-term Liabilities	\$ 13,406,339	\$ 13,026,415
Other Liabilities	4,022,685	1,589,629
Total Liabilities	<u>\$ 17,429,024</u>	<u>\$ 14,616,044</u>
Net Position		
Net Investment in capital	\$ 20,920,105	\$ 21,116,933
Restricted	3,255,687	5,940,095
Unrestricted	542,673	570,379
Total Net Position	<u>\$ 24,718,465</u>	<u>\$ 27,627,407</u>

Net Position. The District’s combined net position were larger on June 30, 2013, than they were the year before – increasing by 11.8% from \$24.7 million to \$27.6 million. Most of this improvement is mainly due to increase in restricted funds.

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

For the years ended June 30, 2013 and 2012, net position changed as follows:

	<u>FY 2012</u>	<u>FY 2013</u>	<u>Percent</u>
Beginning net assets, as restated	\$ 25,365,900	24,718,464	<u>Change</u>
Revenues			
Program revenues			
Charges for services	3,907,984	3,696,964	
Operating Grants /contributions	1,198,443	1,300,096	
General revenues			
Property taxes	23,971,548	25,480,379	
Federal and State aid	4,727,194	4,715,769	
Investment earnings	-	252	
Other Revenue	1,139,692	536,624	
Total revenues	<u>\$ 34,944,861</u>	<u>\$ 35,730,084</u>	<u>2.25%</u>
Expenses			
Program expenses			
Instruction	\$ 11,488,806	\$ 9,538,767	
Support services-Instructional	13,122,015	11,750,044	
Support services-Operational	4,853,681	7,265,802	
Non-instruction	1,423,148	1,222,156	
Facilities and construction	2,101,473	461,146	
Other uses	33,197	41,033	
Interest on long-term debt	491,804	481,603	
Depreciation-unallocated	2,078,173	2,060,590	
Total expenses	<u>\$ 35,592,297</u>	<u>\$ 32,821,141</u>	<u>-7.79%</u>
Increase (Decrease) in net position	(647,436)	2,908,943	549%
Ending net position	<u>\$ 24,718,464</u>	<u>\$ 27,627,407</u>	11.77%

Changes in Net Position The District’s total revenues increased 2.25% percent to \$35.7 million. Property taxes accounted for most of the increase. Property taxes accounted for 71 percent of the District’s collections. Another 7.6 percent came from tuition and fees.

Total revenues surpassed expenses, increasing net position \$2.9 million over the past year. The District’s total expenditures decreased by 7.8 percent to \$32.8 million. .

Governmental Activities

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

District Sources of Revenue:

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

THE SCHOOL DISTRICT’S FUNDS

The following schedule presents a summary of general, special revenue (building fund), other governmental fund (activity fund), and expenditures for the fiscal year ended June 30,2013 and 2012.

Revenues:	FY 2012		FY 2013	
	Amount	Percent of Total	Amount	Percent of Total
Property Taxes	\$ 23,971,548	70.26%	\$ 25,172,166	71.30%
Tuition and Fees	3,080,896	9.03%	2,682,064	7.60%
State Revenue	5,029,010	14.74%	5,362,545	15.19%
Federal Sources	896,631	2.63%	534,895	1.52%
Miscellaneous	<u>1,966,777</u>	3.34%	<u>1,551,522</u>	4.39%
Total Revenues	<u>\$34,944,862</u>	<u>100%</u>	<u>\$ 35,303,192</u>	<u>100%</u>

Reduction and elimination of some Carl Perkins grants along with the leveling off of Pell enrollments has caused a decrease in Federal funding.. 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.

	FY 2012	Percent	FY 2013	Percent
Expenditures:	Amount	of Total	Amount	of Total
Instruction	\$ 11,488,806	41.36%	9,913,060	30.07%
Support Services	20,366,634	38.20%	20,223,415	61.35%
Non-Instructional Services	1,423,149	2.59%	1,232,326	3.74%
Facilities Acquisitions	2,866,157	13.35%	1,546,832	4.69%
Other Outlays	33,197	4.51%	46,343	0.14%
Total Expenditures	<u>\$36,177,943</u>	<u>100.00%</u>	<u>\$ 32,961,976</u>	<u>100.00%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the General Fund budget had to be revised due to increase in local revenue sources. State revenue decreased to due to declining collections. Employees and departments were asked to spend their assigned budget wisely as economic conditions continued to show instability. The District was able to have a \$1.46 million fund balance at the end of the fiscal year.

