

**ANNUAL FINANCIAL REPORT
CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012**

**AUDITED BY
KERRY JOHN PATTEN, C.P.A.**

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
SCHOOL CENTER OFFICIALS
JUNE 30, 2012**

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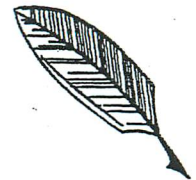
**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Central Technology Center No. 3
Drumright, Oklahoma

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Technology Center No. 3, Creek County, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the school's management. My responsibility is to express opinions on these financial statements based on our audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Central Technology Center No. 3, Creek County, Oklahoma, as of June 30, 2012, and the respective changes in financial position, thereof and where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 1, 2013, on my consideration of the Central Technology Center's internal control over financial reporting and my 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* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on this information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Technology Center's financial statements as a whole. The accompanying other supporting information, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supporting information and the schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Kerry John Patten, C.P.A.
March 1, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

CENTRAL TECHNOLOGY CENTER NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34, Basic Financial Statements for State and Local Governments, issued June 1999 as amended. Our discussion and analysis of Central Tech's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the District's financial statements, which begin on page 7.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

REPORTING THE DISTRICT AS A WHOLE

Our analysis of the District as a whole begins on page 7. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about Central Tech 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 District's net assets and changes in them. You can think of the District's net assets—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base and the condition of the District's facilities, to assess the overall health of the District.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Analysis of the District's major funds begins on page 9. The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain money. The District's utilizes two kinds of funds, governmental and fiduciary, which use different accounting approaches.

*Governmental funds—Most of the 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 District's general government operations and the basic services it provides.

CENTRAL TECHNOLOGY CENTER NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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 District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements on page 9 of this document.

THE DISTRICT AS TRUSTEE

The district is the trustee, or fiduciary, for certain assets that belong to student organizations and can be used only for their benefit. All of the District's fiduciary activities are reported in separate Balance Sheet Fiduciary Fund on page 23. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Fiduciary assets include Vocational Student Organization Accounts, (Skills USA, Business Professionals of America and Health Occupations Students of America), these funds are raised by these student organizations and used for purposes designated by those organizations and approved by the district's Board of Education.

THE DISTRICT AS A WHOLE

During the 2012 fiscal year the District's net assets increased from \$16,701,129 to \$19,197,798 an increase of \$2,496,669 or 15% over FY 11. A detailed breakdown of net assets is available on page 7.

Comparison of Net Assets by Fiscal Year

	Governmental Activities	
	FY 11	FY 12
<u>ASSETS</u>		
Current Assets	11,157,441	11,769,695
Net Capital Assets	6,294,363	7,971,558
Total Assets	17,451,804	19,741,253
<u>LIABILITIES</u>		
Current Liabilities	627,400	405,275
Non-Current Liabilities	123,275	138,180
Total Liabilities	750,675	543,455
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	6,294,363	7,971,558
Unrestricted	10,406,766	11,226,240
Total Net Assets	16,701,129	19,197,798
Change in Net Assets		2,496,669

Comparison of the changes in net assets reveals a \$612,254 increase in current assets. Net capital assets or non-current assets increased \$1,677,695 over the previous fiscal year. Current liabilities decreased \$222,125 and non-current liabilities increased \$14,905, due to an increase in long-term compensated absences.

**CENTRAL TECHNOLOGY CENTER NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Total liabilities were down by slightly by \$207,220. This represents a significant decrease in accounts payable from last year and a minor increase in both short and long term compensated absence liability.

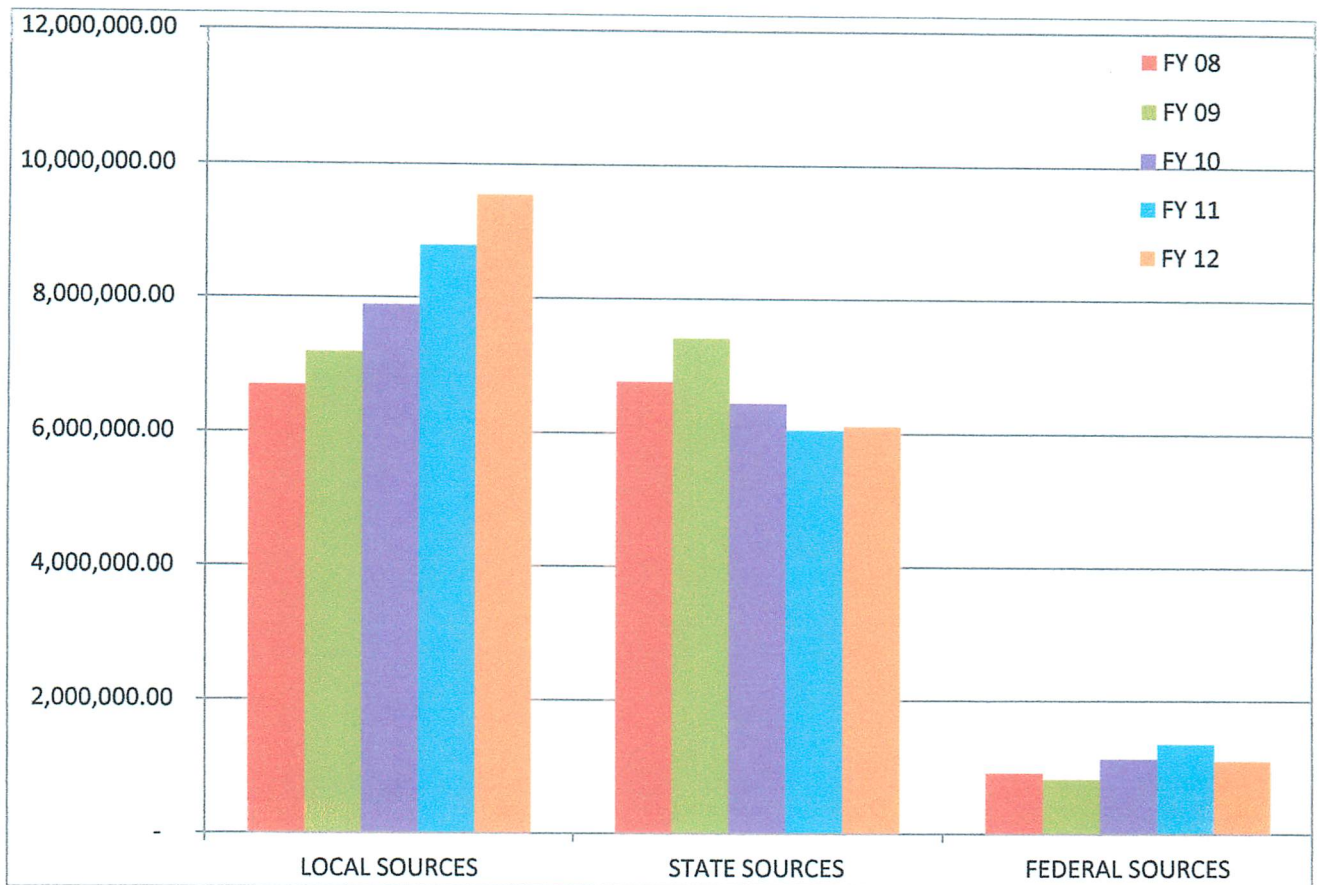
The district will continue to build reserves in cash and investments in anticipation of the next major items on the capital improvement plan. With a project cost of around 3.5 million dollars, the new BIS facility at the Sapulpa campus and upgrade of the Sapulpa campus exterior, reserves in the Building fund will need to be available during FY 13. The district will continue to target a carryover amount close to the limit to ensure that there are funds to fill any gaps in state funding which is still under great pressure due to proposed state income tax and ad valorem tax legislation.

