

**ANNUAL FINANCIAL REPORT
NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012**

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

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
CENTER OFFICIALS
JUNE 30, 2012**

Board of Education

President	John Long
Vice-President	Justin Miller
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Fred Probis

Technology Center Treasurer

Roger Crutchfield

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
JUNE 30, 2012**

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**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Technology Center management. My responsibility is to express opinions 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northeast Technology Center No. 11, Mayes County, Oklahoma, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated Date of release, on my consideration of the Northeast Technology Center's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Northeast Technology Center basic financial statements. The combining financial statements, individual fund financial statements and schedule of expenditures of federal awards listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Northeast Technology Center. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

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



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

MANAGEMENT DISCUSSION AND ANALYSIS

**Northeast Technology Center District 11
Mayes County**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

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, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and the accompanying notes to enhance their understanding of the District's financial performance.

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

Organization

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

FINANCIAL STATEMENTS

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

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

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

District-Wide Statements

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

See disclaimer in accompanying Independent Auditor's Report

**Northeast Technology Center District 11
Mayes County**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

District-Wide Statements

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

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

Fund Financial Statements

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

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

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

Financial Highlights

The FY 12 general fund "fund balance" at 6-30-12 was \$10,727,091. The building fund balance was \$5,670,687. Total FY11-12 general fund revenues collected district-wide were \$19,947,541 compared to \$19,037,203 in FY 10-11. Total general fund expenditures district-wide for FY 11-12 were \$19,260,621 compared to \$18,425,800 in FY 10-11. The building fund revenues collected for FY 11-12 were \$1,469,533 compared to \$1,401,953 in FY 10-11. The building fund expenditures for FY 11-12 were \$1,598,460. This compares to FY 10-11 expenditures of \$234,304. During FY 12, various projects were started and paid out of the building fund.

See disclaimer in accompanying Independent Auditor's Report

**Northeast Technology Center District 11
Mayes County**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

Financial Highlights (continued)

The District had the following General Fund revenue sources for FY 2011-12:

	<u>Revenues</u>	<u>% of Total</u>
Local Sources	\$15,070,739	75%
State sources	3,041,327	15%
Federal sources	<u>1,835,475</u>	<u>10%</u>
Total Revenue	<u>\$19,947,541</u>	<u>100%</u>

The District had the following net costs of governmental activities during FY 2011-12:

Instructional	\$ 4,081,629	22%
Support services	9,173,347	49%
Non instructional	408,905	2%
Capital outlay	2,719,613	15%
Other outlays	118,977	1%
Depreciation	1,038,561	5%
Other uses	<u>1,046,764</u>	<u>6%</u>
Total	<u>\$18,587,796</u>	<u>100%</u>

Net cost of Services % of Total

The District had the following General Fund revenue sources for FY 2010-11:

	<u>Revenues</u>	<u>% of Total</u>
Local Sources	\$ 4,515,103	76%
State sources	3,363,304	18%
Federal sources	<u>1,158,796</u>	<u>6%</u>
Total Revenue	<u>\$ 19,037,203</u>	<u>100%</u>

The District had the following net costs of governmental activities during FY 2010-11:

	<u>Net cost of Services</u>	<u>% of Total</u>
Instructional	\$ 4,679,788	27%
Support services	8,822,246	51%
Non instructional	383,665	2%
Capital outlay	951,862	6%
Other outlays	172,708	1%
Depreciation	1,250,121	7%
Other uses	<u>1,010,741</u>	<u>6%</u>
Total	<u>\$17,271,131</u>	<u>100%</u>

See disclaimer in accompanying Independent Auditor's Report

**Northeast Technology Center District 11
Mayes County**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

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, 2011, and June 30, 2012, 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, 2012, Northeast Technology Center had \$21,377,973 (net of depreciation) in Governmental Funds invested in a broad range of capital assets, including land, school buildings, equipment, and vehicles.