Metro Technology Center formally adopted a budget on June 28, 2012, An amended budget was adopted on June 25, 2013 which decreased the overall budget by \$199,000. There were increases in beginning fund balance of \$486,000 and Ad Valorem of \$297,000 with the final revised ad valorem tax certification. There were also increases in anticipated state revenue of \$365,000 and a decrease in other revenue of \$1,306,000,. The balance of the decrease was due to an decrease in the expenditures of \$357,000.

CAPITAL ASSETS

At the end of June 30, 2013, the School District had \$33 million invested in capital assets (see table below). This represents a net decrease of \$318 thousand or less than 1 percent, over the previous fiscal year.

Capital Assets at Year-end		
(Net of depreciation)		
	<u>FY 2012</u>	<u>FY 2013</u>
Land	\$ 1,735,590	\$ 1,750,590
Computers	52,375	131,445
Buildings	29,722,265	28,606,579
Equipment	1,286,868	2,111,661
Furniture	34,448	24,409
Vehicles/Buses	558,558	447,249
	<u>\$ 33,390,104</u>	<u>\$ 33,071,933</u>

LONG-TERM LIABILITIES

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

By the terms of the agreement, the lease payments are guaranteed with Metro Technology Center's Building Fund ad valorem collections. The payments are approximately 1.03 million per year for 20 years. Semi-annual payments were made in the year ended June 30, 2013. The amount of the capitalized lease at June 30, 2013 was \$11,955,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

While state revenues are showing some growth this year, next year's budget is predicted to have a no increase or even possible cuts due to a shortfall of funds on the state level. Our local ad valorem assessed valuation has increased by \$16,210,551 or 1.13%, calculating to an increase of approximately \$250,453 in real dollars for the School District in local revenue. However, due to the passage of two state questions in November of 2012, the growth in ad valorem collections will be at a much slower rate. The District continues to seek other sources of special funding in efforts to enhance the lives of the citizens it serves through education and training.

Due to continued economic stagnation, there has been little improvement in the employment situation with our local businesses. With the increased graduations requirements for high school students, we continue to monitor our secondary enrollment numbers.

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
STATEMENT OF NET POSITION
 JUNE 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 6,770,493
Property taxes receivable (net)	616,908
Due from other governments	207,317
Other receivables	35,484
Restricted Cash	1,541,316
Nondepreciated capital assets	1,750,590
Depreciated capital assets, net of depreciation	<u>31,321,343</u>
 Total assets	 <u>42,243,451</u>
LIABILITIES	
Accounts payable and other current liabilities	356,937
Salaries payable	205,109
Long-term obligations	
Due within one year	1,027,583
Due beyond one year	<u>13,026,415</u>
 Total liabilities	 <u>14,616,044</u>
NET POSITION	
Net investment in capital assets	21,116,933
Restricted for:	
Buildings	4,511,270
Debt service	1,302,532
School organizations	126,293
Unrestricted	<u>570,379</u>
 Total Net Position	 <u><u>\$ 27,627,407</u></u>

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Total Governmental Activities
Governmental activities:				
Instruction	\$ 9,538,767	\$ 2,839,707	\$ 1,300,096	\$ (5,398,964)
Support services - instructional	11,750,044	279,777	-	(11,470,267)
Support services - operational	7,265,802	-	-	(7,265,802)
Non-instruction services	1,222,156	577,480	-	(644,676)
Facilities and construction	461,146	-	-	(461,146)
Other uses	41,033	-	-	(41,033)
Interest on long-term debt	481,603	-	-	(481,603)
Depreciation - unallocated	2,060,590	-	-	(2,060,590)
Total school district	\$ 32,821,141	\$ 3,696,964	\$ 1,300,096	(27,824,081)
General revenues:				
Taxes				
Property taxes, levied for general purposes				16,651,885
Property taxes, levied for building purposes				8,828,494
State aid - formula grants				4,715,769
Other revenue				536,624
Interest income				252
Total general revenues				30,733,024
Change in net assets				2,908,943
Net position, beginning of year, as restated				24,718,464
Net assets, end of year, as restated				\$ 27,627,407

