

**ANNUAL FINANCIAL REPORT  
NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
JULY 1, 2017 TO JUNE 30, 2018**

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

**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
CENTER OFFICIALS  
JUNE 30, 2018**

Board of Education

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Vice-President	Justin Miller
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**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
JUNE 30, 2018**

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(continued)

**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
JUNE 30, 2018**

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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, 2018, 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, 2018, 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, 2019, 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, 2019

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Northeast Technology Center District 11  
Mayes County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

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, 2018. 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 reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement 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

**Northeast Technology Center District 11  
Mayes County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017**

**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, changes in state funding 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 18 general fund "fund balance" at 6-30-18 was \$13,875,305. The building fund balance was \$4,270,130. Total FY18 general fund revenues collected district-wide were \$24,787,446 and building fund revenues collected district-wide were \$2,082,041.

See Auditor's Disclaimer of Opinion

**Northeast Technology Center District 11  
Mayes County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**Financial Highlights (continued)**

The District had the following General Fund revenue sources for FY 2017-18:

	<u>Revenues</u>	<u>% of Total</u>
Local Sources	22,037,302	89%
State sources	1,705,178	7%
Federal sources	<u>1,044,966</u>	<u>5%</u>
o Total Revenue	<u>\$24,787,446</u>	<u>100%</u>

The District had the following General Fund net costs of governmental activities during FY 2017-18:

	<u>Net cost of Services</u>
Instructional	\$ 6,934,683
Support services	12,076,126
Non instructional	497,610
Capital outlay	1,317,092
Other outlays	118,727
Other uses	<u>850,283</u>
Total	<u>\$ 21,794,521</u>

The District had the following General Fund revenue sources for FY 2016-17:

	<u>Revenues</u>	<u>% of Total</u>
Local Sources	19,604,664	86%
State sources	2,125,893	9%
Federal sources	<u>921,052</u>	<u>5%</u>
Total Revenue	<u>\$22,651,609</u>	<u>100%</u>

The District had the following General Fund net costs of governmental activities during FY 2016-17:

	<u>Net cost of Services</u>
Instructional	\$ 6,983,152
Support services	11,527,001
Non instructional	573,734
Capital outlay	1,583,478
Other outlays	0
Other uses	114,798
Repayments	<u>708,222</u>
Total	<u>\$21,490,385</u>

See Auditor's Disclaimer of Opinion

**Northeast Technology Center District 11  
Mayes County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

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, 2018, and June 30, 2017, 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, 2018, Northeast Technology Center had \$31,013,517 (net of depreciation) in Governmental Funds invested in a broad range of capital assets, including land, school buildings, equipment, and vehicles.

	<u>2018</u>	<u>2017</u>
Total Capital Assets	<u>\$31,013,517</u>	<u>\$29,737,316</u>

**FACTORS BEARING ON NORTHEAST TECHNOLOGY CENTER'S FUTURE**

The District experienced the loss of significant funds through embezzlement at the Afton Campus. Fortunately, we do have property insurance and a surety bond that will pay out to some degree as well as the hope that some restitution will come from the conviction of the offender.

Through the course of the investigation we have identified some procedural practices we will be refining, such as more oversight by the Campus Activity Fund Custodian. We have further trained key personnel on fiscal controls and implemented more safeguards such as a greater degree of the segregation of duties both at the Afton Campus and districtwide.

Northeast Technology Center has experienced good local revenue growth 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, 2018**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash	\$ 17,453,531
Property tax receivable	2,815,239
Due from other governments	61,375
Due from activity fund	592,000
Prepaid insurance	7,279
Net OPEB asset	95,840
Capital assets	
Land	957,281
Construction in process	1,867,640
Other capital assets, net of accumulated depreciation	<u>28,188,596</u>
 Total Assets	 \$ <u>52,038,781</u>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>	
Deferred amounts of resources related to pensions	\$ 3,168,711
Deferred amounts of resources related to OPEB	18,591
Total deferred outflow of resources	<u>\$ 3,187,302</u>
<b><u>LIABILITIES</u></b>	
Current liabilities	
Accounts payable	\$ 156,261
Leases payable - Due within one year	505,618
Total current liabilities	<u>\$ 661,879</u>
Non-current liabilities	
Compensated absences	\$ 295,202
Voluntary separation payable	210,000
Leases payable - Due in more than one year	8,154,075
Net Pension Liability	<u>14,824,097</u>
Total non-current liabilities	<u>\$ 23,483,374</u>
 Total Liabilities	 \$ <u>24,145,253</u>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>	
Deferred amounts of resources related to pensions	\$ 3,390,908
Deferred amounts of resources related to OPEB	81,561
Total deferred inflow of resources	<u>\$ 3,472,469</u>
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	\$ 20,486,184
Restricted for Building	4,270,130
Unrestricted	<u>2,852,047</u>
 Total Net Position	 \$ <u><u>27,608,361</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, 2018**

