

ANNUAL FINANCIAL REPORT
NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
JULY 1, 2015 TO JUNE 30, 2016

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

NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
CENTER OFFICIALS
JUNE 30, 2016

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**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
JUNE 30, 2016**

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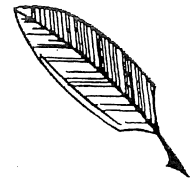
NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Northeast Technology Center No. 11
Pryor, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northeast Technology Center No. 11, Mayes County, Oklahoma, as of and for the year ended June 30, 2016, which collectively comprise the 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

My responsibility is to express an opinion on these financial statements based on my 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Northeast Technology Center as of June 30, 2016, and the respective changes in its financial position and, where applicable, cash flows 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 the required supplementary 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 the Governmental Auditing Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

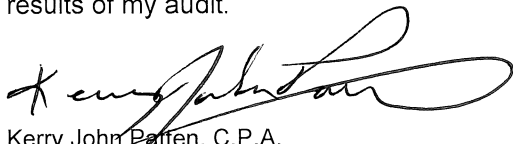
Other Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for additional analysis as required by Title II US Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, 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 relates directly to the underlying accounting 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 and other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information including the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 22, 2017, on my consideration of Northeast Technology Center No. 11, Mayes County, Oklahoma's, internal control over financial reporting and on 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 my 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.



Kerry John Patten, C.P.A.
Broken Arrow, OK
February 22, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

**Northeast Technology Center District 11
Mayes County**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

The discussion and analysis of Northeast Technology Center's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and the accompanying notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their State No. 34 Basic Financial Statements for State and Local Governments, issued June, 1999.

Organization

Northeast Technology Center School District 11 is a political subdivision of the Oklahoma Department of Career and Technology Education. The school operates under the local control of a five member board of education with a designated superintendent/chief executive officer. The Northeast Technology Center School District includes most of five counties, Ottawa, Delaware, Mayes, Craig, and Rogers, and parts of Wagoner, Nowata and Cherokee counties.

FINANCIAL STATEMENTS

The financial statements consist of three parts: management discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of Northeast Technology Center. The first two statements, pages 7 and 8, are district-wide financial statements, the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about Northeast Technology Center's overall financial status.

The remaining statements are fund financial statements, pages 9, 10, and 11, that focus on individual parts of Northeast Technology Center's operations in more detail than the district-wide statements. The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending. The governmental funds are the General Fund and Building Fund.

The financial statements also include notes, beginning on page 12, that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements.

District-Wide Statements

The two district-wide statements: Statement of Net Assets and the Statement of Activities, report Northeast Technology Center's net assets and how they have changed. Net assets, the difference between Northeast Technology Center's assets and liabilities, is one way to measure Northeast Technology Center's financial health or position.

See Auditor's Disclaimer of Opinion

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

District-Wide Statements

Over time, increases or decreases in Northeast Technology Center's net assets are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall financial health of Northeast Technology Center, you need to consider additional factors, such as changes in the ad valorem valuation and the projected student enrollment.

The district-wide statements report information about the District using the accrual basis of accounting, which is similar to accounting methods used by private sector companies.

Fund Financial Statements

Northeast Technology Center's financial statements provide detailed information about each fund – not Northeast Technology Center as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs; state law requires certain funds.

- Governmental funds – Most of Northeast Technology Center's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method prescribed by Oklahoma Statutes. This statutory method of accounting provides for recording income (revenue) when received, and encumbering expenditures when the purchase commitment is made (purchase order is issued). The governmental fund statements provide a detailed short-term view of Northeast Technology Center's operations and the services it provides.
- Fiduciary funds - Northeast Technology Center is the trustee, or fiduciary, for the activity funds. Northeast Technology Center is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Northeast Technology Center excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Fund Financial Statements are prepared using a modified accrual method of accounting. This method of accounting recognizes revenues as soon as they are both measurable and available and expenses are recognized when the liability is incurred.

Financial Highlights

The FY 16 general fund "fund balance" at 6-30-15 was \$9,721,156. The building fund balance was \$3,887,260. Total FY16 general fund revenues collected district-wide were \$20,716,031 and building fund revenues collected district-wide were \$1,581,062.

See Auditor's Disclaimer of Opinion

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Financial Highlights (continued)

The District had the following General Fund revenue sources for FY 2015-16:

	<u>Revenues</u>	<u>% of Total</u>
Local Sources	18,583,516	85%
State sources	2,241,081	10%
Federal sources	<u>1,034,465</u>	<u>5%</u>
o Total Revenue	<u>\$21,859,062</u>	

The District had the following General Fund net costs of governmental activities during FY 2015-16:

	<u>Net cost of Services</u>
Instructional	\$ 7,016,926
Support services	11,472,582
Non instructional	466,658
Capital outlay	1,097,915
Other outlays	134,478
Other uses	865,840
Total	<u>\$ 21,054,399</u>

The District had the following General Fund revenue sources for FY 2014-15:

	<u>Revenues</u>	<u>% of Total</u>
Local Sources	16,447,675	80%
State sources	2,973,192	15%
Federal sources	<u>1,101,514</u>	<u>05%</u>
Total Revenue	<u>\$20,522,381</u>	<u>100%</u>

The District had the following net costs of governmental activities during FY 2014-15:

	<u>Net cost of Services</u>
Instructional	\$ 6,749,343
Support services	11,093,906
Non instructional	511,651
Capital outlay	1,314,352
Other outlays	124,826
Other uses	962,171
Total	<u>\$20,756,249</u>

See Auditor's Disclaimer of Opinion

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

The figures used in these comparisons are taken from Statement of Revenues, Expenditures and Changes in Fund Balance-Government Funds for the years ended June 30, 2016, and June 30, 2015, respectively.

BUDGETARY HIGHLIGHTS

Northeast Technology Center prepares budgets in compliance with Oklahoma statutes. The preliminary budget is prepared prior to the beginning of the fiscal year when certain factors are uncertain, such as the final net assessed property values. The final budget was approved after the property values were ascertained.

CAPITAL ASSETS

As of June 30, 2016, Northeast Technology Center had \$27,984,451 (net of depreciation) in Governmental Funds invested in a broad range of capital assets, including land, school buildings, equipment, and vehicles.