See Notes to Financial Statements

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	General	Building	Other Governmental Fund Activity Fund	Totals Governmental Funds
ASSETS	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Cash	\$ 809	\$ 326,065	\$ 126,293	\$ 453,167
Cash investments	3,143,135	3,175,000	-	6,318,135
Property taxes receivable, net	402,085	214,823	-	616,908
Other receivables	35,484	-	-	35,484
Due from other funds	-	872,671	-	872,671
Due from other governments	207,317	-	-	207,317
Total assets	<u>\$ 3,788,830</u>	<u>\$ 4,588,559</u>	<u>\$ 126,293</u>	<u>\$ 8,503,682</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	49,006	69,705	-	118,711
Salaries payable	205,109	-	-	205,109
Due to other funds	872,671	-	-	872,671
Compensated absences	489,564	13,019	-	502,583
Deferred revenue	329,385	97,253	-	426,638
Total liabilities	<u>1,945,735</u>	<u>179,977</u>	<u>-</u>	<u>2,125,712</u>
Fund balances				
Restricted	-	4,408,582	-	4,408,582
Committed	-	-	126,293	126,293
Assigned	1,843,095	-	-	1,843,095
Unassigned	-	-	-	-
Fund balances, end of year	<u>1,843,095</u>	<u>4,408,582</u>	<u>126,293</u>	<u>6,377,970</u>
Total liabilities and fund balances	<u>\$ 3,788,830</u>	<u>\$ 4,588,559</u>	<u>\$ 126,293</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the asset is \$59,316,228 and the accumulated depreciations is (\$26,244,295) 33,071,933

Property taxes receivable and other receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds 308,214

Some receipts of grant revenue will not be collected soon enough to pay for the current period's expenditures, and therefore are deferred in the funds 118,425

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	11,955,000	
Restricted assets held	(1,540,507)	
Accrued interest	238,227	
Compensated absences	1,596,415	(12,249,135)

Total net position - governmental activities \$ 27,627,407

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	Building Fund	Other Governmental Fund Activity Fund	Totals Governmental Funds
Revenues				
Property taxes	\$ 16,440,925	\$ 8,731,241	\$ -	\$ 25,172,166
Tuition and fees	2,682,064	-	-	2,682,064
State revenue	5,362,545	-	-	5,362,545
Federal revenue	534,894	-	-	534,894
Other	1,337,780	116,031	97,712	1,551,523
	<u>26,358,208</u>	<u>8,847,272</u>	<u>97,712</u>	<u>35,303,192</u>
Total revenues				
Expenditures				
Current				
Instruction	9,464,522	372,883	75,655	9,913,060
Support services - Instructional	4,511,918	210,183	-	4,722,101
Support services - Noninstructional	11,005,131	4,496,183	-	15,501,314
Non-instruction services	1,223,074	9,252	-	1,232,326
Capital outlay	-	1,546,832	-	1,546,832
Other outlays	37,318	-	9,025	46,343
	<u>26,241,963</u>	<u>6,635,333</u>	<u>84,680</u>	<u>32,961,976</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	116,245	2,211,939	13,032	2,341,216
Beginning fund balance, as restated	1,726,850	2,196,643	113,261	4,036,754
Ending fund balance	<u>\$ 1,843,095</u>	<u>\$ 4,408,582</u>	<u>\$ 126,293</u>	<u>\$ 6,377,970</u>

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Total net changes in fund balances - governmental funds \$ 2,341,216

The change in nets assets reported in the statement of activities is different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceed capital outlays during the period.