	Expenses	Program Revenues		Capital Grants & Contributions	Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants & Contributions		Government Activities
<b>Governmental Activities:</b>					
Instruction	\$ (6,576,674)	\$ 963,702	\$ 1,057,066	\$ -	(4,555,906)
<b>Support Services:</b>					
Students	(1,193,745)	-	-	-	(1,193,745)
Instructional Staff	(44,182)	-	-	-	(44,182)
General Administration	(587,225)	-	-	-	(587,225)
School Administration	(4,306,960)	-	-	-	(4,306,960)
Business	(1,804,232)	-	-	-	(1,804,232)
Operation of Plant	(3,090,207)	213,576	-	-	(2,876,631)
Student Transportation	(734,289)	-	-	-	(734,289)
Non Instructional	(497,752)	-	-	-	(497,752)
Capital Outlay	(1,335,333)	-	-	-	(1,335,333)
Other Outlays	(118,727)	-	-	-	(118,727)
Other Uses	(731,556)	-	-	-	(731,556)
Debt Service Interest	(415,213)	-	-	-	(415,213)
Depreciation - Unallocated	(1,437,370)	-	-	-	(1,437,370)
<b>Governmental Activities</b>	<b>\$ (22,873,465)</b>	<b>\$ 1,177,278</b>	<b>\$ 1,057,066</b>	<b>\$ -</b>	<b>(20,639,121)</b>

**General revenues**

<b>Taxes:</b>	
Property taxes, levied for general purposes	\$ 22,160,132
Other Taxes	1,696
<b>Federal and State aid not restricted to specific purposes:</b>	
General	1,616,094
Other	75,460
Interest and investment earnings	324,358
Miscellaneous	31,392
<b>Total general revenues</b>	<b>24,209,132</b>
Loss on fixed asset disposal	\$ (104,163)
Changes in net position	3,465,848
Net position - beginning , as restated	24,142,513
Net position - ending	<b>\$ 27,608,361</b>

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, 2018**

	General Fund	Building Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 13,244,083	\$ 4,209,448	\$ 17,453,531
Property taxes receivable	2,567,056	248,183	2,815,239
Due from other governments	61,375	-	61,375
Due from activity fund	592,000	-	592,000
Prepaid insurance	7,279	-	7,279
<b>Total assets</b>	<b>\$ 16,471,793</b>	<b>\$ 4,457,631</b>	<b>\$ 20,929,424</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 156,261	\$ -	\$ 156,261
Leases payable	505,618	-	505,618
<b>Total liabilities</b>	<b>661,879</b>	<b>-</b>	<b>661,879</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property taxes	1,934,609	187,501	2,122,110
<b>Total deferred inflow of resources</b>	<b>1,934,609</b>	<b>187,501</b>	<b>2,122,110</b>
<b>FUND BALANCES</b>			
Non-spendable Fund Balances:			
<i>Prepaid Items</i>	7,279	-	7,279
Restricted Fund Balances:			
<i>Restricted by Statute</i>	-	2,868,568	2,868,568
Assigned Fund Balances:			
<i>Encumbrances</i>	1,683,302	1,401,562	3,084,864
<i>Other Assigned Fund Balances</i>	-	-	-
Unassigned	12,184,724	-	12,184,724
<b>Total Fund Balances</b>	<b>13,875,305</b>	<b>4,270,130</b>	<b>18,145,435</b>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balance</b>	<b>\$ 16,471,793</b>	<b>\$ 4,457,631</b>	

**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 \$50,054,561 and the accumulated depreciation is \$19,041,045	31,013,516
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(8,659,277)
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.	2,122,110
Net pension obligations are not due and payable in the current period and therefore, are not reported in funds.	(14,824,097)
Net OPEB asset is not a financial resource, therefore not shown in funds	95,840
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds.	(285,166)
<b>Net Position of Governmental Activities</b>	<b>\$ 27,608,361</b>

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, 2018**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Local sources	\$ 22,037,302	\$ 2,081,869	\$ 24,119,171
Intermediate sources	-	-	-
State sources	1,705,178	172	1,705,350
Federal sources	<u>1,044,966</u>	<u>-</u>	<u>1,044,966</u>
Total revenues	\$ <u>24,787,446</u>	\$ <u>2,082,041</u>	\$ <u>26,869,487</u>
Expenditures:			
Instructional	\$ 6,934,683	\$ -	\$ 6,934,683
Support Services:			
Students	1,192,156	-	1,192,156
Instructional Staff	44,182	-	44,182
General Administration	586,693	-	586,693
School Administration	4,317,580	-	4,317,580
Business	1,861,964	-	1,861,964
Operation of Plant	3,381,406	-	3,381,406
Student Transportation	810,872	-	810,872
Non-instructional	497,610	-	497,610
Capital Outlay	1,317,092	2,859,240	4,176,332
Other Outlays	118,727	-	118,727
Other Uses	731,556	-	731,556
Repayments	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	\$ <u>21,794,521</u>	\$ <u>2,859,240</u>	\$ <u>24,653,761</u>
Excess of revenues over (under) expenditures	\$ <u>2,992,925</u>	\$ <u>(777,199)</u>	\$ <u>2,215,726</u>
Adjustments to prior year encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources of funds over (under) expenditures	\$ 2,992,925	\$ (777,199)	\$ 2,215,726
Fund balance, beginning of year	<u>10,882,380</u>	<u>5,047,329</u>	<u>15,929,709</u>
Fund balance, end of year	<u><u>13,875,305</u></u>	<u><u>4,270,130</u></u>	<u><u>18,145,435</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, 2018

Net change in fund balances - governmental funds	\$	2,215,726
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital outlay expenditures	\$ 2,817,733	
Loss on fixed asset disposal	(104,163)	
Depreciation expense	<u>(1,437,370)</u>	1,276,200
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.		458,332
Increase in compensated absences, leases payable and voluntary separation payable. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in statement of activities and changes in net position.		421,922
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.		426,014
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.		<u>(1,332,346)</u>
Change in Net Position of Governmental Activities	\$	<u><u>3,465,848</u></u>

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, 2018**

**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 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 2018 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.