	<u>2016</u>	<u>2015</u>
Total Net Assets	<u>\$27,984,451</u>	<u>\$26,258,843</u>

FACTORS BEARING ON NORTHEAST TECHNOLOGY CENTER'S FUTURE

The District is aware of state budget cuts that have a reasonable possibility of occurring, and which will negatively impact the District's future operations. Fortunately, Northeast Technology Center has experienced enough local revenue growth to offset the cuts in state funding and therefore will continue to upgrade equipment, improve buildings and grounds and change programming to remain current in its educational offerings to the public.

CONTACTING NORTHEAST TECHNOLOGY CENTER

This financial report is designed to provide citizens, taxpayers, parents, students and creditors with a general overview of Northeast Technology Center's finances and to show accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Superintendent's Office, Northeast Technology Center, P. O. Box 487, Pryor, OK 74362.

See Auditor's Disclaimer of Opinion

GOVERNMENT-WIDE FINANCIAL STATEMENT

**NORTHEAST TECHNOLOGY CENTER NO. 11
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 12,377,333
Property tax receivable	2,728,557
Interest receivable	-
Due from other governments	80,019
Due from activity fund	505,685
Prepaid insurance	10,708
Capital assets	
Land	957,281
Construction in progress	1,404,045
Other capital assets, net of accumulated depreciation	<u>27,984,451</u>
 Total Assets	 \$ <u>46,048,079</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>	
Deferred amounts of resources related to pensions	<u>1,771,627</u>
 <u>LIABILITIES</u>	
Current liabilities	
Accounts payable	\$ 136,114
Leases payable - Due within one year	<u>413,850</u>
Total current liabilities	<u>549,964</u>
 Non-current liabilities	
Compensated absences	260,755
Voluntary separation payable	160,000
Leases payable - Due in more than one year	9,118,026
Net Pension Liability	<u>14,993,009</u>
Total non-current liabilities	<u>24,531,790</u>
 Total Liabilities	 \$ <u>25,081,754</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>	
Deferred amounts of resources related to pensions	<u>1,526,361</u>
 <u>NET POSITION</u>	
Invested in Capital Assets, net of related debt	\$ 20,813,901
Restricted for Building	3,473,523
Unrestricted	<u>(3,075,833)</u>
 Total Net Position	 \$ <u><u>21,211,591</u></u>

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

NORTHEAST TECHNOLOGY CENTER NO. 11
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental Activities:					
Instruction	\$ (6,102,140)	\$ 1,084,803	\$ 1,068,065	\$ -	\$ (3,949,272)
Support Services:					
Students	(1,229,841)	-	-	-	(1,229,841)
Instructional Staff	(57,300)	-	-	-	(57,300)
General Administration	(631,195)	-	-	-	(631,195)
School Administration	(4,269,624)	-	-	-	(4,269,624)
Business	(1,720,854)	-	-	-	(1,720,854)
Operation of Plant	(1,036,473)	57,968	-	-	(978,505)
Student Transportation	(857,986)	-	-	-	(857,986)
Non Instructional	(466,658)	-	-	-	(466,658)
Capital Outlay	(1,507,444)	-	-	-	(1,507,444)
Other Outlays	(134,478)	-	-	-	(134,478)
Other Uses	(865,840)	-	-	-	(865,840)
Debt Service Interest	(451,372)	-	-	-	(451,372)
Depreciation - Unallocated	(1,462,746)	-	-	-	(1,462,746)
	\$ (20,793,951)	\$ 1,142,771	\$ 1,068,065	\$ -	\$ (18,583,115)

General revenues

Taxes:

Property taxes, levied for general purposes	\$ 19,359,106
Other Taxes	2,227
Federal and State aid not restricted to specific purposes:	
General	2,126,134
Other	79,318
Interest and investment earnings	173,869
Miscellaneous	118,803
Total general revenues	21,859,457
Loss on fixed asset disposal	\$ (6,727)
Changes in net position	3,269,615
Net position - beginning	17,941,976
Net position - ending	\$ 21,211,591

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

FUND FINANCIAL STATEMENTS

**NORTHEAST TECHNOLOGY CENTER NO. 11
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 8,728,333	\$ 3,649,000	\$ 12,377,333
Property taxes receivable	2,490,297	238,260	2,728,557
Due from other governments	80,019	-	80,019
Due from activity fund	505,685	-	505,685
Prepaid insurance	10,708	-	10,708
Total assets	\$ 11,815,042	\$ 3,887,260	\$ 15,702,302
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 136,114	\$ -	\$ 136,114
Deferred revenue	1,957,772	186,670	2,144,442
Total liabilities	2,093,886	186,670	2,280,556
Fund balances:			
Non-spendable Fund Balances:			
<i>Prepaid Items</i>	10,708	-	10,708
Restricted Fund Balances:			
<i>Restricted by Statute</i>	-	3,473,523	3,473,523
Assigned Fund Balances:			
<i>Encumbrances</i>	1,275,868	227,067	1,502,935
<i>Other Assigned Fund Balances</i>	-	-	-
Unassigned	8,434,580	-	8,434,580
Total Fund Balances	9,721,156	3,700,590	13,421,746
Total Liabilities and Fund Balances	\$ 11,815,042	\$ 3,887,260	

**Amounts reported for governmental activities in the statement of net position,
are different because:**

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$47,138,424 and the accumulated depreciation is \$16,792,648	30,345,777
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(9,952,631)
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.	2,144,442
Net pension obligations are not due and payable in the current period and therefore, are not reported in funds.	(14,993,009)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds.	245,266
Net Position of Governmental Activities	\$ 21,211,591