Capital Outlays	\$ 1,746,135	
Depreciation Expense	<u>(2,060,590)</u>	(314,455)

Because the cost of capital assets acquired are reported in governmental funds as expenditures in the year of purchase, the proceeds from their sale are reported as revenue. However, the costs of these assets must be included as a reduction of the sales proceeds in the statement of activities. (3,717)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead counted as deferred revenues. They are however, recorded as revenues in the statement of activities. 308,214

Because some receipts of grant revenue will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead counted as deferred revenues. They are however, recorded as revenues in the statement of activities. 118,427

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. (145,077)

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	5,150	
Restricted reserve funds	84,185	
Payments on Capital Leases	<u>515,000</u>	604,335

Change in net assets of governmental activities \$ 2,908,943

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metro Technology Center School District No. 22 (the District) is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Career and Technology Education.. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70 of the Oklahoma Statutes.

The Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District. The District has not identified any component units that should be include in the District's reporting entity

Basic Financial Statements – Government-Wide Statements

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Basic Financial Statements – Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following fund:

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

Basis of Accounting

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

Accrual: The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

NOTES TO FINANCIAL STATEMENTS

Capital Assets

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

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

Compensated Absences

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

Budgets and Budgetary Accounting

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

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

Cash

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

NOTES TO FINANCIAL STATEMENTS

Investments

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

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

Property Tax Revenues

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

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

Property taxes receivable by the District include uncollected taxes assessed as of October 1, 2012 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 \$6,400 in the general fund and \$- in the building fund. The allowance represents the estimated amount that is deemed uncollectible based on past collection history.

State Revenues

Revenues from state sources for current operations are primarily governed by the joint resolution of the Oklahoma House of Representatives and Senate. The Oklahoma Department of Career and Technical Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 15% 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

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The Oklahoma Department of Career and Technical Education requires that categorical educational program revenues be accounted for in the general fund.

Use of Estimates

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

Net Position and Fund Balance

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

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

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

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

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

Governmental Fund Financial Statements

The District has adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010, which redefined how fund balances of the governmental funds are presented in the 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, 2013.
- **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

NOTES TO FINANCIAL STATEMENTS

be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified school program activities as being committed because their use is imposed by the Board of Education regarding use of the funds.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the superintendant through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned interest earnings to the funds where earned for the purposes defined by the fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

NOTE 2 - CASH AND INVESTMENTS

Deposits

At June 30, 2013, the bank balance of deposits, cash investments and cash pools was \$7,225,157.

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, 2013, the District was not exposed to custodial credit risk.

Investments

As of June 30, 2013, \$1,540,507 restricted cash consists of combination of government money market mutual funds and FDIC insured savings accounts held by trustee bank. These funds are classified as investments for the purposes of disclosure requirements and therefore, are not subject to custodial credit risk. For presentation on the face of the statement of net position, these funds are classified as cash.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Credit Risk – Investments

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

NOTES TO FINANCIAL STATEMENTS

Investment Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 3 - LONG-TERM LIABILITIES

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

	Beginning			Ending	Amount Due
	Balance	Additions	Reductions	Balance	Within
					One Year
Compensated absences	\$ 2,144,368	\$ 811,327	\$ 856,697	\$ 2,098,998	\$ 502,583
Capital leases					
Oklahoma Industries Trust	12,470,000	-	515,000	11,955,000	525,000
	12,470,000	-	515,000	11,955,000	525,000
Total governmental activity long-term liabilities	\$ 14,614,368	\$ 811,327	\$ 1,371,697	\$ 14,053,998	\$ 1,027,583

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

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

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

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

The District’s interest expense for 2013 was \$481,603.

NOTES TO FINANCIAL STATEMENTS

Leased buildings in capital assets at June 30, 2013, include the following:

Buildings		\$ 14,012,490
Less accumulated depreciation		(729,167)
		\$ 13,283,323

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

The debt matures as follows:

	Year Ended June 30,	Principal Amount	Interest Amount	Total	Interest Rate
Oklahoma Industries Trust					
	2014	\$ 525,000	\$ 476,454	\$ 1,001,454	2.500%
	2015	540,000	463,329	1,003,329	2.700%
	2016	555,000	448,749	1,003,749	3.000%
	2017	570,000	432,099	1,002,099	3.250%
	2018	590,000	413,574	1,003,574	3.400%
	2019-2030	9,175,000	2,822,110	11,997,110	3.6-4.625%
		\$11,955,000	\$5,056,315	\$17,011,315	

Future minimum lease payments are:

Year Ended June 30,	Lease Payments
2014	\$ 1,002,391
2015	1,003,539
2016	1,002,924
2017	1,002,836
2018	1,003,544
2019-2030	11,533,313
	\$16,548,547

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM

Plan Description

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

NOTES TO FINANCIAL STATEMENTS

Funding Policy

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

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District was required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2013. Plan members are required to contribute 7% of their annual covered salary. The District's contributions to PERS (net of retirement credit paid by the State of Oklahoma) for the years ending June 30, 2013, 2012 and 2011 were \$2,700,664 \$3,576,662 and \$2,978,864 respectively, equal to the required contributions for each year.