	<u>2011</u>	<u>2012</u>
Total Capital Assets	\$34,318,783	\$33,822,994
Less Accumulated Depreciation	<u>(20,898,031)</u>	<u>(20,326,401)</u>
Net Total Capital Assets	<u>\$21,949,603</u>	<u>\$21,377,973</u>

FACTORS BEARING ON NORTHEAST TECHNOLOGY CENTER'S FUTURE

The District is not aware of any factors, that have a reasonable possibility of occurring, which will negatively impact the District's future operations. Northeast Technology Center 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**NORTHEAST TECHNOLOGY CENTER NO. 11
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 16,304,956
Property tax receivable	819,477
Due from other governments	103,272
Miscellaneous receivables	868
Due from activity fund	275,172
Prepaid insurance	53,555
Capital assets	
Land	1,051,572
Other capital assets, net of accumulated depreciation	<u>20,326,401</u>
 Total Assets	 \$ <u>38,935,273</u>
<u>LIABILITIES</u>	
Current liabilities	
Accounts payable	\$ 300,834
Leases payable - Due within one year	<u>261,182</u>
Total current liabilities	<u>562,016</u>
Non-current liabilities	
Compensated absences	218,682
Voluntary separation payable	280,000
Leases payable - Due in more than one year	<u>10,532,456</u>
Total non-current liabilities	<u>11,031,138</u>
 Total Liabilities	 \$ <u>11,593,154</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	\$ 10,845,517
Unrestricted	<u>16,496,603</u>
 Total Net Assets	 \$ <u><u>27,342,120</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, 2012**

	Expenses	Program Revenues		Capital Grants & Contributions
		Charges for Services	Operating Grants & Contributions	
Governmental Activities:				
Instruction	\$ (6,630,759)	\$ 713,655	\$ 1,835,475	\$ -
Support Services:				
Students	(973,065)	-	-	-
Instructional Staff	(24,750)	-	-	-
General Administration	(526,308)	-	-	-
School Administration	(3,145,618)	-	-	-
Business	(1,330,153)	-	-	-
Operation of Plant	(2,500,429)	22,533	-	-
Student Transportation	(695,557)	-	-	-
Non Instructional	(408,905)	-	-	-
Other Outlays	(118,977)	-	-	-
Other Uses	(1,046,767)	-	-	-
Capital Outlay	(2,719,613)	-	-	-
Depreciation - Unallocated	(1,038,561)	-	-	-
Governmental Activities	\$ (21,159,462)	\$ 736,188	\$ 1,835,475	\$ -

General revenues

Taxes:

Property taxes, levied for general purposes

Other Taxes

Federal and State aid not restricted to specific purposes:

General

Other

Interest and investment earnings

Miscellaneous

Total general revenues

Changes in net assets

Net assets - beginning

Net assets - ending

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

Net (Expenses)
Revenue and
Changes in Net
Assets

Government
Activities

\$ (4,081,629)

(973,065)

(24,750)

(526,308)

(3,145,618)

(1,330,153)

(2,477,896)

(695,557)

(408,905)

(118,977)

(1,046,767)

(2,719,613)

(1,038,561)

\$ (18,587,799)

\$ 15,468,093

1,133

2,984,248

56,931

243,706

89,041

18,843,152

255,353

27,086,767

\$ 27,342,120

FUND FINANCIAL STATEMENTS

**NORTHEAST TECHNOLOGY CENTER NO. 11
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 10,489,189	\$ 5,815,767	\$ 16,304,956
Property taxes receivable	753,657	65,820	819,477
Due from other governments	103,272	-	103,272
Miscellaneous receivables	868	-	868
Due from activity fund	275,172	-	275,172
Prepaid insurance	53,555	-	53,555
Total assets	\$ 11,675,713	\$ 5,881,587	\$ 17,557,300
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 135,732	\$ 165,102	\$ 300,834
Leases payable - current	261,182	-	261,182
Deferred revenue	551,708	45,798	597,506
Total liabilities	948,622	210,900	1,159,522
Fund balances:			
Nonspendable Fund Balances:			
<i>Prepaid Items</i>	53,555	-	53,555
Restricted Fund Balances:			
<i>Restricted by Statute</i>	-	3,466,072	3,466,072
Assigned Fund Balances:			
<i>Encumbrances</i>	1,817,888	2,204,615	4,022,503
<i>Other Assigned Fund Balances</i>	-	-	-
Unassigned	8,855,648	-	8,855,648
Total Fund Balances	10,727,091	5,670,687	16,397,778
Total Liabilities and Fund Balances	\$ 11,675,713	\$ 5,881,587	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$33,822,994 and the accumulated depreciation is \$12,445,021.