	FY 11	FY 12
Revenues		
Property taxes	8,538,235	9,514,180
State aid	6,043,045	6,082,502
Charges for services, state & fed. Grants	3,534,996	3,190,803
Investment earnings	46,721	30,432
Special items/Misc	2,875	82,291
	<hr/>	<hr/>
Total revenue and special items	18,165,872	18,900,208
	<hr/>	<hr/>
Expenses		
Instruction	6,747,860	7,098,952
Support services	6,980,594	7,723,158
Non-instruction services	527,210	546,052
Other Outlays(incl depr.& bank charges)	1,821,536	2,173,441
	<hr/>	<hr/>
Total expenses	16,077,200	17,541,603
	<hr/>	<hr/>
Increase (decrease) in net assets	2,088,672	1,358,605

THE DISTRICTS FUNDS

As the district completed the year, governmental funds reported a combined fund balance of \$11,111,926. This represents an increase of \$844,342 from last year's figure of \$10,267,584. This figure represents an increase in both General fund and Building funds over FY 11. It should be noted that "fund balance" as it is used in modified accrual basis. A reconciliation from modified accrual basis to accrual basis accounting is available on page 11 of the accompanying document.

CENTRAL TECHNOLOGY CENTER NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012



GENERAL FUND

General fund revenues increased from FY 11 to FY 12 by \$568,666. Revenue from local sources increased by \$568,666 due to increased Ad valorem and tuition. Revenue from federal sources decreased \$289,507 from prior year due to the fact that Federal Financial Aid funds made available through ARRA in FY 11 are no longer available. Revenue from state sources increased by a modest \$82,991.

BUILDING FUND

Revenue in the building fund is the result of the recurring 3 mill building fund levy and a very, very small amount of interest revenue. Revenue increased by \$196,885 over the prior year due entirely to increased valuation in the District. Revenues exceeded expenditures by \$260,296, increasing the fund balance by this amount. With construction of the Pipeline/Safety Training Center completed in FY 12, other projects from the capital planning list will be funded in the coming year including construction of the new BIS facility at Sapulpa and renovation of Sapulpa Campus exterior, major maintenance on the TSE Range, upgrade of TSE equipment and continuing to invest in technology for the classrooms.

BUDGETARY ISSUES

Central Tech began FY 12 with a general fund budget of \$19,432,192. Of that figure \$3,000,000 was budgeted as special contingency. This "special contingency" line item is made up of monies

**CENTRAL TECHNOLOGY CENTER NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

that will be held in reserve to make up for any state funding shortfalls and also provides an early target for general fund carryover. Under this scenario the district entered the year with \$16,432,1920 budgeted to spend with actual expenditures of \$17,204,457.

Building Fund for FY 2012 was budgeted at \$4,902,477. Actual expenditures in the Building Fund for FY 12 were \$1,505,970.

CAPITAL ASSETS

At the end of 2012 the District had \$7,971,5575 invested in capital assets including, land, buildings, construction in progress, equipment, and vehicles. This represents a \$1,677,193 increase from the prior year. This increase is due to the capitalization of the Pipeline Training Facility and the purchase of new equipment.

	Capital assets, net of depreciation	
	FY 11	FY 12
Land	331,980	331,980
Construction in Progress	1,441,536	-
Buildings and improvement	3,206,892	5,553,137
Equipment	783,410	951,316
Vehicles	530,547	1,135,124
Total	<u>6,294,364</u>	<u>7,971,557</u>

DEBT

The district's only long term debt is accrued non-current compensated absences of \$138,180, this liability is recorded in the Statement of Net Assets; the current portion is expensed in the fund financial statements.

NEXT YEAR

The District will continue to monitor projected funding levels and adjust staffing levels accordingly while maintaining its equipment and facilities to stay on the cutting edge of technology training. Plans for FY 13 include construction of a new BIS facility at Sapulpa, major renovation of Sapulpa campus exterior, expansion of Drumright Campus parking, and continue to focus on energy efficiency in the infrastructure.