NOTE 5 - CONTINGENCIES AND COMMITMENTS

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

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

NOTE 6 - RISK MANAGEMENT

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

The District is a member of the Oklahoma Public Schools Unemployment Compensation Program. In this program, the District is required to, and has, on deposit 1.6% of its taxable payroll for unemployment insurance. The funds for each District are kept separate and Districts can contribute more than 1.6% of their payroll if they elect to, but must contribute if their deposits fall below 1.6%. The money contributed by each district earns interest and is fully insured. If the District claims in excess of the amount in its account, it will be liable for the excess.

NOTE 8 – NEW GASB STANDARD

In Fiscal year 2013, the District implemented GASB Statement 63, *Reporting Deferred Outflows, Deferred Inflows, and Net Position*. This statement includes a title change from the "Statement of Net Assets" to "Statement of Net Position", requires deferred outflows to be reported in a separate section after assets, deferred inflows reported as a separate section after liabilities. Only those items specifically defined by GASB may be reported as deferred outflows or inflows. The only effect on the financial statements for the District was the change in terminology "net assets" to "net position".

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning			Ending
	Balances as restated	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 1,735,590	\$ 15,000	\$ -	\$ 1,750,590
Total capital assets not being depreciated	1,735,590	15,000	-	1,750,590
Capital assets being depreciated:				
Buildings and improvements	44,348,632	-	-	44,348,632
Furniture, fixtures and equipment	9,585,009	1,638,019	56,992	11,166,036
Vehicles/buses	1,957,854	93,116	-	2,050,970
Total capital assets being depreciated	55,891,495	1,731,135	56,992	57,565,638
Less accumulated depreciation for:				
Buildings and improvements	14,626,366	1,115,687	-	15,742,053
Furniture, fixtures and equipment	8,211,318	740,478	53,275	8,898,521
Vehicles/buses	1,399,296	204,425	-	1,603,721
Total accumulated depreciation	24,236,980	2,060,590	53,275	26,244,295
Total capital assets being depreciated, net	31,654,515	(329,455)	3,717	31,321,343
Governmental activity capital assets, net	\$ 33,390,105	\$ (314,455)	\$ 3,717	\$ 33,071,933

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

NOTE 10 – PRIOR PERIOD RESTATEMENT

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

Governmental Activities: In the Government-Wide statements, encumbrances of \$369,751 overstated accounts payable, accumulated depreciation was understated \$2,569,336, restricted trustee accounts from the lease agreement of \$1,456,322 were not recorded, and \$243,377 interest on debt was not accrued. In addition, the District determined that the school activity funds did not meet the definition of an agency fund because the funds were used to support the District’s own programs and not solely held for others. This increased net position \$113,260. These adjustments decreased net position for the prior year \$1,465,113.

General Fund: The beginning fund balance of the General Fund has been restated on the fund basis financial statements to record prior period adjustments for encumbrances which overstated accounts payable \$208,237 and compensated absences which were overstated \$1,345,692 for amounts not expected to be liquidated with expendable available resources. These adjustments increased the change in net position for the prior year \$197,859.

NOTES TO FINANCIAL STATEMENTS

Building Fund: The beginning fund balance of the Building Fund has been restated on the fund basis financial statements to record prior period adjustments for encumbrances which overstated accounts payable \$161,514 and compensated absences which were overstated \$105,647 for amounts not expected to be liquidated with expendable available resources. These adjustments decreased the change in net position for the prior year \$56,434.