21,377,974

Long term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

(11,031,138)

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.

597,506

Net Assets of Governmental Activities

\$ 27,342,120

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, 2012**

	General Fund	Building Fund	Total Governmental Funds
Revenues:			
Local sources	\$ 15,070,739	\$ 1,468,548	\$ 16,539,287
Intermediate sources	-	-	-
State sources	3,041,327	985	3,042,312
Federal sources	1,835,475	-	1,835,475
Total revenues	\$ 19,947,541	\$ 1,469,533	\$ 21,417,074
Expenditures:			
Instructional	\$ 6,640,831	\$ -	\$ 6,640,831
Support Services:			
Students	973,065	-	973,065
Instructional Staff	24,750	-	24,750
General Administration	526,308	-	526,308
School Administration	3,145,618	-	3,145,618
Business	1,330,153	-	1,330,153
Operation of Plant	2,500,429	-	2,500,429
Student Transportation	695,557	-	695,557
Noninstructional	408,905	-	408,905
Capital Outlay	1,849,264	1,598,460	3,447,724
Other Outlays	118,977	-	118,977
Other Uses	1,046,764	-	1,046,764
Repayments	-	-	-
Total expenditures	\$ 19,260,621	\$ 1,598,460	\$ 20,859,081
Excess of revenues over (under) expenditures	\$ 686,920	\$ (128,927)	\$ 557,993
Adjustments to prior year encumbrances	\$ -	\$ -	\$ -
Excess of revenues and other sources of funds over (under) expenditures	\$ 686,920	\$ (128,927)	\$ 557,993
Fund balance, beginning of year	\$ 10,040,171	\$ 5,799,614	\$ 15,839,785
Fund balance, end of year	\$ 10,727,091	\$ 5,670,687	\$ 16,397,778

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, 2012**

Net change in fund balances - governmental funds \$ 557,993

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

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

Capital outlay expenditures	\$	466,931	
Depreciation expense		<u>(1,038,561)</u>	(571,630)

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 Assets. 261,182

Some expenses (compensated absences and voluntary separation payable) reported in the Statement of Activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. 10,072

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. (2,264)

Change in Net Assets of Governmental Activities \$ 255,353

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, 2012**

1. Summary of Significant Accounting Policies

The financial statements of the Northeast Technology Center No. 11 (the "Center") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions, issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Center's accounting policies are described below.

A. Reporting Entity

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

The Center is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and, accordingly, is a separate entity for operating and financial reporting purposes. The Center is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

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

B. Basis of Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 the Foundation and Incentive Aid Program.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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 and the Federal Pell Grant 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 Federal Pell Grant fund is used to account for student financial aid which is collected by the Center and disbursed to eligible students or to pay educational costs on their behalf. 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 assets.

C. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

D. Budgets and Budgetary Accounting

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

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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 Assets and Fund Balances

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

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

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

Unrestricted Net Assets – represent unrestricted liquid assets.

Governmental Fund Financial Statements – The District has adopted Governmental Accounting Standards Board Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available in the governmental fund financial statements are as follows:

Nonspendable – Amounts that are not in a spendable form such as prepaid expenses, 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 District commits a portion of the accrual basis fund balance to honor the commitments made by the District for encumbrances (purchase orders) for which goods or services have not yet been received. The fund balance committed 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 District has assigned a portion of fund balance in both the General and Building Fund for funding the cash flow needs during the first half of each fiscal year. The collection of property taxes occurs mainly in December through March. This creates a temporary cash flow deficit during the first part of each fiscal year. The assigned fund balance is used to finance this temporary cash flow deficit. The Treasurer and Director of Finance will determine the amount of assigned fund balance at the end of the fiscal year.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

If the first payment is not made timely, the entire tax becomes due and payable on January 2. The second half of taxes becomes delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

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

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

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

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

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

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

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

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

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

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

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

2. Deposit Categories of Credit Risk

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

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

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Deposit Categories of Credit Risk (continued)

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.