CONTACTING THE SCHOOLS FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Central Technology's Center financial position to show accountability for the money it receives. Additional details can be requested at Central Technology Center, 3CT Circle Drumright, Oklahoma 74030.

Respectfully submitted,

Kent Burris, CFO

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CENTRAL TECHNOLOGY CENTER NO. 3
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 9,932,916
Property tax receivable	517,092
Due from other governments	723,079
Miscellaneous receivables	581,933
Prepaid expenses	14,675
Noncurrent Assets	
Land	331,980
Other capital assets, net of accumulated depreciation	<u>7,639,578</u>
 Total Assets	 \$ <u>19,741,253</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	\$ 251,352
Compensated absences	<u>153,923</u>
 Total Current Liabilities	 \$ <u>405,275</u>
Non-Current Liabilities	
Compensated absences	<u>138,180</u>
 Total Liabilities	 \$ <u>543,455</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	\$ 7,971,558
Unrestricted	<u>11,226,240</u>
 Total Net Assets	 \$ <u><u>19,197,798</u></u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL TECHNOLOGY CENTER NO. 3
STATEMENT OF ACTIVITIES
FOR YEAR ENDING JUNE 30, 2012**

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>
Governmental Activities			
Instruction	\$ (7,098,952)	\$ 2,098,909	\$ 1,091,894
Support services	(7,723,158)		
Non-instruction	(546,052)		
Capital outlay	(147,521)		
Other outlays	(458)		
Other uses	(447,768)		
Depreciation - unallocated	<u>(660,501)</u>		
Total governmental activities	\$ <u>(16,624,410)</u>	\$ <u>2,098,909</u>	\$ <u>1,091,894</u>

General revenues

Taxes:

Property taxes, levied for general purposes

Other Taxes

State aid not restricted to specific purposes

Other general revenues

Interest and investment earnings

Miscellaneous

Total general revenues

Bank charges

Changes in net assets

Net assets - beginning

Net assets - ending

The notes to the financial statements are an integral part of this statement.

		Net (Expenses) Revenue and Changes in Net Assets	
<u>Capital Grants & Contributions</u>		<u>Government Activities</u>	
\$	-	\$	(3,908,149)
			(7,723,158)
			(546,052)
			(147,521)
			(458)
			(447,768)
			(660,501)
\$	-	\$	(13,433,607)

\$	9,735,112
	-
	6,082,502
	-
	30,432
	82,291
	<u>15,930,337</u>
	<u>(61)</u>
	2,496,669
	<u>16,701,129</u>
\$	<u><u>19,197,798</u></u>

FUND FINANCIAL STATEMENTS

**CENTRAL TECHNOLOGY CENTER NO. 3
BALANCE SHEET
GOVERNMENTAL FUND TYPES
JUNE 30, 2012**

	Governmental Fund Types		
	General Fund	Special Revenue Fund	Total
<u>ASSETS</u>			
Cash	\$ 2,775,783	\$ 2,665,133	\$ 5,440,916
Investments	2,992,000	1,500,000	4,492,000
Property tax receivable	450,966	66,126	517,092
Due from other governments	723,079	-	723,079
Miscellaneous receivable	581,933	-	581,933
Prepaid Insurance	14,675	-	14,675
Total assets	\$ <u>7,538,436</u>	\$ <u>4,231,259</u>	\$ <u>11,769,695</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 232,289	\$ 19,063	\$ 251,352
Deferred revenue	<u>365,547</u>	<u>40,870</u>	<u>406,417</u>
Total liabilities	\$ <u>597,836</u>	\$ <u>59,933</u>	\$ <u>657,769</u>
Fund Balances:			
Nonspendable Fund Balances			
<i>Prepaid items</i>	\$ 14,675	\$ -	\$ 14,675
Restricted Fund Balances:			
<i>Restricted by Statute</i>	-	3,432,982	3,432,982
Committed Fund Balances:			
<i>Other Committed Fund Balances</i>	-	-	-
Assigned Fund Balances:			
<i>Encumbrances</i>	1,697,886	738,344	2,436,230
Unassigned	<u>5,228,039</u>	<u>-</u>	<u>5,228,039</u>
Total fund balances	\$ <u>6,940,600</u>	\$ <u>4,171,326</u>	\$ 11,111,926
Total liabilities and fund balances	\$ <u><u>7,538,436</u></u>	\$ <u><u>4,231,259</u></u>	

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 \$19,385,386 and accumulated depreciation is \$11,413,828.

7,971,558

Property taxes receivable will be collected this year, but are not available soon enough to pay current period's expenditures, therefore they are deferred in the funds.

406,417

Compensated absences are not due and payable in the current period and, therefore are not reported as liabilities in the funds.

(292,103)

\$ 19,197,798

The notes to the financial statements are an integral part of this statement.

**CENTRAL TECHNOLOGY CENTER NO. 3
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Revenues			
Local sources	\$ 9,557,065	\$ 2,207,171	\$ 11,764,236
Intermediate sources	-	-	-
State sources	6,132,415	-	6,132,415
Federal sources	<u>1,055,272</u>	<u>-</u>	<u>1,055,272</u>
Total revenues	\$ <u>16,744,752</u>	\$ <u>2,207,171</u>	\$ <u>18,951,923</u>
Expenditures			
Instruction	\$ 7,539,144	\$ 398,941	\$ 7,938,085
Support services	7,652,479	227,256	7,879,735
Non-instructional services	546,052	-	546,052
Capital outlay	-	1,320,678	1,320,678
Other outlays	458	-	458
Other uses	447,768	-	447,768
Repayments	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	\$ <u>16,185,901</u>	\$ <u>1,946,875</u>	\$ <u>18,132,776</u>
Excess of revenues over (under) expenses before adjustments to prior year encumbrances	\$ <u>558,851</u>	\$ <u>260,296</u>	\$ <u>819,147</u>
Adjustments to prior year encumbrances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Other financing sources (uses):			
Bond sale proceeds	\$ -	\$ -	\$ -
Operating transfers in/(out)	-	-	-
Bank charges	<u>(61)</u>	<u>-</u>	<u>(61)</u>
Total other financing sources (uses)	\$ <u>(61)</u>	\$ <u>-</u>	\$ <u>(61)</u>
Excess (deficiency) of revenue over (under) expenditures and other financing sources (uses)	\$ <u>558,790</u>	\$ <u>260,296</u>	\$ <u>819,086</u>
Fund balances, beginning of year	\$ <u>6,381,810</u>	\$ <u>3,885,774</u>	\$ <u>10,267,584</u>
Fund balances, end of year	\$ <u><u>6,940,600</u></u>	\$ <u><u>4,146,070</u></u>	\$ <u><u>11,086,670</u></u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL TECHNOLOGY CENTER NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances-governmental funds	\$	819,086
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Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in net assets are 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 and allocated over their estimated useful lives as annual depreciation expenses in the statement of revenues, expenditures, and changes in net assets. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlay expenditures	2,337,694	
Depreciation expense	<u>(660,501)</u>	1,677,193