	Net Position/ Fund Balance as Previously Reported	Restatement	Net Position/ Fund Balance as restated
	<u> </u>	<u> </u>	<u> </u>
Governmental Activities	\$25,591,845	\$ (873,381)	\$24,718,464
General Fund	172,922	1,553,929	1,726,851
Building Fund	1,929,482	267,161	2,196,643

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	<u>Variance with Final Budget</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Budgetary fund balance, July 1	<u>\$ 993,262</u>	<u>\$ 1,478,873</u>	<u>1,478,873</u>	<u>\$ 485,611</u>	<u>\$ -</u>
Resources (inflows)					
Property taxes	16,200,000	16,496,852	16,497,147	296,852	295
Interest	50,000	(150,000)	(153,139)	(200,000)	(3,139)
Tuition and fees	3,200,000	2,318,531	2,682,064	(881,469)	363,533
State revenue	5,011,600	5,376,355	5,388,476	364,755	12,121
Federal revenue	817,856	562,000	730,161	(255,856)	168,161
Other	1,700,000	1,546,746	1,469,499	(153,254)	(77,247)
Adjustment to prior year encumbrances	-	184,493	208,237	184,493	23,744
Total resources	<u>26,979,456</u>	<u>26,334,977</u>	<u>26,822,445</u>	<u>(644,479)</u>	<u>487,468</u>
Amounts available for appropriation	<u>27,972,718</u>	<u>27,813,850</u>	<u>28,301,318</u>	<u>(158,868)</u>	<u>487,468</u>
Charges to appropriations (outflows)					
Instruction	10,165,000	10,295,516	9,938,758	130,516	356,758
Support services - Instructional	4,400,000	4,571,241	4,542,410	171,241	28,831
Support services - Noninstructional	10,550,000	11,273,357	11,050,773	723,357	222,584
Non-instruction services	1,225,000	1,440,000	1,263,034	215,000	176,966
Other outlays and debt service	1,632,718	35,000	37,318	(1,597,718)	(2,318)
Total charges to appropriations	<u>27,972,718</u>	<u>27,615,114</u>	<u>26,832,293</u>	<u>(357,604)</u>	<u>782,821</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ 198,736</u>	<u>\$ 1,469,025</u>	<u>\$ 198,736</u>	<u>\$ 1,270,289</u>

Accounts receivable not recognized as revenue for budgetary basis	315,497
Accounts Payable not recognized as expenditures for budgetary basis	(47,374)
Encumbrances not recognized as expenditures for GAAP basis	595,511
Compensated Absences not recognized as expenditures for GAAP basis	(489,564)
Fund Balance, End of year GAAP Basis	<u>1,843,095</u>

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
BUDGETARY COMPARISON SCHEDULE – BUILDING FUND
YEAR ENDED June 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	
	Original	Final		Original to Final	Final to Actual
Budgetary fund balance, July 1	<u>1,365,476</u>	<u>1,884,283</u>	\$ 1,884,283	\$ 518,807	\$ -
Resources (inflows)					
Property taxes	8,650,000	8,720,789	8,722,060	70,789	1,271
Other	-	166,620	166,620	166,620	-
Adjustment to prior year encumbrances	-	104,996	135,964	104,996	30,968
Total resources	<u>8,650,000</u>	<u>8,992,405</u>	<u>9,024,644</u>	<u>342,405</u>	<u>32,239</u>
Amounts available for appropriation	<u>10,015,476</u>	<u>10,876,688</u>	<u>10,908,927</u>	<u>861,212</u>	<u>32,239</u>
Charges to appropriations (outflows)					
Instruction	1,300,000	782,805	736,108	(517,195)	46,697
Support services	4,520,000	5,945,353	5,328,071	1,425,353	617,282
Non-instruction services	170,000	9,252	9,252	(160,748)	-
Capital outlay and Debt Service	4,025,476	2,001,984	1,825,955	(2,023,492)	176,029
Total charges to appropriations	<u>10,015,476</u>	<u>8,739,394</u>	<u>7,899,386</u>	<u>(1,276,082)</u>	<u>840,008</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ 2,137,294</u>	\$ 3,009,541	<u>\$ 2,137,294</u>	<u>\$ 872,247</u>
			Accounts receivable recognized as revenue		117,569
			Accounts Payable recognized as expenditures		(69,705)
			Encumbrances not recognized as expenditures		1,364,196
			Compensated Absences recognized as expenditures		(13,019)
			Fund Balance, End of year GAAP Basis		<u>4,408,582</u>