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**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.

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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.

Net Investment in Capital Assets – 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:

Non-Spendable – 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.

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**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 day 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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**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 entities within them.

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

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**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, 2018, the school district's deferred outflows of resources were comprised of deferred outflows related to pensions and deferred outflows related to OPEB.

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, 2018, the school district deferred inflows of resources were comprised of deferred inflows related to pensions and deferred inflows related to OPEB.

**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.

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**Deposit Categories of Credit Risk (continued)**

7. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States, its agencies and instrumentalities, and investments in those items listed above.
8. Warrants, bonds or judgments of the school 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.
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, 2018, 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, 2018, the vocational technical center had no investments.

**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.

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**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, 2018, is as follows:

Accounts Receivable	<u>General Fund</u>	<u>Building Fund</u>
Ad Valorem Tax	\$ 2,567,056	\$ 248,183
Due from Activity Fund	592,000	-
Federal Grants	<u>61,375</u>	<u>-</u>
Gross receivables	3,220,431	248,183
Less: deferred taxes	<u>(1,934,609)</u>	<u>(187,501)</u>
Net Receivables	\$ <u>1,285,822</u>	\$ <u>60,682</u>

**5. Capital Assets**

A Summary of changes in general fixed assets for the year ended June 30, 2018, follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>
Land	\$ 957,281	\$ -	\$ -	\$ 957,281
Construction in Progress	<u>-</u>	<u>1,867,640</u>	<u>-</u>	<u>1,867,640</u>
Total Assets Not Being Depreciated	\$ <u>957,281</u>	\$ <u>1,867,640</u>	\$ <u>-</u>	\$ <u>2,824,921</u>
Capital Assets Being Depreciated				
Buildings & Improvements	36,273,091	179,212	-	36,452,303
Machinery & Equipment	7,160,461	532,976	302,736	7,390,701
Software	45,065	-	14,970	30,095
Vehicles	<u>3,261,330</u>	<u>237,905</u>	<u>142,694</u>	<u>3,356,541</u>
Total Capital Assets Being Depreciated	<u>46,739,947</u>	<u>950,093</u>	<u>460,400</u>	<u>47,229,640</u>
Less: Accumulated Depreciation	<u>17,959,912</u>	<u>1,437,370</u>	<u>356,237</u>	<u>19,041,045</u>
Total Capital Assets Being Depreciated - Net	<u>28,780,035</u>	<u>(487,276)</u>	<u>104,163</u>	<u>28,188,596</u>
Total Capital Assets Net	\$ <u>29,737,316</u>	\$ <u>1,380,364</u>	\$ <u>104,163</u>	\$ <u>31,013,517</u>

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**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.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosed measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The District and State are required to contribute 14.0% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales tax use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% and the State of Oklahoma plus the federal contribution contributed the remaining 4.5% during this year. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. The school is required to pay 16.5% for any compensated retired teachers already receiving retirement benefits.

Annual Pension Cost

The Center's total contribution for 2018, 2017, and 2016 were \$1,080,764, \$1,061,819 and \$1,760,900, respectively. The Center's total payroll for fiscal year 2017-18 amounted to \$11,230,393.



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**Employee Retirement System (continued)**

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 2016-17, the State of Oklahoma's contribution was \$70,207. This Center recognized revenue and expenditures of this amount during the year.

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

At June 30, 2018, the center reported a liability of \$14,824,097 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the center's proportion was .2238845 percent.

For the year ended June 30, 2018, the center recognized pension expense of 2,908,935. At June 30, 2018, the center 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	\$	\$ 1,012,081
Changes of assumptions	1,759,213	886,157
Net difference between projected and actual earnings on pension plan investments	210,718	-
Differences in center's proportionate share of contributions and changes in proportion	-	1,492,670
System contributions during measurement date	118,016	-
Center contributions subsequent to the measurement date	1,080,764	-
<b>Total</b>	<b>\$ 3,168,711</b>	<b>\$ 3,390,908</b>

**NORTHEAST TECHNOLOGY CENTER NO. 11  
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**Employee Retirement System (continued)**

Deferred pension outflows totaling \$1,080,764 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, 2018. The deferred outflows 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 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 5.59 years at June 30, 2017, and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended,		
2019	\$	(428,488)
2020		300,268
2021		9,661
2022		(805,442)
2023		<u>(378,960)</u>
	\$	<u>(1,302,961)</u>

**Actuarial assumptions:** The total pension liability was determined based on an actuarial valuation prepared as of June 30, 2017, using the following actual assumptions:

- Actuarial Cost method-Entry Age Normal
- Inflation-2.5 percent
- Future Ad Hoc Cost-of-living Increases-None
- Salary Increases-Composed of 3.25 percent inflation, including 2.50 percent price inflation, plus a service-related component ranging from 0.00 percent to 8.00 percent based on years of service.
- Investment Rate of Return-7.5 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 Rates after Retirement-Males: RP 2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members-RP 2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