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

**NORTHEAST TECHNOLOGY CENTER NO. 11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Local sources	\$ 18,583,516	\$ 1,749,315	\$ 20,332,831
Intermediate sources	-	-	-
State sources	2,241,081	1,169	2,242,250
Federal sources	<u>1,034,465</u>	<u>-</u>	<u>1,034,465</u>
Total revenues	<u>\$ 21,859,062</u>	<u>\$ 1,750,484</u>	<u>\$ 23,609,546</u>
Expenditures:			
Instructional	\$ 7,016,926	\$ -	\$ 7,016,926
Support Services:			
Students	1,205,095	-	1,205,095
Instructional Staff	57,300	-	57,300
General Administration	597,615	-	597,615
School Administration	4,323,085	-	4,323,085
Business	1,720,280	-	1,720,280
Operation of Plant	2,470,210	-	2,470,210
Student Transportation	1,098,997	-	1,098,997
Non-instructional	466,658	-	466,658
Capital Outlay	1,097,915	2,805,900	3,903,815
Other Outlays	134,478	-	134,478
Other Uses	865,840	-	865,840
Repayments	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 21,054,399</u>	<u>\$ 2,805,900</u>	<u>\$ 23,860,299</u>
Excess of revenues over (under) expenditures	<u>\$ 804,663</u>	<u>\$ (1,055,416)</u>	<u>\$ (250,753)</u>
Adjustments to prior year encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of revenues and other sources of funds over (under) expenditures	<u>\$ 804,663</u>	<u>\$ (1,055,416)</u>	<u>\$ (250,753)</u>
Fund balance, beginning of year	<u>\$ 8,916,493</u>	<u>\$ 4,756,006</u>	<u>\$ 13,672,499</u>
Fund balance, end of year	<u><u>\$ 9,721,156</u></u>	<u><u>\$ 3,700,590</u></u>	<u><u>\$ 13,421,746</u></u>

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

**NORTHEAST TECHNOLOGY CENTER NO. 11
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, 2016**

Net change in fund balances - governmental funds \$ (250,753)

Amounts reported for governmental activities in the statement of activities 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 of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlay expenditures	\$ 3,509,692	
Loss on fixed asset disposal	(6,727)	
Depreciation expense	<u>(1,462,746)</u>	2,040,219

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 372,029

Some expenses (compensated absences and voluntary separation payable) reported in the Statement of Activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. 27,029

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. 460,747

Governmental funds report district pension contributions as expenditures. However, the Statement of Activities reports the cost of pension benefits earned net of employee contributions as pension expense. 620,344

Change in Net Position of Governmental Activities \$ 3,269,615

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

NOTES TO THE FINANCIAL STATEMENTS

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. Summary of Significant Accounting Policies

The financial statements of the Northeast Technology Center No. 11 (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 2013 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.

B. Basis of Presentation

The government-wide financial statements (i.e., the statement of net position 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 are 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:

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 Formula Operations.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

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. The administration is responsible under the authority of the Board, for collecting, disbursing and accounting for these funds.

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 position.

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 60 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.

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.

**NORTHEAST TECHNOLOGY CENTER NO. 11
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NOTES TO THE FINANCIAL STATEMENTS
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Summary of Significant Accounting Policies (continued)

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 Position and Fund Balances

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

Investment in Fixed Assets (net of related debt) – is intended to reflect the portion of net position, 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 Position – 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 Position – represent unrestricted liquid assets.

Governmental Fund Financial Statements – The Center 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 Center 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, or are required to be maintained intact such as the corpus of permanent fund.

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

Committed – The Center commits a portion of the accrual basis fund balance to honor the commitments made by the Center for encumbrances (purchase orders) for which goods or services have not yet been received. The fund balance committed for encumbrances will be equivalent of the purchase orders rolled forward from the old year to the new year. The Director of Finance will determine the balance of committed fund balance as a part of the accrual conversion for the audit.

Amounts that are constrained by a government itself using its highest level of decision making authority (Board of Education); to be reported as committed, amounts cannot be used for any purpose unless the government takes the same highest level action (vote of Board of Education) to remove or change the constraint. Action to constrain resources should occur before the end of the fiscal year.

Assigned – The Center has assigned a portion of fund balance in both the General and Building Fund for funding the cash flow needs during the first half of each fiscal year. The collection of property taxes occurs mainly in December through March. This creates a temporary cash flow deficit during the first part of each fiscal year. The assigned fund balance is used to finance this temporary cash flow deficit. The Treasurer and Director of Finance will determine the amount of assigned fund balance at the end of the fiscal year.

**NORTHEAST TECHNOLOGY CENTER NO. 11
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FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

Unassigned - Fund balance represents the funds not restricted in use by statute nor encumbered by purchase orders or legal contracts. Amounts that are available for any purpose; these amounts are reported only in the General Fund.

F. Assets, Liabilities and Cash Fund Balances

Cash – The Center considers all cash on hand, demand deposits and investments to be cash. 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 taxes are delinquent and unpaid for a period of three (3) years or more the real estate may be sold for taxes.

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 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 February 29, 2016 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 a modified method of straight-line depreciation called half-year averaging convention. Under the half-year averaging convention, an asset is treated as though it were placed in service or disposed of on the first day of the seventh month of the fiscal year. One-half of a full year's depreciation is allowed for the asset in its first year placed in service, regardless of when it was actually placed in service during that year.

Buildings and structures	40 years
Improvements	Remaining Life
Equipment	3-20 years
Furniture and fixtures	10 years

Compensated Absences – The Center's policy allows certified teachers to accumulate unused sick leave up to 125 days. Upon termination, the certified teacher is paid a daily salary rate for unused sick days in excess of 60 days up to a maximum of 20 days.

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NOTES TO THE FINANCIAL STATEMENTS
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Summary of Significant Accounting Policies (continued)

Employees of the Center receive varying amounts of vacation depending on the number of months contracted each year and the years of service completed with the Center. The maximum annual leave that may accumulate and carry forward to the next calendar year is 35 days. Upon termination of employment, unused vacation may be paid to the employee upon approval of the Board of Education.

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

Fund Equity – Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

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.

NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the school district that are applicable to a future reporting period. At June 30, 2015, the school district's deferred outflows of resources were comprised of deferred outflows related to pensions.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the school district that are applicable to a future reporting period. At June 30, 2015, the school district deferred inflows of resources were comprised of deferred inflows to pensions.

New accounting pronouncements adopted in fiscal year 2016: The center adopted the following new accounting pronouncement during the year ended June 30, 2016:

Statement No. 72, Fair value Measurement and Application (GASB No. 72) was issued in February 2015 and requires investments to be measured at fair value. Investments are defined as any security or other asset that (a) the government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. The statement requires measurement at acquisition value for donated capital assets, donated works of art, historical treasures and similar assets and capital assets received in a service concession arrangement. This statement is effective for financial statements for periods beginning after June 15, 2015.

Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies (continued)

New accounting pronouncements issued not yet adopted: The GASB has also issued several new accounting pronouncements which will be effective for the center in future fiscal years. A description of the new accounting pronouncements and the centers consideration of the impact of these pronouncements are described below:

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB No. 73) was issued in June 2015, will be effective for the vocational technical centers beginning with its fiscal year ending June 30, 2016. Those provisions of the statement that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective beginning with fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans (GASB No. 74) was issued in June 2015 and replaces Statements No. 43 Financial Reporting for Postemployment Benefits Plans Other than Pension Plans, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The provisions of Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB No. 75) was issued in June 2015, will be effective for the center beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

Statement No. 77, Tax Abatement Disclosures, issued August 2015, will be effective for the District beginning with its fiscal year ending June 30, 2017. This statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosure about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

NORTHEAST TECHNOLOGY CENTER NO. 11
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NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
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Summary of Significant Accounting Policies (continued)

Statement No. 82, Pension Issues, issued April 2016, is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statement No.67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

2. 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 Center 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 Center 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 Center is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value.
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 Center.
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 Center'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.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
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FOR THE YEAR ENDED JUNE 30, 2016**

Deposit Categories of Credit Risk (continued)

10. The Center's investment policy directs the Treasurer to place primary emphasis on safety and liquidity of any investments. All investments must be designed to maximize yield within the class of investment instrument, consistent with safety of the funds invested.

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 Center 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, 2016, the Center 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.

At June 30, 2016, the vocational technical center had no investments that are not guaranteed by the full faith and credit of the United States government.

3. 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.

4. Accounts Receivable

Accounts receivables of the governmental activities consist of Ad Valorem tax, miscellaneous local, State grants, and Federal grant programs. Receivables detail by fund at June 30, 2016, is as follows:

Accounts Receivable	<u>General Fund</u>	<u>Building Fund</u>
Ad Valorem Tax	\$ 2,490,297	\$ 238,260
Due from Activity Fund	505,685	-
Interest	-	-
Federal Grants	<u>71,994</u>	<u>-</u>
Gross receivables	3,067,976	238,260
Less: deferred taxes	<u>(1,957,772)</u>	<u>(186,670)</u>
Net Receivables	<u>\$ 1,110,204</u>	<u>\$ 51,590</u>

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
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FOR THE YEAR ENDED JUNE 30, 2016**

5. Capital Assets

A summary of changes in general fixed assets for the year ended June 30, 2016, follows:

	Balance July 1, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Land	\$ 957,281	\$ -	\$ -	\$ -	\$ 957,281
Construction in Process	1,089,434	1,315,233	(1,000,622)		1,404,045
Total Assets Not Being Depreciated	\$ 2,046,715	\$ 1,315,233	\$ (1,000,622)	\$ -	\$ 2,361,326
Capital Assets Being Depreciated					
Building & Improvements	31,966,525	1,467,875	1,000,622	-	34,435,022
Machinery & Equipment	6,664,050	390,854	-	34,543	7,020,360
Software	50,560	-	-	7,995	42,565
Vehicles	2,943,421	335,730	-	-	3,279,151
Total Capital Assets Being Depreciated	41,624,556	2,194,459	1,000,622	42,538	44,777,098
Less:					
Accumulated Depreciation	15,365,713	1,462,746	-	35,811	16,792,648
Total Capital Assets Being Depreciated - Net	26,258,843	731,713	1,000,622	6,727	27,984,451
Total Capital Assets Net	\$ 28,305,558	\$ 2,046,946	\$ -	\$ 6,727	\$ 30,345,777

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 District participates in the state-administrated Teacher's Retirement System of Oklahoma (the "system"), which 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 District has no responsibility or authority for the operation and administration of the system nor has it any liability, except for contribution requirements. 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.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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. Administrative expenses are funded through investment earnings.

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. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2016, is as follows:

		<u>Dollars in Millions</u>
Actuarial Accrued Liability	\$	22,193
Actuarial Value of Assets		<u>14,578</u>
Unfunded Actuarial Accrued Liability	\$	<u>7,615</u>

Contributions

The contribution rates for the vocational technical center and its employees, which are prescribed by Oklahoma State statutes, are based on employee's earnings, plus employer-paid fringe benefits. The vocational technical center is required to contribute 9.5% of applicable employee compensation. The vocational technical center is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contributions for participating members is 7%. The State of Oklahoma, a non-employee contributing entity, provides funds through 5% of the state's sales, use, corporate, and individual income tax collected. The system also receives 1% of the cigarette tax collected by the state and 5% of the net lottery proceeds collected by the state. Employers of OTRS members whose compensation is paid from federal funds are required to match the contributions of these members on that portion of compensation paid from federal funds. The federal match rate is set by the OTRS Board of Trustees and is 8.25%.

Annual Pension Cost

The Center's total contribution for 2016, 2015, and 2014 were \$1,760,900, \$1,688,014, and \$1,621,888, respectively. The District's total payroll for fiscal year 2015-16 amounted to \$11,024,573.

On Behalf Contributions

The State of Oklahoma makes retirement contributions each year for teachers employed by Oklahoma School Districts. The contribution amounts are based on the teacher's years of service and amounts paid are prescribed by O.S.70 Section 17-108.2 subsection A. During fiscal year 2015-16, the State of Oklahoma's contribution was \$63,969. This Center recognized revenue and expenditures of this amount during the year.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Employee Retirement System (continued)

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

At June 30, 2016, the center reported a liability of \$14,993,009 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The center's proportion of the net pension liability was based on the center's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the center's proportion was .24688961 percent. For the year ended June 30, 2016, the center recognized pension expense of \$885,783. At June 30, 2016, the school district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$		\$ 509,254
Changes of assumptions		717,913	
Net difference between projected and actual earnings on pension plan investments			1,017,107
Differences in center's proportionate share of contributions and changes in proportion			
Center contributions subsequent to the measurement date		1,053,714	
Total	\$	1,771,627	\$ 1,526,361

Deferred pension outflows totaling \$1,053,714 resulting from the center's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The deferred inflows totaling \$1,017,107 resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense over five years. The deferred inflows totaling \$509,254 resulting from differences between expected and actual experience will be recognized in pension expense using the average expected remaining service life of the plan participants. The average expected remaining life of the plan participants is determined by taking the calculated total future service years of the plan participants divided by the number of people in the Plan including retirees. The total future service years of the plan participants are estimated at 6.22 years at June 30, 2015 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Employee Retirement System (continued)

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended,		
2017	\$	285,559
2018		285,559
2019		285,559
2020		285,559
2021		285,559
Thereafter		98,566
	\$	<u>1,526,361</u>