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, 2012, 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.

3. Use of Estimates

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

4. Accounts Receivable

Accounts receivables of the governmental activities consist of Ad Valorem tax, miscellaneous local, State grants, and Federal grant programs. Receivables detail by fund at June 30, 2012, is as follows:

Accounts Receivable	<u>General Fund</u>	<u>Building Fund</u>
Ad Valorem	\$ 753,657	\$ 65,820
Due from Activity Fund	275,172	-
Other Miscellaneous	868	-
State Grants	2,000	-
Federal Grants	101,272	-
Gross receivables	<u>1,132,969</u>	<u>65,820</u>
Less: deferred taxes	<u>551,708</u>	<u>45,798</u>
Net Receivables	<u>\$ 581,261</u>	<u>\$ 20,022</u>

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

5. Capital Assets

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

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Land	\$ 1,051,572	\$ -	\$ -	\$ 1,051,572
Total Assets Not Being Depreciated	\$ 1,051,572	\$ -	\$ -	\$ 1,051,572
Building & Improvements	\$ 26,577,877	\$ 39,547	\$ 907,544	\$ 25,709,880
Machinery & Equipment	4,244,892	310,751	14,451	4,541,192
Software	-	40,400	-	40,400
Vehicles	2,444,442	76,233	40,725	2,479,950
Total Capital Assets Being Depreciated	33,267,211	466,931	962,720	32,771,422
Less: Accumulated Depreciation	12,369,180	1,038,561	962,720	12,445,021
Total Capital Assets Being Depreciated - Net	20,898,031	(571,630)	-	20,326,401
Total Capital Assets - Net	\$ 21,949,603	\$ (571,630)	\$ -	\$ 21,377,973

6. Interfund Transactions

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

7. Employee Retirement System

Description of Plan

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

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Employee Retirement System (continued)

Basis of Accounting

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

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

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

Funding Policy

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

Annual Pension Cost

The District's total contribution for 2012, 2011, and 2010 were \$1,458,859, \$1,415,378 and \$1,457,768, respectively. The District's total payroll for fiscal year 2011-12 amounted to \$9,421,261.

8. General Long-Term Debt

The Center's long term debt consisted of non-current compensated absences, capitalized lease-purchase agreements, and estimated voluntary separation incentive payments. Compensated absences represent the estimated liability for employees' accrued vacation and sick leave for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund or *Building Fund* based upon the assignment of the employee at termination.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

General Long Term Debt (continued)

Center policy provides certain conditions for employee participation in the Center's early retirement incentive program.

Eligible participants electing the retirement must be active full-time employees with 20 years of creditable service, the last 5 years of which must be consecutive service as a full-time certified employee of the Center. The benefit is a one-time payment of \$10,000. The one-time payment will occur on or before June 30 of the year the retirement becomes effective. The Center has reported a liability in the financial statements at June 30, 2012, totaling \$280,000 for accrued voluntary retirement incentive pay.

The following is a summary of the long-term debt transactions for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Leases Payable	\$ 11,022,329	\$ -	\$ 228,691	\$ 10,793,638
Compensated Absences	218,754	-	72	218,682
Voluntary Separation Payable	290,000	-	10,000	280,000
Total	\$ 11,531,083	\$ -	\$ 238,763	\$ 11,292,320
				<u>261,182</u>
Less: Amounts Due Within One Year				<u>261,182</u>
Total Long-Term Debt				\$ <u>11,031,138</u>

Lease Commitments

Lease-Purchase – Claremore Campus

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

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

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

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Lease Commitments (continued)

Lease-Purchase with Claremore Industrial and Economic Development Authority:

Year ending June 30,	Principal	Interest	Total
2013	\$ 92,206	\$ 359,910	\$ 452,116
2014	109,946	355,734	465,680
2015	128,897	350,754	479,651
2016	149,125	344,915	494,040
2017	170,701	338,160	508,861
2018-2022	1,229,722	1,552,941	2,782,663
2023-2027	6,064,966	969,847	7,034,813
Totals	\$ 7,945,564	\$ 4,272,263	\$ 12,217,827

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.