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**Employee Retirement System (continued)**

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, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic All Cap Equity*	7.0%	6.2%
Domestic Large Cap Equity	10.0%	5.8%
Domestic Mid Cap Equity	13.00%	6.3%
Domestic Small Cap Equity	10.00%	7.0%
International Large Cap Equity	11.50%	6.6%
International Small Cap Equity	6.0%	6.6%
Core Plus Fixed Income	17.5%	1.6%
High-yield Fixed Income	6.0%	4.9%
Private Equity	5.0%	8.3%
Real Estate**	7.0%	4.5%
Master Limited Partnerships	<u>7.0%</u>	7.7%
	<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 7.50% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine 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 7.50%, 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 (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Center's proportionate share of the net pension liability	<u>\$ 21,164,094</u>	<u>\$ 14,824,097</u>	<u>\$ 10,194,969</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, 2018**

**8. Other Post-Employment Benefits OPEB**

Plan Description – The Technology Center as the employer, participates in the Supplemental Health Insurance Program – a cost sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at [www.ok.gov/OTRS](http://www.ok.gov/OTRS)

Benefits Provided – OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Oklahoma Management Enterprise Services Employees Group Insurance Division, provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions – Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate and from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 1.5% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the District were \$9,443.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the District reported an asset of \$99,840 for its proportionate share of the new OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB asset was based on the District's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, the District's proportion was 0.223885% percent.

For the year ended June 30, 2018, the District recognized OPEB expense of (\$3,697). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,798
Net difference between projected and actual earnings on OPEB plan investments	-	54,763
Contributions during measurement date	1,699	-
District contributions subsequent to the measurement date	16,982	-
<b>Total</b>	<b>\$ 18,591</b>	<b>\$ 81,561</b>

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

**OPEB (continued)**

The \$16,982 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (18,838)
2020	(18,838)
2021	(18,838)
2022	(18,838)
2023	(4,648)
Thereafter	<u>(1,862)</u>
	<u>\$ (78,862)</u>

**Actuarial Assumptions** – The total OPEB liability (asset) as of June 30, 2018, was determined based on an actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50%
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases – Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50%
- 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 Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	<u>10.0%</u>	6.1%
Total	<u>100.00%</u>	

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

**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**OPEB (continued)**

Discount Rate – A single discount rate of 7.50% was used to measure the total OPRB liability (asset) as of June 30, 2018. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB plan’s fiduciary net position and future contributions were projected to be available to finance all projected future payments of current plan members. Therefore, the long term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate – The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.5%, as well as what the Plan’s net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-lower (6.5%) and 1-percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer’s Net OPEB Liability (asset) \$	(4,179)	\$ (99,840)	\$ (181,628)

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at [www.ok.gov/OTRS](http://www.ok.gov/OTRS).

**9. 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.

The following is a summary of the long-term debt transactions for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Leases Payable	\$ 9,118,025	\$ -	\$ 458,332	\$ 8,659,693
Compensated Absences	271,506	23,696	-	295,202
Voluntary Separation Payable	150,000	60,000	-	210,000
Total	\$ 9,539,531	\$ 83,696	\$ 458,332	9,164,895
Less: Amounts Due within One Year				(505,618)
Total Long-Term Debt				\$ 8,659,277

**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.

**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Lease Commitments (continued)**

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
2019	\$ 218,197	\$ 321,564	\$ 524,127
2020	244,276	311,770	539,851
2021	272,023	300,705	556,047
2022	301,526	288,384	572,728
2023	457,040	274,725	589,910
2024-2027	<u>5,607,926</u>	<u>695,122</u>	<u>7,034,814</u>
Totals	<u>\$ 7,100,989</u>	<u>\$ 2,192,361</u>	<u>\$ 9,293,350</u>

**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
2019	\$ 287,421	\$ 72,480	\$ 359,901
2020	311,583	59,115	370,698
2021	337,193	44,626	381,819
2022	364,327	28,946	393,273
2023	<u>258,181</u>	<u>12,005</u>	<u>270,186</u>
Totals	<u>\$ 1,558,704</u>	<u>\$ 217,172</u>	<u>\$ 1,775,877</u>

**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Lease Commitments (continued)**

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, 2018, totaling \$210,000 for accrued voluntary retirement incentive pay. The liability is recognized in the center'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, 2018, was \$295,202. 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, 2018.

**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, 2018, the Northeast Technology Center had reserves on deposit with the Oklahoma Public Schools Unemployment Compensation Accounting totaling \$2,853. This amount has been shown as prepaid insurance on the financial statements.



**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**12. Surety Bonds Bond**

The treasurer is bonded by The Old Republic Surety Company, bond number W150130829 for the sum of \$100,000. Term 6/14/17 to 6/14/18.

The superintendent is bonded by Old Republic Surety Company, bond number W150026977, for the sum of \$100,000. Term 7/15/17 to 7/15/18.

The Director of Finance is bonded by Old Republic Surety Company, bond number W150027678, for the sum of \$100,000. Term 7/22/17 to 7/23/18.

Four (4) campus Directors; Four (4) Financial Secretaries; Eight (3) Adult Ed Secretaries; and Five (5) backup Minutes Clerks, RLI Surety – LMF003191 for \$5,000 each. Term 1/13/17 to 1/13/18.