Property taxes receivable will be collected this year, but are not available soon enough to pay current period's expenditures, therefore they are deferred in the funds.	169,218
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Some expenses (compensated absences) reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(168,828)</u>
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Changes in net assets of governmental activities	\$ <u><u>2,496,669</u></u>
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The notes to the financial statement are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies

The financial statements of the Central Technology Center No. 3 (the "Center") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Center's accounting policies are described below.

A. Reporting Entity

In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the Center has presented the entities, which comprise the primary government in the fiscal year 2012 basic financial statements.

The Center 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 Center 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, Oklahoma Statutes.

The governing body of the Center is the Board of Education composed of five elected members. The appointed superintendent is the executive officer of the Center.

As required by accounting principles generally accepted in the United States of America, the basic financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Center's basic financial statements to be misleading or incomplete.

The Central Tech Foundation is not included in the reporting entity. The Foundation is not financially dependent on the Center.

B. Basis of Presentation

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Center. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) tuition or fees paid by students or citizens of the Center and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items, including state aid, that are not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Fund Financial Statements

The Technology Center segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Statements for governmental activities present each fund as a separate column on the fund financial statements.

Governmental funds are used to account for all or most of a government's general activities. The measurement focus of governmental funds is on the sources uses and balance of current financial resources. The Center has presented the following governmental funds:

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

General Fund – The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt.

Special Revenue Fund – The Center's Building Fund is a Special Revenue Fund and consists of monies derived from property taxes levied for the purpose of creating, remodeling or repairing buildings and for purchasing furniture and equipment.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Center. When these assets are held under the terms of a formula trust agreement, either a private purpose trust fund or a permanent fund is used.

The terms "permanent" and "private purpose" refer to whether or not the Center is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the Center holds on behalf of others as their agent and do not involve measurement of results of operations.

The Center's Fiduciary Funds have been excluded from the government-wide financial statements.

Agency Fund – The Center's Agency Fund consists of the Activity fund. The Center's Activity fund is used to account for monies collected that are held on behalf of others as their agent and do not involve the measurement of results of operations.

Account Groups

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide statement of net assets.

C. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest and certain state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

D. Budgets and Budgetary Accounting

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

These budgets are prepared on a budgetary basis of accounting. Budgetary control is maintained by fund, function, and activity and budgeted expenditures may not exceed appropriations at the fund level. Amendments may be made to the budget without approval by the governing body at the function and activity levels. Fund level budgetary amendments require approval of the governing body.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable fund balance – is utilized in all governmental funds of the Center. Appropriations which are not spent lapse at the end of the fiscal year and encumbrances are reversed. On the first day of the following fiscal year, the encumbrances are reinstated and the expenditures are applied against that year's budget.

E. Net Assets and Fund Balances

The government-wide financial statements utilize a net asset presentation. Net assets are categories of investment in fixed assets (net of related debt), restricted net assets and unrestricted net assets.

Investment in Fixed Assets (net of related debt) – is intended to reflect the portion of net assets, which are associated with non-liquid capital related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Assets – are liquid assets generated from revenues and not bond proceeds, which have third party (statutory bond covenant or granting agency) limitations on their use. The Center would typically use restricted net assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted Net Assets – represent unrestricted liquid assets.

Governmental Fund Financial Statements – The District has adopted Governmental Accounting Standards Board Statement No. 54, 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 available in the governmental fund financial statements are as follows:

Nonspendable – Amounts that are not in a spendable form such as prepaid expenses, inventory, or required to be maintained intact such as the corpus of permanent fund.

Restricted – Amounts that are designated for specific purposes by their providers such as bondholders, grantors, or imposed by law through constitutional provisions or enabling legislation. The Building Fund is restricted by statute to certain capital related costs.

Committed – Amounts designated for specific purposes by the District's highest level of decision making authority (Board of Education) and cannot be used for any other purposes unless the same highest level (Board of Education) takes action to remove or change the designation.

The District commits a portion of the fund balance to honor the commitments made by the District for encumbrances (purchase orders) for which goods or services have not yet been received. The fund balance committed to encumbrances will be equivalent to the purchase orders rolled forward from one fiscal year to the next fiscal year

Assigned – Amount the District intends to use for specific purposes; intent can be expressed by the governing body or by an official to which the governing body delegates the authority.

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

The District assigns a portion of the fund balance in both the general fund and building fund for funding the cash flow needs during the first half of each fiscal year. The superintendent and the chief financial officer will determine the amount of assigned fund balance at the end of each fiscal year.

Unassigned – Amounts that are available for any purposes; reported only in the general fund. Fund balance represents the funds not restricted in use by statute nor encumbered by purchase order or legal contract.