Year ending June 30,	Principal	Interest	Total
2013	\$ 168,976	\$ 132,435	\$ 301,411
2014	185,876	124,578	310,454
2015	203,832	115,935	319,767
2016	222,904	106,457	329,360
2017	243,149	96,092	339,241
2018-2022	1,565,157	289,952	1,855,109
2023	258,181	12,005	270,186
Totals	\$ 2,848,074	\$ 877,454	\$ 3,725,528

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, 2012.

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.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012, the Northeast Technology Center had reserves on deposit with the Oklahoma Public Schools Unemployment Compensation Accounting totaling \$10,692. This amount has been shown as prepaid insurance on the financial statements.

12. Surety Bonds Bond

The treasurer is bonded by The Old Republic Surety Company, bond number W150130829 for the penal sum of \$100,000.

The superintendent is bonded by Old Republic Surety Company, bond number W150026977, for the penal sum of \$100,000.

The director of finance is bonded by Old Republic Surety Company, bond number W1500276678, for the penal sum of \$100,000.

13. Related Entities

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

Northeast Vo-Tech Foundation

COMBINING FINANCIAL STATEMENTS

**NORTHEAST TECHNOLOGY CENTER NO. 11
COMBINING BALANCE SHEET - FIDUCIARY FUNDS
JUNE 30, 2012**

	Agency Fund		
	Claremore Campus Activity Fund	North Campus Activity Fund	East Campus Activity Fund
ASSETS			
Cash	\$ 75,695	\$ 119,029	\$ 109,565
Miscellaneous Receivables	-	-	-
Total assets	\$ 75,695	\$ 119,029	\$ 109,565
LIABILITIES AND FUND EQUITY			
Liabilities:			
Due to General Fund	\$ 61,358	\$ 78,469	\$ 82,809
Due to Student Groups	14,337	40,560	26,756
Total liabilities	75,695	119,029	109,565
Fund equity:			
Unreserved/undesignated	-	-	-
Total Fund Equity	-	-	-
Total liabilities and fund equity	\$ 75,695	\$ 119,029	\$ 109,565

South Campus
Activity
Fund

Total

\$	117,867	\$	422,156
	-		-
\$	<u>117,867</u>	\$	<u>422,156</u>
\$	52,935	\$	275,571
	64,932		146,585
	<u>117,867</u>		<u>422,156</u>
	-		-
	-		-
\$	<u>117,867</u>	\$	<u>422,156</u>

**NORTHEAST TECHNOLOGY CENTER NO. 11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - FEDERAL PELL GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Pell Grant Fund</u>
Revenues	
Federal sources	
Pell Grants	\$ <u>986,053</u>
Total revenues	\$ <u>986,053</u>
Expenditures	
Other outlays	
Student Financial Assistance	\$ <u>986,053</u>
Total expenditures	\$ <u>986,053</u>
Excess of revenues over expenditures	\$ <u>-</u>
Fund balances, beginning of year	\$ <u>-</u>
Fund balances, end of year	\$ <u><u>-</u></u>

SUPPORTING SCHEDULES

**NORTHEAST TECHNOLOGY CENTER NO. 11
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual
Fund balances, beginning of year	\$ 8,077,343	\$ 8,077,343	\$ 8,077,343
Revenues collected:			
Local sources	13,763,972	13,763,972	15,194,215
Intermediate sources	-	-	-
State sources	2,864,837	2,864,837	3,043,013
Federal sources	964,048	964,048	2,050,643
	17,592,857	17,592,857	20,287,871
Total revenues collected			
Expenditures paid:			
Instruction	7,482,668	7,482,668	6,602,713
Support services	9,899,021	9,899,021	9,301,284
Non-instructional services	511,350	511,350	405,953
Capital outlay	2,836,255	2,836,255	2,794,475
Other outlays	3,678,406	3,678,406	133,573
Other uses	1,262,500	1,262,500	1,073,900
Repayments	-	-	-
	25,670,200	25,670,200	20,311,898
Total expenditures paid			
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	\$ -	\$ -	\$ 8,053,316
Adjustments to prior year encumbrances			617,986
Cash fund balance end of year			\$ 8,671,302
Explanation of differences between Budgetary Basis year end fund balance and GAAP year end fund balance:			
Fund Balance, June 30, 2012 - Budgetary basis			\$ 8,671,302
Accounts receivable not recognized as revenue			581,261
Expenses not recognized in GAAP basis (reserves & prepaid insurance)			1,871,442
Expenses not recognized in Budgetary basis			(396,914)
Net Assets of Governmental Activities			\$ 10,727,091