**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

**14. Tax Abatement**

The State of Oklahoma has authorized by Oklahoma Statute 62-850, the creation of tax increment financing (TIF) districts. These districts are intended to provide incentives and exemptions from taxation within certain areas to encourage investment, development, and economic growth. There are two TIF districts in Delaware County and four TIF Districts in Rogers County. These TIF districts reduce the ad valorem taxes remitted to the Center over the term of the agreements.

Oklahoma Statute Title 31 offers a homestead exemption of up to 1 acre of property in an urban area or 160 acres in a rural area. These homestead exemptions reduce the ad valorem taxes remitted to the Center.

For the year ended June 30, 2018, abated property taxes were \$114,193.

On December 11, 2017, an agreement was entered into by the Center with the Town of Inola to create the Town of Inola Tax Incentive District Number One, Rogers County, Oklahoma. This will abate ad valorem taxes for five years for the property of Sofidel America Corporation. This abatement should affect the Center in the next fiscal year.

**COMBINING FINANCIAL STATEMENTS**

**NORTHEAST TECHNOLOGY CENTER NO. 11  
COMBINING BALANCE SHEET - FIDUCIARY FUNDS  
JUNE 30, 2018**

	Agency Fund		
	Claremore Campus Activity Fund	Afton Campus Activity Fund	Kansas Campus Activity Fund
<b>ASSETS</b>			
Cash	\$ 95,155	\$ 246,363	\$ 173,038
Miscellaneous Receivables	-	-	-
Total assets	\$ 95,155	\$ 246,363	\$ 173,038
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Due to General Fund	\$ 76,017	\$ 174,974	\$ 118,840
Due to Student Groups	19,138	71,389	54,198
Total liabilities	\$ 95,155	\$ 246,363	\$ 173,038
Fund equity:			
Unreserved/undesignated	\$ -	\$ -	\$ -
Total Fund Equity	\$ -	\$ -	\$ -
Total liabilities and fund equity	\$ 95,155	\$ 246,363	\$ 173,038

Pryor Campus Activity Fund	BIS Center Activity Fund	Total
\$ 194,783	\$ 123,091	\$ 832,430
-	-	-
<u>\$ 194,783</u>	<u>\$ 123,091</u>	<u>\$ 832,430</u>
\$ 110,505	\$ 111,664	\$ 592,000
84,278	11,427	240,430
<u>\$ 194,783</u>	<u>\$ 123,091</u>	<u>832,430</u>
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
<u>\$ 194,783</u>	<u>\$ 123,091</u>	<u>\$ 832,430</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**NORTHEAST TECHNOLOGY CENTER NO. 11  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Fund balances, beginning of year	\$ 8,523,011	\$ 8,523,011	\$ 8,523,011
Revenues collected:			
Local sources	20,349,453	20,349,453	22,014,633
Intermediate sources	-	-	-
State sources	1,590,843	1,590,843	1,634,971
Federal sources	<u>1,056,436</u>	<u>1,056,436</u>	<u>1,049,497</u>
Total revenues collected	<u>22,996,732</u>	<u>22,996,732</u>	<u>24,699,101</u>
Expenditures paid:			
Instruction	7,769,940	7,769,940	6,947,576
Support services	14,100,438	14,100,438	12,732,812
Non-instructional services	589,200	589,200	500,281
Capital outlay	1,347,520	1,347,520	1,115,782
Other outlays	6,368,145	6,368,145	118,727
Other uses	1,344,500	1,344,500	956,148
Repayments			
Debt Service			
Principal retired	-	-	-
Interest paid	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures paid	<u>\$ 31,519,743</u>	<u>\$ 31,519,743</u>	<u>\$ 22,371,326</u>
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,850,786</u>
Adjustments to prior year encumbrances			<u>709,995</u>
Cash fund balance end of year - Budgetary Basis			<u>\$ 11,560,781</u>
Explanation of differences between Budgetary Basis year end fund balance and GAAP year end fund balance:			
Fund Balance, June 30, 2018 - Budgetary basis			\$ 11,560,781
Accounts receivable not recognized as revenue			1,285,822
Expenses not recognized in GAAP basis (reserves)			1,683,302
Prepaid insurance			7,279
Accounts Payable not recognized in Budgetary basis			(156,261)
Leases Payable not recognized in Budgetary basis			<u>(505,618)</u>
Net Position of Governmental Activities-GAAP Basis			<u>\$ 13,875,305</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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Fund balances, beginning of year	\$ 3,738,768	\$ 3,738,768	\$ 3,738,768
Revenues collected:			
Local sources	1,888,769	1,888,769	2,088,020
Intermediate sources	-	-	-
State sources	-	-	172
Federal sources	-	-	-
Total revenues collected	<u>1,888,769</u>	<u>1,888,769</u>	<u>2,088,192</u>
Expenditures paid:			
Instruction	-	-	-
Support services	-	-	-
Capital outlay	5,627,537	5,627,537	3,094,761
Other outlays	-	-	-
Total expenditures paid	<u>5,627,537</u>	<u>5,627,537</u>	<u>3,094,761</u>
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,732,199</u>
Adjustments to prior year encumbrances			<u>75,687</u>
Cash fund balance end of year - Budgetary Basis			<u><u>\$ 2,807,886</u></u>
Explanation of differences between Budgetary Basis year end fund balance and GAAP year end fund balance:			
Fund Balance, June 30, 2018 - Budgetary Basis			\$ 2,807,886
Accounts receivable not recognized as revenue			60,682
Expenses not recognized in GAAP basis (reserves)			<u>1,401,562</u>
Net Position of Governmental Activities-GAPP Basis			<u><u>\$ 4,270,130</u></u>