F. Assets, Liabilities and Cash Fund Balances

Cash and Cash Equivalents – The Center considers all cash on hand, demand deposits and investments to be cash and cash equivalents. Investments consist of direct obligations of the United States Government and Agencies. All investments are recorded at cost, which approximates market value.

Property Tax Revenue and Receivables – The Center is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the Center. 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 2. The second half of taxes becomes 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.

Uncollected taxes assessed on valuations made each year are recorded in the Center's combined financial statements. Uncollectible personal and real property taxes are deemed to be immaterial because the property can be sold for the amount of taxes due.

Inventories – The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the Technology Center has therefore chosen to report these items as expenditures/expenses at the time of purchase.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements.

All purchased capital assets are valued at cost when historical records exist and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets capitalized have an original cost of \$2,500 or more. Depreciation has been calculated using the straight-line method.

Buildings and structures	15-40 years
Equipment	5-15 years
Vehicles	10 years

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

Compensated Absences – The Center's policy regarding vacation time permits employees to accumulate earned, but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government wide statements. The current portion of this debt is based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Long-Term Debt – Long-term debt is recognized as a liability of the applicable governmental activities statement on net assets.

G. Revenue, Expenses and Expenditures

Revenues are classified by source as follows:

Local – Revenue from local sources is revenue produced within the Center, which includes ad valorem taxes. It is available for current educational expenses and for other purposes authorized by the Technology Center.

Intermediate – Revenue from intermediate sources is revenue from funds collected by an intermediate administrative unit or political sub-division, like a county or municipality, and redistributed to the Technology Center.

State – Those revenues received from the State, which are dedicated or are appropriated by the State legislature. Some of this aid is restricted for specific purposes.

The Center receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program 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 State Department of Career & Technology Education requires that categorical educational program revenues be accounted for in the general fund.

Federal – Revenue from Federal sources is money originating from the Federal government and made available to the Technology Center either as direct grants or under various programs passed-through the State Department of Career & Technology Education.

Expenditures are classified by function as follows:

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Examples of expenditures that might be included here are the activities of teacher assistant of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators, and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objective of instruction, community services and enterprise programs, rather than as entitles within them.

Operation of Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students, staff, and the community.

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

Facilities Acquisition and Construction Services Expenditures – Consist of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures – Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayments, non-qualified expenditures, and other refunds to be repaid from Center funds.

2. Use of Estimates

The preparation of financial statements 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.

3. Deposit Categories of Credit Risk

Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The Center's investment policies are governed by state statute. Permissible investments include:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the government is pledged.
2. Obligations to the payment of which the full faith and credit of the state is pledged.
3. Certificates of deposits of banks when such certificates of deposits are secured by acceptable collateral as in the deposit of other public monies.
4. Savings accounts or savings certificates of savings and loan associations to the extent that such accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation.
5. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 and 2 of this section including obligations of the United States, its agencies and instrumentalities, and where collateral has been deposited with a trustee of custodian bank in an irrevocable trust or escrow account established for such purposes.
6. County, municipal or school district direct debt obligations for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value.

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Deposit Categories of Credit Risk (continued)

7. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States, its agencies and instrumentalities, and investments in those items listed above.
8. Warrants, bonds or judgments of the school district.
9. Qualified pooled investment programs, the investments of which consist of those items specified above, as well as obligations of the United States agencies and instrumentalities, regardless of the size of the district's budget. To be qualified, a pooled investment program for school funds must be governed through an Interlocal cooperative agreement formed pursuant to Title 70 Section 5-117b, and the program must competitively select its investment advisors and other professionals. Any pooled investment program must be approved by the Board of Education.

Custodial Credit Risk:

Deposits and Investments - The Center's demand deposits are required by law to be collateralized by the amount that is not federally insured. The District has a written investment policy, which permits investments as authorized by State Statute.

Certificates of deposit are collateralized at least by the amount not federally insured. As of June 30, 2012, the District had no deposits exposed to custodial credit risk.

Interest Rate Risk:

Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. However, the Center has no formal written policy addressing interest rate risk.

Credit Risk:

The Center has no formal written policy addressing credit risk.

4. Accounts Receivable

Receivables consist of all revenues earned at year end and not yet received. Ad valorem tax collectable, but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. The technology center had the following receivables at June 30, 2012:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total</u>
Ad Valorem Tax	\$ 450,966	\$ 66,126	\$ 517,092
Local Tuition	581,933	-	581,933
State Grants	1,926	-	1,926
Federal Grants	721,153	-	721,153
Total - Accrual Basis	<u>1,755,978</u>	<u>66,126</u>	<u>1,822,104</u>
Less: Deferred Revenue	<u>(365,547)</u>	<u>(40,870)</u>	<u>(406,417)</u>
Total - Receivables - net	<u>\$ 1,390,431</u>	<u>\$ 25,256</u>	<u>\$ 1,415,687</u>

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

5. Capital Assets

A summary of changes in general fixed assets for the year ended June 30, 2012, follows:

	Balance June 30, 2011	Additions	Retirements	Balance July 1, 2012
Land	\$ 331,980	\$ -	\$ -	\$ 331,980
Construction in progress	1,441,536	-	1,441,536	-
Total Assets Not Being Depreciated	\$ 1,773,516	\$ -	\$ 1,441,536	\$ 331,980
Building & Improvements	10,416,511	2,614,693	-	13,031,204
Machinery & Equipment	2,154,401	395,829	108,570	2,441,660
Vehicles	2,811,833	768,709	-	3,580,542
Total Capital Assets Being Depreciated	15,382,745	3,779,231	108,570	19,053,406
Less:				
Accumulated Depreciation	10,891,897	660,501	108,570	11,413,828
Total Capital Assets Being Depreciated - Net	4,520,847	3,118,730	-	7,639,578
Total Capital Assets - Net	\$ 6,294,364	\$ 3,118,730	\$ 1,441,536	\$ 7,971,558

6. Interfund Transactions

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund, or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

7. Employee Retirement System

Description of Plan

The System is a qualified governmental defined benefit retirement plan. For GASB purposes it is a cost-sharing multiple-employer Public Employee Retirement System. The supervising authority for the management and operation of the System is a 13-member Board of Trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost of living adjustments, death benefits and other benefits to plan members and beneficiaries. Oklahoma State Statutes establish benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152.