Actuarial assumptions: The total pension liability was determined based on an actuarial valuation prepared as of July 1, 2015 using the following actual assumptions:

- Actuarial Cost method-Entry Age Normal
- Amortization Method-Level Percentage of Payroll
- Amortization Period-Amortization over an open 30-year period
- Asset Valuation Method-5 year smooth market
- Inflation-3.0 percent
- Salary Increases-Composed of 3.75 percent wage inflation, including 3.0 percent price inflation, plus a service related component up to 8 percent based on years of service.
- Investment Rate of Return-8.0 percent
- Retirement Age-Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014
- Mortality-RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90.0 percent for males and 80.0 percent for females.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

Employee Retirement System (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.00%	6.1%
Domestic Small Cap Equity	10.00%	6.6%
International Large Cap Equity	11.50%	5.8%
International Small Cap Equity	17.5%	5.8%
Core Plus Fixed Income	6.0%	1.8%
High-yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
	<u>100.00%</u>	

*The Domestic All Cap Equity total expected return is a combination of 3 rates – US Large cap, US Mid Cap and US Small Cap.

**The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered).

Discount rate – A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Sensitivity of the Center's proportionate share of the net pension liability to changes in the discount rate
The following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Center's proportionate share of the net pension liability	<u>\$ 21,063,214</u>	<u>\$ 14,993,009</u>	<u>\$ 9,869,553</u>

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/> or by writing to the Oklahoma Teachers Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152 or by calling 405-521-2387.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

8. General Long-Term Debt

The Center's long term debt consisted of non-current compensated absences, capitalized lease-purchase agreements, estimated voluntary separation incentive payments, and net pension liability.

The following is a summary of the long-term debt transactions for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Leases Payable	\$ 9,903,905	\$ -	\$ 372,029	\$ 9,531,876
Compensated Absences	235,284	25,471	-	260,755
Voluntary Separation Payable	212,500	-	52,500	160,000
Net Pension Liability	13,029,849	1,963,160	-	14,993,009
Total	\$ 23,881,538	\$ 1,988,631	\$ 424,529	\$ 24,945,640
Less: Amounts Due Within One Year				(413,851)
Total Long-Term Debt				\$ 23,409,509

Lease Commitments

Lease-Purchase – Claremore Campus

The Center's lease-purchase commitments include property financed through a technique referred to as "conduit financing." Conduit financing involves the use of a public trust, which issues conduit debt obligations (limited-obligations revenue bonds, certificates of participation, or similar debt instruments) for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The public trust has no obligation for such debt beyond the resources provided by a lease or loan with the third party, on whose behalf the debt is issued.

The Center entered into a Ground Lease Agreement with Claremore Industrial and Economic Development Authority on January 1, 2008, for certain real property owned by the Center. The Ground Lease extends to June 20, 2027, and rent was prepaid in an amount equal to ten dollars (\$10) and other equitable consideration. The Ground Lease Agreement was made to facilitate the issuance of \$8,400,000 in revenue bonds by the Authority to provide funds to construct and equip buildings.

The Center entered into a Lease Purchase Agreement with Claremore Industrial and Economic Development Authority on January 1, 2008, wherein the real property subject to the Ground Lease mentioned in the previous paragraph is subleased to the Center to enable the Center to utilize proceeds of the \$8,400,000 revenue bonds issued by Claremore Industrial and Economic Development Authority, for the construction of the real property and to provide a method for the Center to obtain title to the property.

Lease-Purchase with Claremore Industrial and Economic Development Authority. The following is a schedule by years of future principal and interest payment required under the lease-purchase agreement:

Year ending June 30,	Principal	Interest	Total
2017	\$ 170,701	\$ 338,160	\$ 508,861
2018	193,699	330,428	524,127
2019	218,197	321,654	539,851
2020	244,276	311,770	556,047
2021	272,023	311,771	572,728
2022-2026	4,354,578	1,167,097	5,521,675
2027	2,011,914	91,134	2,103,048
Totals	\$ 7,465,390	\$ 2,860,949	\$ 10,326,339

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Lease Commitments (continued)

Lease-Purchase – Afton Campus

The Center entered into a Ground Lease Agreement with Afton Economic Development Authority on August 1, 2007, for certain real property owned by the Center. The Ground Lease extends to June 30, 2023, and rent was prepaid in an amount equal to ten dollars (\$10) and other equitable consideration. The Ground Lease Agreement was made to facilitate the issuance of \$3,500,000 in revenue bonds by the Authority to provide funds to construct and equip buildings.

The Center entered into a Lease Purchase Agreement with Afton Economic Development Authority on August 1, 2007, wherein the real property subject to the Ground Lease mentioned in the previous paragraph is subleased to the Center to enable the Center to utilize proceeds of the \$3,500,000 revenue bonds issued by Afton Economic Development Authority, for the construction of the real property and to provide a method for the Center to obtain title to the property.

The following is a schedule by years of future principal and interest payments required under the lease-purchase agreement:

Year ending June 30,	Principal	Interest	Total
2017	\$ 243,149	\$ 96,092	\$ 339,241
2018	264,633	84,785	349,418
2019	287,421	72,480	359,901
2020	311,583	59,115	370,698
2021	337,193	44,626	381,819
2022-2023	622,507	40,952	663,459
Totals	\$ 2,066,487	\$ 398,049	\$ 2,464,536

Voluntary Separation Program

The Center has a Retirement Incentive Program which is available to employees who qualify for retirement as outlined by the Oklahoma Teachers Retirement System and has made application for retirement. Eligible participants must meet certain criteria of the program including minimum years of full-time creditable service with the Tech Center. The Tech Center estimates the retirement incentive liability based on employee eligibility and number of years of service with the Center. The Center has reported a liability in the financial statements at June 30, 2016, totaling \$160,000 for accrued voluntary retirement incentive pay. The liability is recognized in the district's Government Wide Financial Statements as a portion of General Long Term Debt.

Compensated Absences

The Technology Center allows certified Teachers to accumulate unused sick leave up to 125 days. Upon termination, the teacher is paid a daily salary rate for unused sick days in excess of 60 days up to a maximum of 20 days. Compensated absences are recognized in the Financial Statements in the year employees become eligible for payment upon termination. The accrued liability for compensated absences at June 30, 2016, was \$260,755. The total liability is recognized in the Center's Government wide Financial Statements as a portion of the General Long Term Debt.