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

**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OKLAHOMA TEACHERS RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\*  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
School's proportion of the net pension liability	.242197%	.2468896%	.25159523%	.2238845%
School's proportionate share of the net pension liability	\$ 13,029,849	\$ 14,993,009	\$ 20,997,030	\$ 14,824,097
School's covered-employee payroll	\$ 10,501,691	\$ 11,024,573	\$ 11,028,585	\$ 11,096,499
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	124%	136%	190%	133%
Plan fiduciary net position as a percentage of total pension liability	72.43%	70.31%	62.24%	69.32%

Notes to Schedule:

\*Information to present a 10 year history is not readily available.



**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
SCHEDULE OF THE CONTRIBUTIONS  
OKLAHOMA TEACHERS RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\*  
FOR THE YEAR ENDED JUNE 30, 2018**

	2015	2016	2017	2018
Contractually required contribution	\$ 997,656	\$ 1,026,644	\$ 1,035,397	\$ 1,054,162
Contributions in relation to the Contractually required contribution	997,656	1,026,644	1,035,397	1,054,162
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 10,501,691	\$ 10,806,826	\$ 10,898,967	\$ 11,096,499
Contributions as a percentage of covered-employee payroll	9.50%	9.50%	9.50%	9.50%

Notes to Schedule:

\*Information to present a 10 year history is not readily available.

**NORTHEAST TECHNOLOGY CENTER NO. 11**  
**MAYES COUNTY, OKLAHOMA**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)**  
**SUPPLEMENTAL HEALTH INSURANCE PROGRAMS**  
**LAST TEN FISCAL YEARS\***  
**FOR THE YEAR ENDED JUNE 30, 2018**

		2018
District's proportionate share of the net OPEB liability (asset)	\$	(99,840)
District's covered payroll	\$	11,096,499
District's proportionate share of the net OPEB liability (asset) as a percentage of its Covered-employee payroll		0.90%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)		110.40%

**Notes to Schedule:**

\*Only the current fiscal year is presented because 10-year data is not yet available.

**NORTHEAST TECHNOLOGY CENTER NO. 11**  
**MAYES COUNTY, OKLAHOMA**  
**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**  
**SUPPLEMENTAL HEALTH INSURANCE PROGRAM**  
**LAST TEN FISCAL YEARS\* (DOLLAR AMOUNTS IN THOUSANDS)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 18,591	\$ 16,596
Contributions in relation to the Contractually required contribution	<u>18,591</u>	<u>16,596</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
 District's covered payroll	 \$ 11,096,499	 \$ 10,898,967
Contributions as a percentage of covered- payroll	 .17%	 .15%

**Notes to Schedule:**

\*Only the current and prior fiscal year are presented because 10-year data is not yet available.

**SUPPORTING SCHEDULES**

**NORTHEAST TECHNOLOGY CENTER NO. 11  
 SCHEDULE OF FEDERAL AWARDS EXPENDED  
 FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Grantor's Number</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
<u>2017-2018 Programs</u>		
* Pell Grant	84.063	P063P173643
Sub-Total		
Passed-Through State Department of Career and Technology Education:		
<u>2017-2018 Programs</u>		
Carl Perkins 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, 2017</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance at June 30, 2018</u>
\$ -	\$ 716,315	\$ 716,315	\$ -
\$ -	\$ 716,315	\$ 716,315	\$ -
\$ -	\$ 207,392	\$ 207,392	\$ -
\$ -	\$ 56,807	\$ 56,807	\$ -
\$ -	\$ 264,199	\$ 264,199	\$ -
\$ -	\$ 980,514	\$ 980,514	\$ -

**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

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 Fund is used to account for resources restricted, or designated for, specific purposes by a grantor.
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 Fund. 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.

3. The District has not elected to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**NORTHEAST TECHNOLOGY CENTER NO. 11  
SCHOOL ACTIVITY FUND  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AFTON CAMPUS  
JULY 1, 2017 TO JUNE 30, 2018**