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Employee Retirement System (continued)

Basis of Accounting

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements have also been prepared in compliance with the requirements of the Government Accounting Standards Board Statement No. 34. The financial statements are prepared on the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are recognized when due, pursuant to formal commitments. Benefits and refunds are recognized when due and payable.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2012, is as follows:

	<u>Dollars in Millions</u>
Actuarial Accrued Liability	\$ 18,588
Actuarial Value of Assets	<u>10,190</u>
Unfunded Actuarial Accrued Liability	\$ <u>8,398</u>

Funding Policy

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two (62) or with reduced benefits as early as age fifty-five (55). The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. Retiring members may count up to 120 days of unused accumulated sick leave toward an additional year of service credit. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The employers' contribution rate is 9.5%. Employees contribute 7.0% of covered compensation.

Annual Pension Cost

The District's total contribution for 2012, 2011, and 2010 were \$1,247,484, \$1,155,204 and \$1,235,448, respectively.

8. General Long-Term Debt

The Center's long term debt consisted of compensated absences. Compensated absences represent the estimated liability for employees' accrued vacation and sick leave for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund or Building Fund based upon the assignment of the employee at termination.

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

9. Lease Commitments

The Center had no capital lease commitments at June 30, 2012.

10. Litigation

The Center is contingently liable for lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and would not materially affect the financial position of the Center at June 30, 2012.

11. Contingent Liabilities

The Center receives significant financial assistance from the United States government in the form of grants and other federal assistance. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Center. The Center estimates that no material liabilities will result from such audits.

12. Risk Management

Insurance Coverage

The Center purchases commercial insurance policies covering property casualty loss, public liability, school board member, and administrator liability.

The Center participates in the Oklahoma Public Schools Unemployment Compensation Account under the sponsorship of the Oklahoma State School Boards Association and the cooperative council for Oklahoma School Administration. The account was established to let school districts self-insure unemployment benefits for school employees. The funds are held in the name of each school district as reserves to pay unemployment claims. Each school district is individually liable for that portion of the benefits paid from the fund attributable to wages paid by the school district in the same manner as if no group account had been established. The reserve funds may be withdrawn from the account upon request of the school district. At June 30, 2012, the Central Technology Center had reserves on deposit with the Oklahoma Public Schools Unemployment Compensation Accounting totaling \$8,054. This amount has been shown as prepaid insurance on the financial statements.

13. Surety Bonds

The superintendent is bonded by Old Republic, bond number W15-38318 for the penal sum of \$100,000 for the term of October 20, 2011, to October 20, 2012.

The chief financial officer, treasurer, encumbrance clerk, minutes clerk, and bursar are covered by policy CL 11111020242 with Travelers. The coverage is for \$500,000 with a \$5,000 deductible. The policy runs for the term of July 1, 2011, to July 1, 2012.

14. Related Parties

The Center annually agrees with the Central Tech Foundation, Inc. (Foundation) to allow operation of the Foundation's principal office within the Center's administrative offices and allows selected Center employees to perform the duties required of the Foundation, such as clerical and administrative services. The Center also allows the Foundation to utilize Center equipment and space as needed. In exchange the Foundation agrees to present to the Center an annual report including information about available grants and fundraising. No public funds of the Center are allowed to be deposited in any account owned or controlled by the Foundation. The Foundation is separately constituted and accordingly, their financial position and results of operations have not been presented in the accompanying financial statements.

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

15. Lease Agreements

The Center leases land of approximately seven acres to the Central Oklahoma Business and Job Development Corporation. The lease agreement, renewable annually, may be terminated at any time upon 30 day notice by either party. The agreed rent for the FY 11-12 year was \$151.

The Center leases office space to the Creek County Industrial Authority for purposes of enhancing economic development throughout Creek County. The lease is renewable on a fiscal year basis and the established lease rate is \$1.

The Center leases office and classroom space from Central Oklahoma Business and Job Development Corporation within a facility called the Center for Business Technology Research & Development located in Drumright, Oklahoma. The Center pays \$47,700 annually for use of the premises.

16. Cooperative Agreement

The Center entered into an agreement with other Technology Centers in the state of Oklahoma to form a cooperative to jointly pursue a marketing and informational design to utilize a broad range of media services to deliver information to the public regarding programs and training opportunities available through the Technology Centers. Financial arrangements of the cooperative districts include allocating the fees and associated expenses among themselves bases on assessed valuations in each district. The total amount of fees and related expenses paid from the joint contributions of the cooperative districts cannot exceed \$415,000.00. The term of the agreement runs for one year and may be renewed for successive one year terms.

17. Long-Term Liabilities

Long-term liabilities consist of compensated absences that are due in more than a year. A summary of changes in long-term liabilities follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Compensated Absences	\$ 261,896	\$ 30,207	\$ -	\$ 292,103
				153,923
Less: Amounts Due Within One Year				
Total liabilities due in more than one year				\$ 138,180

COMBINING FINANCIAL STATEMENTS

**CENTRAL TECHNOLOGY CENTER NO. 3
BALANCE SHEET - FIDUCIARY FUND
JUNE 30, 2012**

	<u>Agency Fund</u>
	<u>Activity Fund</u>
ASSETS	
Cash	\$ 60,223
Miscellaneous Receivables	<u>-</u>
Total assets	\$ <u><u>60,223</u></u>
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts payable	\$ <u>-</u>
Total liabilities	\$ <u>-</u>
Fund equity:	\$ <u>60,223</u>
Total liabilities and fund equity	\$ <u><u>60,223</u></u>