9. 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, 2015.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

10. 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.

11. Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Center purchases commercial insurance to cover these risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

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 s self-insure unemployment benefits for school employees. The funds are held in the name of each center as reserves to pay unemployment claims. Each center is individually liable for that portion of the benefits paid from the fund attributable to wages paid by the center 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 center. At June 30, 2015, the Northeast Technology Center had reserves on deposit with the Oklahoma Public Schools Unemployment Compensation Accounting totaling \$10,707. This amount has been shown as prepaid insurance on the financial statements.

12. Surety Bonds Bond

The treasurer is bonded by The Old Republic Surety Company, bond number W150130829 for the sum of \$100,000. Term 6/14/15 to 6/14/16.

The superintendent is bonded by Old Republic Surety Company, bond number W150026977, for the sum of \$100,000. Term 7/15/15 to 7/15/16.

The Director of Finance is bonded by Old Republic Surety Company, bond number W1500276678, for the sum of \$100,000. Term 7/22/15 to 7/23/16.

Four (4) campus Directors; Four (4) Financial Secretaries; Eight (3) Adult Ed Secretaries; and Five (5) backup Minutes Clerks, Old Republic Surety – POB2117736 for \$5,000 each. Term 1/13/15 to 1/13/16.

13. Related Entities

The following entity is separately constituted and, accordingly, their financial position and results of operations have not been presented in the accompanying financial statements. Officers are not appointed by the school board. The school board is not responsible for approving budgets, contracts, key personnel, fiscal matters or day-to-day operations of the foundation.

Northeast Vo-Tech Foundation

COMBINING FINANCIAL STATEMENTS

**NORTHEAST TECHNOLOGY CENTER NO. 11
COMBINING BALANCE SHEET - FIDUCIARY FUNDS
JUNE 30, 2016**

	Agency Fund		
	Claremore Campus Activity Fund	Afton Campus Activity Fund	Kansas Campus Activity Fund
ASSETS			
Cash	\$ 105,098	\$ 140,107	\$ 224,262
Miscellaneous Receivables	-	-	-
Total assets	\$ 105,098	\$ 140,107	\$ 224,262
LIABILITIES AND FUND EQUITY			
Liabilities:			
Due to General Fund	\$ 73,435	\$ 83,643	\$ 102,214
Due to Student Groups	31,663	56,464	122,048
Total liabilities	\$ 105,098	\$ 140,107	\$ 224,262
Fund equity:			
Unreserved/undesignated	\$ -	\$ -	\$ -
Total Fund Equity	\$ -	\$ -	\$ -
Total liabilities and fund equity	\$ 105,098	\$ 140,107	\$ 224,262

Pryor Campus Activity Fund	BIS Center Activity Fund	Total
\$ 171,855	\$ 114,552	\$ 755,874
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 171,855</u>	<u>\$ 114,552</u>	<u>\$ 755,874</u>
\$ 101,841	\$ 114,552	\$ 475,685
<u>70,014</u>	<u>-</u>	<u>280,189</u>
<u>\$ 171,855</u>	<u>\$ 114,552</u>	<u>755,874</u>
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
<u>\$ 171,855</u>	<u>\$ 114,552</u>	<u>\$ 755,874</u>

REQUIRED SUPPLEMENTARY INFORMATION

NORTHEAST TECHNOLOGY CENTER NO. 11
 FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Fund balances, beginning of year	\$ 6,775,272	\$ 6,775,272	\$ 6,775,272
Revenues collected:			
Local sources	17,142,274	17,142,274	18,052,940
Intermediate sources	-	-	-
State sources	2,532,122	2,532,122	2,195,762
Federal sources	1,041,635	1,041,635	1,000,338
Total revenues collected	<u>20,716,031</u>	<u>20,716,031</u>	<u>21,249,040</u>
Expenditures paid:			
Instruction	7,790,157	7,790,157	7,010,220
Support services	12,835,014	12,835,014	11,494,437
Non-instructional services	516,021	516,021	475,008
Capital outlay	1,348,090	1,348,090	1,057,990
Other outlays	3,557,521	3,557,521	130,198
Other uses	1,444,500	1,444,500	1,280,751
Repayments			
Debt Service			
Principal retired	-	-	-
Interest paid	-	-	-
Total expenditures paid	<u>\$ 27,491,303</u>	<u>\$ 27,491,303</u>	<u>\$ 21,448,604</u>
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,575,708</u>
Adjustments to prior year encumbrances			<u>876,758</u>
Cash fund balance end of year - Budgetary Basis			<u><u>\$ 7,452,466</u></u>
Explanation of differences between Budgetary Basis year end fund balance and GAAP year end fund balance:			
Fund Balance, June 30, 2016 - Budgetary basis			\$ 7,452,466
Accounts receivable not recognized as revenue			1,118,228
Expenses not recognized in GAAP basis (reserves)			1,275,868
Prepaid insurance			10,708
Accounts Payable not recognized in Budgetary basis			<u>(136,114)</u>
Net Position of Governmental Activities-GAAP Basis			<u><u>\$ 9,721,156</u></u>

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

**NORTHEAST TECHNOLOGY CENTER NO. 11
 FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 BUILDING FUND
 FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual
Fund balances, beginning of year	\$ 1,035,811	\$ 1,035,811	\$ 1,035,811
Revenues collected:			
Local sources	1,581,062	1,581,062	1,716,784
Intermediate sources	-	-	-
State sources	-	-	1,169
Federal sources	-	-	-
	1,581,062	1,581,062	1,717,953
Total revenues collected			
Expenditures paid:			
Instruction	-	-	-
Support services	200,873	200,873	-
Capital outlay	500,000	500,000	227,067
Other outlays	1,916,000	1,916,000	-
	2,616,873	2,616,873	227,067
Total expenditures paid			
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	\$ -	\$ -	\$ 2,526,697
Adjustments to prior year encumbrances			895,236
Cash fund balance end of year - Budgetary Basis			\$ 3,421,933
Explanation of differences between Budgetary Basis year end fund balance and GAAP year end fund balance:			
Fund Balance, June 30, 2016 - Budgetary Basis			\$ 3,421,933
Accounts receivable not recognized as revenue			51,590
Expenses not recognized in GAAP basis (reserves)			227,067
Net Position of Governmental Activities-GAPP Basis			\$ 3,700,590