Activities	Balance 7-1-17	Deposited	Transfers/ Adjustment s	Disbursed	Balance 6-30-18
Adult Ed	\$ -	\$ 298,587	\$ (73,383)	\$ 225,204	\$ -
<b>Shop Income</b>					
Auto Collision	1,997	1,704	-	555	3,146
Automotive Service	1,043	-	-	202	841
Information Tech. & Fin. Services	93	498	-	181	410
Carpentry	105,142	130	(3,000)	66,538	35,734
Interactive Media	629	748	-	226	1,151
Cosmetology	258	6,972	(500)	6,650	80
Culinary Arts	477	838	-	585	730
Diesel	771	3,213	-	2,428	1,556
Electricity	1,979	1,565	3,000	4,000	2,544
Food Service	18,485	87,793	(1,103)	93,443	11,732
Marine Power Technology	406	2,127	-	1,860	673
Occ. Domestic Student Shop	1,169	3,071	-	878	3,362
Practical Nursing Class Fund	11,129	10,132	(5,623)	11,459	4,179
Welding	886	1,825	-	2,048	663
<b>Miscellaneous</b>					
Sub	844	73	350	-	1,267
Sportswear	81	-	-	-	81
Food Service Uniforms	40	-	-	-	40
Vending	6,491	9,202	-	13,652	2,041
Surplus Equipment Sales	-	-	-	-	-
Flower Fund	194	15	-	97	112
Faculty Usage	100	-	-	-	100
Practical Nursing Emergency Fun	396	-	-	-	396
<b>Student Organizations</b>					
BPA	407	40	-	318	129
FCCLA	264	-	-	-	264
HOSA	-	68	-	68	-
VICA-Cosmetology	35	-	90	-	125
VICA-Diesel	15	-	-	-	15
National Tech Honor Society	-	-	-	-	-
OSSM	12	-	6	-	18
<b>Total Activities</b>	<u>\$ 153,343</u>	<u>\$ 428,601</u>	<u>\$ (80,163)</u>	<u>\$ 430,392</u>	<u>\$ 71,389</u>



**NORTHEAST TECHNOLOGY CENTER NO. 11**  
**SCHOOL ACTIVITY FUND**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**KANSAS CAMPUS**  
**JULY 1, 2017 TO JUNE 30, 2018**

Activities	Balance 7-01-17	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-18
Adult Education	\$ -	\$ 362,419	\$ (18,476)	\$ 343,943	\$ -
Shop Income	23,753	20,906	(80)	16,071	28,508
Misc. Fund	1,060	-	(16)	-	1,044
Vending	12,195	45,022	(629)	42,246	14,342
<b>Student Organizations</b>					
BPA Community Service	42	-	-	-	42
HOSA	122	225	-	225	122
HOSA Community Service	100	-	-	-	100
National Tech Honor Society	698	187	-	-	885
VICA Electrical	9,385	-	260	604	9,041
VICA Welding	41	-	-	-	41
VICA Automotive	73	-	-	-	73
<b>Total Activities</b>	<b>\$ 47,469</b>	<b>\$ 428,759</b>	<b>\$ (18,941)</b>	<b>\$ 403,089</b>	<b>\$ 54,198</b>

**NORTHEAST TECHNOLOGY CENTER NO. 11**  
**SCHOOL ACTIVITY FUND**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**PRYOR CAMPUS**  
**JULY 1, 2017 TO JUNE 30, 2018**

Activities	Balance 7-1-17	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-18
Adult Education	\$ -	\$ 354,273	\$ 892	\$ 355,165	\$ -
<b>Shop Income</b>					
Auto Collision	1,952	837	-	980	1,809
Automotive Service	1,091	-	-	-	1,091
Cosmetology	1,042	1,321	-	1,541	822
Office Admin. & Multimedia	1,146	1,345	-	1,777	714
Diesel	2,303	-	-	-	2,303
Food Service	12,813	65,684	(1,590)	60,567	16,340
Construction Trades	1,432	500	-	969	963
Welding	24	-	-	-	24
Modern Industrial Tech	3,325	15	-	450	2,890
Practical Nursing Class	21,303	22,295	-	20,041	23,557
Coulinary Arts	411	5,899	-	4,076	2,234
<b>Miscellaneous</b>					
Misc.	425	893	587	778	1,127
Cosmetology Uniforms	5,789	12,235	-	10,303	7,721
Flower Fund	42	25	-	50	17
Vending	16,602	17,813	-	20,389	14,026
Student Emergency Funds	1,886	6,131	-	3,201	4,816
<b>Student Organizations</b>					
BPA	90	-	-	-	90
FCCLA	162	-	-	-	162
HOSA	51	-	-	-	51
VICA-Auto Collision	9	642	-	644	7
VICA-Automotive Service	-	266	-	-	266
VICA-Cosmetology	436	642	-	919	159
VICA-Diesel	547	35	-	35	547
VICA-Construction Trades	200	-	-	200	-
VICA-Electricity	131	-	-	100	31
VICA-Welding	427	-	-	-	427
National Tech. Honor Society	1,776	1,465	-	1,157	2,084
Oltha Grimes Scholarship	-	7,425	-	7,425	-
<b>Total Activities</b>	<u>\$ 75,415</u>	<u>\$ 499,741</u>	<u>\$ (111)</u>	<u>\$ 490,767</u>	<u>\$ 84,278</u>

**NORTHEAST TECHNOLOGY CENTER NO. 11  
SCHOOL ACTIVITY FUND  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
CLAREMORE CAMPUS  
JULY 1, 2017 TO JUNE 30, 2018**

Activities	Balance 7-01-17	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-18
Adult Education	\$ -	\$ 195,893	\$ (20,531)	\$ 175,362	\$ -
<b>Shop Income</b>					
Food Service	5,897	30,284	(804)	30,967	4,410
Practical Nursing Class Fund	7,702	12,865	81	10,380	10,268
Home Tech. Intergration	35	-	-	-	35
Environmental & Special Tech.	996	1,390	(149)	705	1,532
Computerized Automated Man	177	-	-	-	177
<b>Miscellaneous</b>					
Vending	4,066	3,521	44	5,880	1,751
NE Vo-Tech Foundation	79	3,780	-	3,780	79
Flower Fund	55	-	-	-	55
<b>Student Organizations</b>					
National Tech Honor Society	477	240	-	-	717
Computerized Automated Man	11,107	447	1,402	12,906	50
Pre-Engineering	63	155	-	154	64
<b>Total Activities</b>	<b>\$ 30,654</b>	<b>\$ 248,575</b>	<b>\$ (19,957)</b>	<b>\$ 240,134</b>	<b>\$ 19,138</b>