SUPPORTING SCHEDULES

CENTRAL TECHNOLOGY CENTER NO. 3
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Fund balances, beginning of year	\$ 4,010,381	\$ 4,010,381	\$ 4,010,381	\$ -
Revenues collected:				
Local sources	\$ 8,574,884	\$ 8,574,884	\$ 9,406,562	\$ 831,678
Intermediate sources	-	-	-	-
State sources	6,112,708	6,112,708	6,266,391	153,683
Federal sources	734,219	734,219	1,187,052	452,833
Total revenues collected	\$ 15,421,811	\$ 15,421,811	\$ 16,860,005	\$ 1,438,194
Expenditures paid:				
Instruction	\$ 7,362,479	\$ 7,362,479	\$ 8,013,615	\$ (651,136)
Support services	7,771,920	7,771,920	8,017,879	(245,959)
Non-instructional services	943,387	943,387	678,065	265,322
Other outlays	-	-	600	(600)
Other uses	3,354,406	3,354,406	494,298	2,860,108
Total expenditures paid	\$ 19,432,192	\$ 19,432,192	\$ 17,204,457	\$ 2,227,735
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	\$ -	\$ -	\$ 3,665,929	\$ 3,665,929
Adjustments to prior year encumbrances			404,030	
Other financing sources (uses):				
Operating transfers in/out			-	
Bank charges			(61)	
Total other financing sources (uses)			(61)	
Cash fund balance, end of year			\$ 4,069,898	
Reconciliation of budgetary fund basis fund balance with GAAP fund balance:				
Cash Fund Balance, end of year			\$ 4,069,898	
Accounts receivable not recognized as revenue			1,390,431	
Expenses not recognized in budgetary basis			(232,289)	
Expenses not recognized in GAAP basis			1,712,560	
GAAP fund balance, end of year			\$ 6,940,600	

CENTRAL TECHNOLOGY CENTER NO. 3
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
BUILDING FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Fund balances, beginning of year	\$ 2,906,101	\$ 2,906,101	\$ 2,906,101	\$ -
Revenues collected:				
Local sources	\$ 1,996,376	\$ 1,996,376	\$ 2,207,172	\$ 210,796
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues collected	<u>\$ 1,996,376</u>	<u>\$ 1,996,376</u>	<u>\$ 2,207,172</u>	<u>\$ 210,796</u>
Expenditures paid:				
Instruction	\$ 4,158,477	\$ 4,158,477	\$ 399,945	\$ 3,758,532
Support services	246,750	246,750	230,007	16,743
Non-instructional services	-	-	-	-
Capital outlay	497,250	497,250	1,162,434	(665,184)
Other outlays	-	-	-	-
Other uses	-	-	-	-
Total expenditures paid	<u>\$ 4,902,477</u>	<u>\$ 4,902,477</u>	<u>\$ 1,792,386</u>	<u>\$ 3,110,091</u>
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,320,887</u>	<u>\$ 3,320,887</u>
Adjustments to prior year encumbrances			<u>105,903</u>	
Cash fund balance, end of year			<u><u>\$ 3,426,790</u></u>	
Reconciliation of budgetary basis fund balance with GAAP fund balance:				
Cash fund balance, end of year			\$ 3,426,790	
Accounts receivable not recognized as revenue			25,256	
Expenses not recognized in budgetary basis			(19,063)	
Expenses not recognized in GAAP basis (reserves)			738,343	
GAAP fund balance, end of year			<u><u>\$ 4,171,326</u></u>	

**CENTRAL TECHNOLOGY CENTER NO. 3
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Grantor's Number
<u>U.S. Department of Education</u>		
Direct Programs:		
<u>2011-2012 Programs</u>		
* Pell Grant	84.063	P063P115405
* College Work Study	84.033	P033A113407
* S.E.O.G.	84.007	P007A113407
Sub-Total		
Passed-Through State Department of Career and Technology Education		
<u>2011-2012 Programs</u>		
Tech Centers That Work	84.243	N/A
Tech Prep	84.243	N/A
Carl Perkins Secondary	84.048	N/A
Rehabilitation Services	84.126	N/A
Sub-Total		
<u>US Department of Health & Human Services</u>		
Passed-Through Oklahoma Health Care Authority		
<u>2011-2012 Programs</u>		
Medicaid	93.778	N/A
Sub-Total		
Passed-Through State Department of Career and Technology Education		
<u>2011-2012 Programs</u>		
Temporary Assistance for Needy Families	93.558	N/A
Sub-Total		

(continued)

The accompanying notes are an integral part of this schedule.

Balance at July 1, 2011		Revenue	Expenditures	Balance at June 30, 2012	
\$	-	\$ 398,238	\$ 398,238	\$	-
	-	3,987	3,987		-
	-	5,703	5,703		-
	-				-
\$	-	\$ 407,928	\$ 407,928	\$	-
\$	-	\$ 12,000	\$ 12,000	\$	-
	-	28,380	28,380		-
	-	126,341	126,341		-
	-	276,552	282,904		(6,352)
\$	-	\$ 443,273	\$ 449,625	\$	(6,352)
\$	-	\$ 1,175	\$ 1,175	\$	-
\$	-	\$ 1,175	\$ 1,175	\$	-
\$	-	\$ 82,510	\$ 82,510	\$	-
\$	-	\$ 82,510	\$ 82,510	\$	-

**CENTRAL TECHNOLOGY CENTER NO. 3
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Grantor's Number</u>
<u>National Science Foundation</u>		
Passed-Through State Department of Career and Technology Education		
<u>2011-2012 Programs</u>		
Oklahoma Nanotechnology Ed. Initiative	47.076	N/A
Computer Security Grant	47.076	N/A
Sub-Total		
<u>U. S. Department of Transportation</u>		
<u>2011-2012 Programs</u>		
Commercial Motor Vehicle Operator Training Grant	20.235	N/A
Sub-Total		
TOTAL FEDERAL ASSISTANCE		

* Major program

The accompanying notes are an integral part of this schedule.