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

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

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

METRO TECHNOLOGY CENTER SCHOOL DISTRICT NO. 22
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Deferred Revenue (Accounts Receivable) 6/30/12	Federal Grant Receipts	Total Grant Expenditures	Matching Expenditures	Federal Grant Expenditures	Deferred Revenue (Accounts Receivable) 6/30/13
U.S. Department of Education								
Direct Programs-								
Student Financial Aid								
Federal Pell Grant Program	84.063	474	\$ (5,814)	\$ 1,641,466	\$ 1,635,652	\$ -	\$ 1,635,652	\$ -
PELL ACA	84.063		-	1,945	1,945	-	1,945	-
Direct Student Loans 2011-2012				178,305	178,305		178,305	
Direct Student Loans 2012-2013	84.268	471	-	1,700,428	1,700,428	-	1,700,428	-
Total Student Financial Aid Cluster			(5,814)	3,522,144	3,516,330	-	3,516,330	-
Carl Perkins Vocational Education Act								
Passed through Oklahoma Department of Career Technology Education								
Carl Perkins Secondary	84.048	421	(38,335)	118,370	144,499		144,499	(64,464)
Carl Perkins Supplemental	84.048	424	(34,083)	80,570	54,519		54,519	(8,032)
Tech Centers That Work	84.048	429	-	-	11,601		11,601	(11,601)
Carl Perkins Tech Prep	84.243	428	(23,190)	23,190	-		-	-
Total Pass Through Programs			(95,608)	222,130	210,619	-	210,619	(84,097)
Total U.S. Department of Education			(101,422)	3,744,274	3,726,949	-	3,726,949	(84,097)
U.S. Department of Health and Human Services								
Passed through Oklahoma Department of Human Services and Oklahoma Department of Career Technology Education								
TANF Job Readiness	93.558	456	(45,575)	95,839	95,000	-	95,000	(44,736)
Temporary Assistance to Needy Families	93.558	452	(137,162)	323,007	293,019	25,946	267,073	(81,228)
Total U.S. Department of Health and Human Services			(182,737)	418,846	388,019	25,946	362,073	(125,964)
U.S. Department of Labor								
Passed through Oklahoma State University								
Wind Turbine Technology	17.269		(69,300)	69,300	-	-	-	-
Total U.S. Department of Labor			(69,300)	69,300	-	-	-	-
Total Expenditures of Federal Awards			\$ (353,439)	\$ 4,232,420	\$ 4,114,968	\$ 25,946	\$ 4,089,022	\$ (210,061)

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



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

March 11, 2014

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metro Technology Center School District No. 22 (the District), Oklahoma County, Oklahoma, as of and for the year ended June 30, 2013, 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 11, 2014.

Internal Control Over Financial Reporting

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

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

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

control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

March 11, 2014

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

Report on Compliance for Each Major Federal Program

We have audited Metro Technology Center School District No. 22, Oklahoma City Oklahoma's, (the District), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the accompanying schedule of audit results, findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Sanders, Bledsoe & Hewett
Certified Public Accounts, LLP

METRO TECHNOLOGY CENTER
SCHOOL DISTRICT NO. 22, OKLAHOMA COUNTY
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND MATERIAL INSTANCES OF
NON-COMPLIANCE
JUNE 30, 2013

There were no prior year significant deficiencies or material instances of non-compliance.

METRO TECHNOLOGY CENTER
SCHOOL DISTRICT NO. 22, OKLAHOMA COUNTY
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section 1 - Summary of Auditor's Results

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

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

None

Section 3 – Findings and questioned costs for federal awards

None

METRO TECHNOLOGY CENTER
SCHOOL DISTRICT NO. 22, OKLAHOMA COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2012 TO JUNE 30, 2013

State of Oklahoma)
) ss
County of Tulsa)

The undersigned auditing firm of lawful ages, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Metro Technology Center School for the audit year 2012-2013.

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

By _____
Authorized Agent

Subscribed and sworn to before me
This 11th day of March, 2014

Notary Public (or Clerk or Judge)

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