**NORTHEAST TECHNOLOGY CENTER NO. 11**  
**SCHOOL ACTIVITY FUND**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BIS CENTER**  
**JULY 1, 2017 TO JUNE 30, 2018**

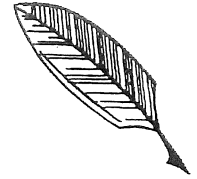
Activities	Balance 7-01-17	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-18
<b>Industry Specific</b>					
Tuition	\$ -	\$ 375,660	\$ (61,238)	\$ 314,422	\$ -
Resale Textbooks	-	21,710	5,570	27,280	-
Resale Supplies	-	75,462	60,711	136,173	-
Small Business Mgmt.	-	3,325	(1,240)	2,085	-
Vending	<u>13,199</u>	<u>14,200</u>	<u>313</u>	<u>16,285</u>	<u>11,427</u>
<b>Total Activities</b>	<u>\$ 13,199</u>	<u>\$ 490,357</u>	<u>\$ 4,116</u>	<u>\$ 496,245</u>	<u>\$ 11,427</u>

**REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

# KERRY JOHN PATTEN, C.P.A.

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

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## 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, 2018, and the related notes to the financial statements, which collectively comprise the Center's financial statements, and have issued my report thereon February 22, 2019.

### 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.

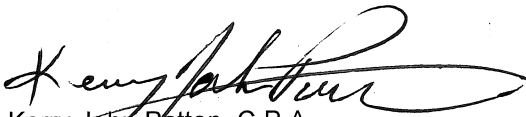
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, I identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be a significant deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*. I noted certain immaterial instances of noncompliance that I have reported to management in the "Schedule of Comments" on page 50 of this report.

### **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.



Kerry John Patten, C.P.A.  
Broken Arrow, OK  
February 22, 2019

# KERRY JOHN PATTEN, C.P.A.

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Broken Arrow, OK 74012  
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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, 2018. 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, 2018.



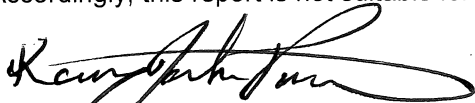
## Report on Internal Control Over Compliance

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, 2019

**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

**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 was one audit finding 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 unmodified 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: Student Financial Aid Cluster (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**

*Significant Deficiency: The Center does not appear to have effective controls or procedures in place to provide reasonable assurance that all monies collected within the activity fund at the Afton campus are being deposited. It appears there may have been a lack of management oversight of controls.*

*During my review of Activity Fund checks, I noted a total of 14 checks made out to the Afton campus Activity Fund secretary for a total of \$82,328.38, one check made out to a spouse for \$8,800.00, and another check made out to a family business for \$8,800.00. I was unable to find any supporting documentation for these checks.*

*During testing of Activity Fund work orders and receipts, several work orders and receipts sampled, totaling \$24,960.89 were unable to be traced to a receipt from the Activity Fund Custodian.*

**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, 2017 TO JUNE 30, 2018**

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, 2017 TO JUNE 30, 2018**

The following conditions represent areas noted during my review of the center's accounting system in which I feel improvements in the internal control and/or operational efficiency may be attained. I have also noted, as required, any noncompliance with Oklahoma Department of Career Tech Regulations.

**I. Condition:** During my review of the Afton Campus Activity Fund I noted the following:

- 16 purchase orders had no supporting documentation
- Receipts that were originally issued were altered at a later time
- Checks were issued without supporting documentation
- Monthly financial reports were not always submitted or submitted timely
- Monthly financial reports were not being reviewed by the appropriate member of management
- The campus Activity Fund secretary appeared to responsible for a transaction from start to finish, there were no segregation of duties

**Recommendation:** Management should review all Activity Fund processes and procedures and make necessary changes so that one person does not have total control of a transaction from start to finish. All checks issued should contain two signatures and be reviewed before being mailed out. Monthly financial reports should be completed timely and reviewed by management. Also, management should consult their accounting software vendor concerning the ability of receipts to be "changed" at a later date. This should not be allowable.

Previous Year's Audit Comments

There are no items in the Center's 2016-17 audit report, which required resolution in fiscal year 2018.

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.

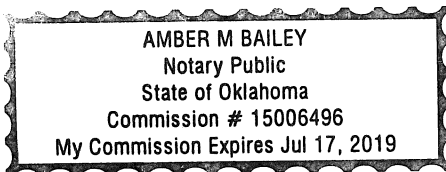
**NORTHEAST TECHNOLOGY CENTER NO. 11  
MAYES COUNTY, OKLAHOMA  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2017 TO JUNE 30, 2018**

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 for the audit year 2017-18.

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

BY *Kerry John Patten*  
\_\_\_\_\_  
AUTHORIZED AGENT



Subscribed and sworn to before me on this  
22nd day of February, 2019

*Amber M Bailey*  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires on:  
17th day of July, 2019