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

SUPPORTING SCHEDULES

NORTHEAST TECHNOLOGY CENTER NO. 11
 SCHEDULE OF FEDERAL AWARDS EXPENDED
 FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Grantor's Number
<u>U.S. Department of Education</u>		
Direct Programs:		
<u>2015-2016 Programs</u>		
* Pell Grant	84.063	P063P153643
Sub-Total		
Passed-Through State Department of Career and Technology Education:		
<u>2015-2016 Programs</u>		
Carl Perkins Secondary	84.048	N/A
Carl Perkins Post Secondary	84.048	N/A
Carl Perkins-Supplemental	84.048	N/A
Sub-Total		

TOTAL FEDERAL ASSISTANCE

* Major program

See accompanying notes to Schedule of Federal Awards Expended

<u>Balance at July 1, 2015</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance at June 30, 2016</u>
\$ <u> -</u>	\$ <u> 787,236</u>	\$ <u> 787,236</u>	\$ <u> -</u>
\$ <u> -</u>	\$ <u> 787,236</u>	\$ <u> 787,236</u>	\$ <u> -</u>
\$ <u> -</u>	\$ <u> 166,193</u>	\$ <u> 166,193</u>	\$ <u> -</u>
\$ <u> -</u>	\$ <u> 28,901</u>	\$ <u> 28,901</u>	\$ <u> -</u>
\$ <u> -</u>	\$ <u> 50,000</u>	\$ <u> 50,000</u>	\$ <u> -</u>
\$ <u> -</u>	\$ <u> 245,094</u>	\$ <u> 245,094</u>	\$ <u> -</u>
\$ <u> -</u>	\$ <u> 1,032,330</u>	\$ <u> 1,032,330</u>	\$ <u> -</u>

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

1. For all federal programs, the Center 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. Student Financial Assistance funds are transacted through a separate Pell Grant Fund, which the Center has classified as an Agency fund. Agency Funds are considered Fiduciary Fund types.
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. 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.

NORTHEAST TECHNOLOGY CENTER NO. 11
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AFTON CAMPUS
JULY 1, 2015 TO JUNE 30, 2016

Activities	Balance 7-1-15	Deposited	Transfers/ Adjustment s	Disbursed	Balance 6-30-16
Adult Ed	\$ -	\$ 394,884	\$ (32,196)	\$ 362,688	\$ -
Industry Specific	-	150	625	775	-
Shop Income					
Auto Collision	1,471	550	-	303	1,718
Automotive Service	1,045	50	-	-	1,095
Information Tech. & Fin. Services	14	1,213	-	638	589
Carpentry	3,869	75,800	(1,425)	74,635	3,609
Interactive Media	633	886	-	905	614
Cosmetology	272	9,867	-	9,702	437
Culinary Arts	408	271	-	651	28
Diesel	523	1,020	-	696	847
Electricity	530	75	1,601	2,205	1
Food Service	9,028	69,464	861	63,294	16,059
Marine Power Technology	1,331	3,520	-	4,257	594
Occ. Domestic Student Shop	1,163	1,066	30	979	1,280
Practical Nursing Class Fund	18,693	10,131	-	6,599	22,225
Welding	353	610	-	899	64
Miscellaneous					
Sub	342	1,056	(98)	725	575
Sportswear	426	305	-	650	81
Food Service Uniforms	-	609	-	569	40
Vending	6,533	14,787	2,514	18,818	5,016
Surplus Equipment Sales	-	-	290	290	-
Flower Fund	166	305	-	239	232
Faculty Usage	100	-	-	-	100
Practical Nursing Emergency Fun	396	-	-	-	396
Student Organizations					
BPA	381	318	-	192	507
FCCLA	279	-	-	-	279
VICA-Cosmetology	35	-	-	-	35
VICA-Diesel	15	-	-	-	15
National Tech Honor Society	17	2,955	(1,661)	1,295	16
OSSM	12	1,136	-	1,136	12
Total Activities	<u>\$ 48,035</u>	<u>\$ 591,028</u>	<u>\$ (29,459)</u>	<u>\$ 553,140</u>	<u>\$ 56,464</u>

NORTHEAST TECHNOLOGY CENTER NO. 11
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
KANSAS CAMPUS
JULY 1, 2015 TO JUNE 30, 2016

Activities	Balance 7-01-15	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-16
Adult Education	\$ -	\$ 301,035	\$ (39,711)	\$ 261,324	\$ -
Shop Income	29,208	24,725	-	14,942	38,991
Misc. Fund	1,256	3,456	(21)	3,418	1,273
Vending	7,265	45,962	(579)	47,175	5,473
Student Organizations					
BPA	65	-	-	65	-
BPA Community Service	37	-	-	-	37
HOSA	92	30	-	-	122
HOSA Community Service	100	-	-	-	100
National Tech Honor Society	295	140	-	-	435
VICA Electrical	526	75,396	-	419	75,503
VICA Welding	41	-	-	-	41
VICA Automotive	73	-	-	-	73
Total Activities	\$ 38,958	\$ 450,744	\$ (40,311)	\$ 327,343	\$ 122,048

NORTHEAST TECHNOLOGY CENTER NO. 11
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
PRYOR CAMPUS
JULY 1, 2015 TO JUNE 30, 2016

Activities	Balance 7-1-15	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-16
Adult Education	\$ -	\$ 364,098	\$ (33,852)	\$ 330,246	\$ -
Shop Income					
Auto Collision	1,391	888	-	515	1,764
Automotive Service	1,076	15	-	-	1,091
Cosmetology	202	2,208	-	1,364	1,046
Office Admin. & Multimedia	441	2,374	(101)	2,017	697
Diesel	1,922	618	-	301	2,239
Food Service	7,836	66,061	(64)	62,002	11,831
Construction Trades	1,078	550	75	330	1,373
Welding	24	-	-	-	24
Modern Industrial Tech	713	-	-	-	713
Practical Nursing Class	15,405	21,011	655	16,721	20,350
Coulinary Arts	278	9,375	-	9,360	293
Miscellaneous					
Misc.	15	442	510	607	360
Cosmetology Uniforms	7,879	11,488	-	10,607	8,760
Flower Fund	50	106	25	63	118
Vending	8,841	18,577	1,044	11,537	16,925
Student Organizations					
BPA	368	646	-	998	16
FCCLA	134	-	28	-	162
DECA	-	-	-	-	-
HOSA	151	-	-	-	151
VICA-Auto Collision	-	750	30	771	9
VICA-Auto Service	-	-	-	-	-
VICA-Cosmetology	5	1,498	-	1,373	130
VICA-Diesel	-	60	-	30	30
VICA-Construction Trades	-	200	-	-	200
VICA-Electricity	-	1,015	-	584	431
National Tech. Honor Society	1,436	845	-	980	1,301
Oltha Grimes Scholarship	-	5,465	-	5,465	-
Total Activities	\$ 49,245	\$ 508,290	\$ (31,650)	\$ 455,871	\$ 70,014