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, 2012**

	Original Budget	Final Budget	Actual
Fund balances, beginning of year	\$ 5,643,477	\$ 5,643,477	\$ 5,643,477
Revenues collected:			
Local sources	1,256,026	1,256,026	1,473,673
Intermediate sources	-	-	-
State sources	-	-	985
Federal sources	-	-	-
	1,256,026	1,256,026	1,474,658
Expenditures paid:			
Instruction	-	-	-
Support services	180,503	180,503	-
Capital outlay	3,850,000	3,850,000	3,594,767
Other outlays	2,869,000	2,869,000	-
	6,899,503	6,899,503	3,594,767
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances	\$ -	\$ -	\$ 3,523,368
Adjustments to prior year encumbrances			87,783
Cash fund balance end of year			\$ 3,611,151
Explanation of differences between Budgetary Basis year end fund balance and GAAP year end fund balance:			
Fund Balance, June 30, 2012 - Budgetary Basis			\$ 3,611,151
Accounts receivable not recognized as revenue			20,022
Expenses not recognized in Budgetary Basis			(165,102)
Expenses not recognized in GAAP basis (reserves)			2,204,616
Net Assets of Governmental Activities			\$ 5,670,687

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

**NORTHEAST TECHNOLOGY CENTER NO. 11
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Grantor's Number
<u>U.S. Department of Education</u>		
Direct Programs:		
<u>2011-2012 Programs</u>		
* Pell Grant	84.063	P063P113643
* S.E.O.G.	84.007	P033A113427
* College Work Study	84.033	P033A113427
Sub-Total		
Passed-Through State Department of Career and Technology Education:		
<u>2011-2012 Programs</u>		
Tech Prep	84.243	N/A
Carl Perkins Secondary	84.048	N/A
Carl Perkins Post Secondary	84.048	N/A
Bid Assistance Center	12.002	N/A
Sub-Total		
<u>U. S. Department of Energy</u>		
Passed-Through State Department of Career and Technology Education:		
<u>2011-2012 Programs</u>		
* ARRA State Energy Program	81.041	N/A
Sub-Total		

TOTAL FEDERAL ASSISTANCE

* Major program

See accompanying notes to Schedule of Federal Awards Expended

Balance at July 1, 2011	Revenue	Expenditures	Balance at June 30, 2012
\$ -	\$ 986,053	\$ 986,053	\$ -
-	15,525	15,525	-
-	9,851	9,851	-
\$ -	\$ 1,011,429	\$ 1,011,429	\$ -
\$ -	\$ 29,249	\$ 29,249	\$ -
-	159,230	159,230	-
-	33,594	33,594	-
-	16,358	16,358	-
\$ -	\$ 238,431	\$ 238,431	\$ -
\$ -	\$ 580,000	\$ 580,000	\$ -
\$ -	\$ 580,000	\$ 580,000	\$ -
\$ -	\$ 1,829,860	\$ 1,829,860	\$ -

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

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

3. Reconciliation of the Schedule of Expenditures of Federal Awards to Statement of Revenue, Expenditures and Changes in Fund Balance is as follows:

Total Federal Revenue as reflected on		
"Schedule of Federal Awards Expended"	\$	<u>1,829,860</u>
Total Federal Revenue as reflected on		
"Statement of Revenue, Expenditures and Changes In Fund Balance"	\$	1,835,475
Less: Accounts receivable not recorded in prior year		<u>(5,615)</u>
Reconciled Total	\$	<u>1,829,860</u>