<u>Balance at July 1, 2011</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance at June 30, 2012</u>
-	10,307	10,307	-
-	85,023	100,000	(14,977)
<u>\$ -</u>	<u>\$ 95,330</u>	<u>\$ 110,307</u>	<u>\$ (14,977)</u>
<u>\$ -</u>	<u>\$ 36,441</u>	<u>\$ 36,441</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 36,441</u>	<u>\$ 36,441</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 1,066,656</u>	<u>\$ 1,087,985</u>	<u>\$ (21,329)</u>

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

1. For all federal programs, the District uses the fund types prescribed by the Oklahoma State Department of Career and Technology Education and conforms to the system of accounting authorized by the State of Oklahoma. General and Building Funds are used to account for resources restricted, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in the General Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial measurement focus. All Federal grant funds were accounted for in the General and Agency Funds. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and accrual basis for Agency Funds. This basis of accounting recognizes revenue in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

3. Positive amounts listed in the either "Balance at July 1, 2011" or "Balance at June 30, 2012" column represent funds received by the center and not yet expended or coded to the program.

**CENTRAL TECHNOLOGY CENTER NO. 3
SCHOOL ACTIVITY FUND
STATEMENT OF REVENUE, EXPENDITURES, AND FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012**

Activities	Balance 7-1-11	Revenue	Net Transfers/ Adjustments	Expenditures	Balance 6-30-12
Clearing	\$ -	\$ 1,489,302	\$ (19,925)	\$ 1,469,377	\$ -
Drumright Club	17,192	41,361	3,639	43,305	18,887
Vending	21,149	26,887	(863)	26,107	21,066
OSSM	347	548	307	1,173	29
TDT	-	761,048	(670)	760,378	-
Sapulpa Club	18,781	18,418	(521)	19,175	17,502
School to Work	2,366	9,540	616	9,783	2,739
Total Activities	<u>\$ 59,835</u>	<u>\$ 2,347,104</u>	<u>\$ (17,417)</u>	<u>\$ 2,329,298</u>	<u>\$ 60,223</u>

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



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

The Honorable Board of Education
Central Technology Center No. 3
Creek County, Oklahoma

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Technology Center No. 3 (the "Center"), Drumright, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise Central Technology Center's basic financial statements and have issued my report thereon dated March 1, 2013. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Central Technology Center's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Central Technology Center's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

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 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.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Technology Center's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. I noted certain immaterial instances of noncompliance that I have reported to management of Central Technology Center in a separate letter February 15, 2013.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kerry John Patten, C.P.A.
March 1, 2013

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Board of Education
Central Technology Center No. 3
Creek County, Oklahoma

Compliance

I have audited Central Technology Center's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Center's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Central Technology Center's management. My responsibility is to express an opinion on Central Technology Center's compliance based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Central Technology Center's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Central Technology Center's compliance with those requirements.

In my opinion, Central Technology Center complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

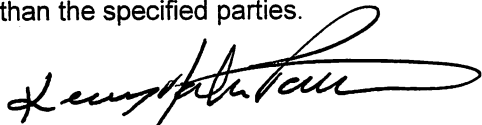
Management of Central Technology Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Central Technology Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance 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, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

A *deficiency in internal control over compliance* 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 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.

Internal Control over Compliance
Page 2

My 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 deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in black ink, appearing to read "Kerry John Patten", written in a cursive style.

Kerry John Patten, CPA
March 1, 2013

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Central Technology Center.
2. There were no audit findings reported of deficiencies in internal control, which the auditor considers to be "significant deficiencies" as defined in A.I.C.P.A. standards.
3. No instances of noncompliance material to the financial statements of Central Technology Center which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. There were no audit findings reported of deficiencies in internal control over major programs, which the auditor considers to be "significant deficiencies" as defined by A.I.C.P.A. standards.
5. The auditor's report on compliance for the major federal award programs for Central Technology Center expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with OMB Circular A-133 relative to major federal award programs for Central Technology Center.
7. The programs tested as major programs included: Student Financial Assistance Cluster (84.063, 84.033, and 84.007).
8. The threshold for distinguishing Types A and B programs was \$300,000.00.
9. Central Technology Center did qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

1. No matters were reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. No matters were reported.

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
SUMMARY OF PRIOR AUDIT FINDINGS
JULY 1, 2011 TO JUNE 30, 2012**

The summary of prior audit findings is required to report the status of all audit findings reported in the prior audit's schedule of findings and questioned costs relative to federal awards.

The Center had no prior year audit findings relative to federal award programs.

**CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
SCHEDULE OF COMMENTS
JULY 1, 2011 TO JUNE 30, 2012**

Based on my tests of accounting records and related procedures, I found nothing to indicate that Central Technology Center No. 3 had not complied with significant compliance rules and regulations of the Oklahoma State Department of Career and Technology Education.

Previous Year's Audit Comments

There were no items in the school's 2010-11 audit report, which required resolution during the year ended June 30, 2012.

I would like to express my appreciation for the courtesies and cooperation extended to us by Center administrators and employees during the course of this audit.

CENTRAL TECHNOLOGY CENTER NO. 3
CREEK COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2011 TO JUNE 30, 2012

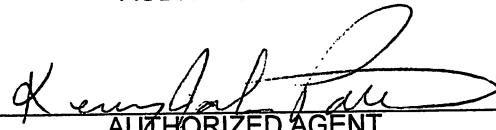
State of Oklahoma)
County of Tulsa)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Central Technology Center for the audit year 2011-12.

Kerry John Patten, C.P.A.

AUDITING FIRM

BY


AUTHORIZED AGENT



Subscribed and sworn to before me on this

2nd day of March, 2013


05010870

NOTARY PUBLIC

My commission expires on:

30 day of Nov., 2013