**NORTHEAST TECHNOLOGY CENTER NO. 11
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CLAREMORE CAMPUS
JULY 1, 2015 TO JUNE 30, 2016**

Activities	Balance 7-01-15	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-16
Adult Education	\$ -	\$ 193,938	\$ (19,390)	\$ 174,548	\$ -
Industry Specific					
Tuition	-	-	2,078	2,078	-
Resale Textbooks	3,420	-	(3,420)	-	-
Resale Supplies	55,979	-	(55,979)	-	-
Small Business Mgmt	227	-	(227)	-	-
Shop Income					
Food Service	6,100	31,522	(620)	30,304	6,698
Practical Nursing Class Fund	12,327	7,930	764	8,661	12,360
Home Tech. Intergration	15	-	-	-	15
Environmental & Special Tech.	1,143	2,715	-	2,735	1,123
Computerized Automated Man	27	150	-	-	177
Miscellaneous					
Vending	3,264	2,340	100	2,197	3,507
NE Vo-Tech Foundation	-	240	-	180	60
Flower Fund	38	-	-	-	38
Student Organizations					
HOSA	264	-	-	68	196
National Tech Honor Society	417	390	-	65	742
Computerized Automated Man	-	10,000	-	3,487	6,513
Pre-Engineering	-	360	-	126	234
Total Activities	\$ 83,221	\$ 249,585	\$ (76,694)	\$ 224,449	\$ 31,663

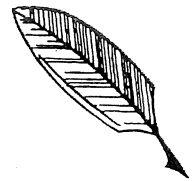
NORTHEAST TECHNOLOGY CENTER NO. 11
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BIS CENTER
JULY 1, 2015 TO JUNE 30, 2016

Activities	Balance 7-01-15	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-16
Industry Specific					
Tuition	\$ -	\$ 510,656	\$ (115,321)	\$ 395,335	\$ -
Resale Textbooks	-	243,185	(3,594)	239,591	-
Resale Supplies	-	35,508	(23,808)	11,700	-
Small Business Mgmt.	-	227	(227)	-	-
Total Activities	\$ -	\$ 789,576	\$ (142,950)	\$ 646,626	\$ -

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
Northeast Technology Center No. 11
Mayes County, Oklahoma

I 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 Northeast Technology Center No. 11, Mayes County, Oklahoma (Center), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center's financial statements, and have issued my report thereon February 22, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Center's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

Purpose of this Report

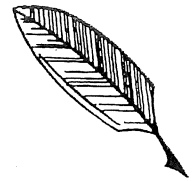
This report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with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

A handwritten signature in black ink, appearing to read "Kerry John Patten". The signature is fluid and cursive, with a large loop at the end.

Kerry John Patten, C.P.A.
Broken Arrow, OK
February 22, 2017

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
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Phone Number (918) 250-8838
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Board of Education
Northeast Technology Center No. 11
Mayes County, Oklahoma

Report on Compliance for Each Major Federal Program

I have audited the compliance of Northeast Technology Center No. 11, Mayes County, Oklahoma (Center's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2016. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Center's major federal programs based on my audit of the types of compliance requirements referred to above. 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that I 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 program occurred. An audit includes examining on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, Northeast Technology Center, No. 11 Mayes County, Oklahoma, 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, 2016.

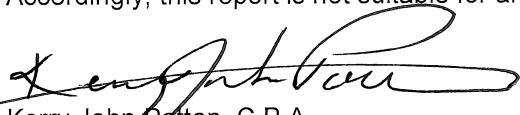
Report on Internal Control Over Compliance

Management of Northeast Technology Center No. 11, Mayes County, Oklahoma (Center), is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Center'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 Uniform Guidance, but not for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Center'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.

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 over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I considered 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 my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Kerry John Patten, C.P.A.
Broken Arrow, OK
February 22, 2017

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Northeast 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 Northeast Technology Center which would be required to be reported in accordance with Government Auditing Standards were disclosed in 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 Northeast Technology Center expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to major federal award programs for Northeast Technology Center that are required to be reported in accordance with Uniform Guidance.
7. The programs tested as major programs included: Pell (84.063).
8. The threshold for distinguishing Types A and B programs was \$750,000.00.
9. Northeast 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.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
SUMMARY OF PRIOR AUDIT FINDINGS
JULY 1, 2015 TO JUNE 30, 2016**

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.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
SCHEDULE OF COMMENTS
JULY 1, 2015 TO JUNE 30, 2016**

Based on my tests of accounting records and related procedures, I found nothing to indicate that Northeast Technology Center No. 11 had not complied with significant compliance rules and regulations of the Oklahoma State Department of Career & Technology Education.

Previous Year's Audit Comments

There are no items in the Center's 2014-15 audit report, which were repeated in fiscal year 2016.

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.

NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2015 TO JUNE 30, 2016

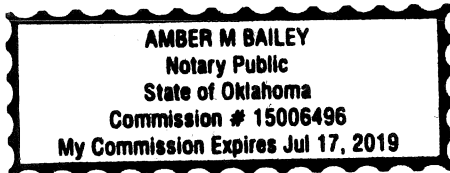
State of Oklahoma)
County of Tulsa)

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 Northeast Technology Center Center for the audit year 2015-16.

Kerry John Patten, C.P.A.
AUDITING FIRM

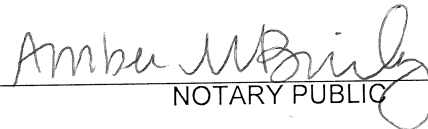
BY


AUTHORIZED AGENT



Subscribed and sworn to before me on this

22nd day of February, 2017


NOTARY PUBLIC

My commission expires on:

17th day of July, 2019