**NORTHEAST TECHNOLOGY CENTER NO. 11
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NORTH CAMPUS
JULY 1, 2011 TO JUNE 30, 2012**

Activities	Balance 7-1-11	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-12
Adult Ed	\$ -	\$ 359,071	\$ 6,062	\$ 365,133	\$ -
Industry Specific	-	47,946	(2,215)	45,731	-
Shop Income					
Auto Collision	701	6,550	(426)	6,015	810
Automotive Service	1,198	90	-	385	903
Information Tech. & Fin. Services	129	-	-	100	29
Carpentry	42,244	3,786	-	42,398	3,632
Interactive Media	443	1,046	-	1,069	420
Cosmetology	598	11,240	1,322	12,310	850
Culinary Arts	120	3,034	343	2,831	666
Diesel	1,397	592	-	1,203	786
Electricity	2,533	-	-	1,563	970
Food Service	6,522	59,449	3,637	63,260	6,348
Marine Power Technology	1,220	4,750	-	5,178	792
Occ. Domestic Student Shop	1,417	1,135	92	954	1,690
Occ. Industrial	5,150	188	(92)	2,522	2,724
Practical Nursing Class Fund	11,105	5,459	603	4,576	12,591
Welding	977	1,499	-	827	1,649
Miscellaneous					
Sub	1,445	3,284	(186)	3,487	1,056
Sportswear	268	18	-	-	286
Food Service Uniforms	46	331	267	613	31
NE Vo-Tech Foundation	-	6,265	500	6,765	-
Vending	4,033	13,130	(63)	13,980	3,120
Flower Fund	330	-	-	185	145
Practical Nursing Emergency Fund	396	300	-	300	396
Student Organizations					
BPA	57	1,051	8	972	144
FCCLA	41	368	(8)	307	94
HOSA	53	210	-	240	23
VICA-Auto Collision	10	-	-	-	10
Vica-Auto Service	-	48	-	48	-
VICA-Carpentry	30	-	-	-	30
VICA-Cosmetology	173	920	(500)	420	173
VICA-Diesel	145	252	-	252	145
VICA-Electricity	18	48	-	48	18
VICA-Marine Power Tech	-	36	12	48	-

(continued)

NORTHEAST TECHNOLOGY CENTER NO. 11
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NORTH CAMPUS
JULY 1, 2011 TO JUNE 30, 2012

Activities	Balance 7-1-11	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-12
VICA-Occ. Industrial	1	-	-	-	1
VICA-Welding	16	180	24	204	16
National Tech Honor Society	133	115	-	236	12
OSSM	-	2,028	-	2,028	-
Tech Prep	11	-	-	11	-
Total Activities	\$ 82,960	\$ 534,419	\$ 9,380	\$ 586,199	\$ 40,560

**NORTHEAST TECHNOLOGY CENTER NO. 11
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
EAST CAMPUS
JULY 1, 2011 TO JUNE 30, 2012**

Activities	Balance 7-01-11	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-12
Adult Education	\$ -	\$ 375,821	\$ 9,612	\$ 385,433	\$ -
Shop Income	10,258	12,931	2	7,959	15,232
Misc. Fund	1,412	-	95	-	1,507
Vending	9,411	39,921	(2)	39,968	9,362
Student Organizations					
BPA	164	180	-	176	168
BPA Community Service	37	-	-	-	37
HOSA	108	345	-	360	93
HOSA Community Service	137	51	-	-	188
National Tech Honor Society	85	-	-	85	-
VICA Electrical	-	121	-	81	40
VICA Welding	-	233	-	177	56
VICA Automotive	73	48	-	48	73
Total Activities	\$ 21,685	\$ 429,651	\$ 9,707	\$ 434,287	\$ 26,756

**NORTHEAST TECHNOLOGY CENTER NO. 11
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SOUTH CAMPUS
JULY 1, 2011 TO JUNE 30, 2012**

Activities	Balance 7-1-11	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-12
Adult Education	\$ -	\$ 355,933	\$ 44,898	\$ 400,831	\$ -
Shop Income					
Auto Collision	2,051	444	(24)	584	1,887
Automotive Service	1,042	-	-	-	1,042
Cosmetology	994	3,447	-	4,294	147
Diesel	1,706	-	-	-	1,706
Food Service	7,125	54,622	-	57,175	4,572
Construction Trades	18,408	33,296	-	12,879	38,825
Welding	39	-	-	-	39
Practical Nursing Class	2,397	6,077	-	3,510	4,964
Coulinary Arts	-	150	-	-	150
Miscellaneous					
Sub Miscellaneous	167	7	-	174	-
Cosmetology Uniforms	6,271	9,129	(12)	9,900	5,488
Retirement Gift	-	430	-	430	-
Flower Fund	29	187	-	84	132
Vending	6,880	10,609	10	12,087	5,412
Student Organizations					
BPA	50	320	-	272	98
FCCLA	15	2,267	-	2,076	206
DECA	130	1,683	-	1,776	37
HOSA	-	766	112	851	27
VICA-Auto Collision	-	336	24	360	-
VICA-Auto Service	-	60	-	60	-
VICA-Construction Trades	-	48	-	48	-
VICA-Cosmetology	193	776	14	783	200
VICA-Diesel	1	36	(1)	36	-
VICA-Electricity	-	144	-	144	-
VICA-Welding	-	360	-	360	-
National Tech. Honor Society	-	1,020	-	1,020	-
Oltha Grimes Scholarship	-	6,000	-	6,000	-
Total Activities	\$ 47,498	\$ 488,147	\$ 45,021	\$ 515,734	\$ 64,932

**NORTHEAST TECHNOLOGY CENTER NO. 11
SCHOOL ACTIVITY FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CLAREMORE CAMPUS
JULY 1, 2011 TO JUNE 30, 2012**

Activities	Balance 7-01-11	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-12
Adult Education	\$ -	\$ 189,075	\$ (57,748)	\$ 131,327	\$ -
Industry Specific					
Tuition	-	28,548	(3,070)	25,478	-
Resale Textbooks	-	365	778	1,143	-
Resale Supplies	-	6,562	982	7,544	-
Small Bus. Management	-	-	-	-	-
Shop Income					
Food Service	6,247	30,342	126	27,822	8,893
Practical Nursing Class Fund	3,480	6,684	(371)	7,668	2,125
Environmental & Special Tech.	800	3,187	-	2,896	1,091
Computerized Automated Man.	-	383	-	358	25
Miscellaneous					
NE Vo-Tech Foundation	-	2,121	-	2,121	-
Vending	705	2,415	-	1,147	1,973
Facility Usage	-	-	-	-	-
Flower Fund	41	72	-	50	63
Student Organizations					
HOSA	-	510	-	365	145
Home Tech. Intergration	-	455	-	433	22
Computerized Automated Man.	-	24	-	24	-
Total Activities	\$ 11,273	\$ 270,743	\$ (59,303)	\$ 208,376	\$ 14,337

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

KERRY JOHN PATTEN, C.P.A.

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



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

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

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northeast Technology Center No. 11 (the "Center"), Pryor, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise Northeast Technology Center's basic financial statements and have issued my report thereon dated March 1, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

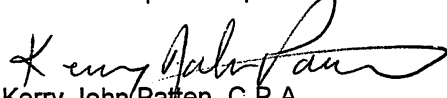
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Technology 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*.

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


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

KERRY JOHN PATTEN, C.P.A.

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



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

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

Compliance

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

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the type of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Technology Center's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Northeast Technology Center's compliance with those requirements.

In my opinion, Northeast Technology Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

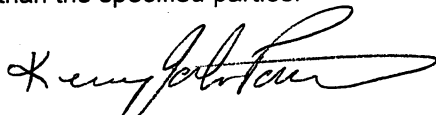
The management of Northeast Technology Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Northeast Technology Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

Internal Control over Compliance
Page 2

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses, as defined above.

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

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

Kerry John Patten, CPA
March 1, 2013

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Northeast Technology Center.
2. There were no audit findings reported of deficiencies in internal control, which the auditor considers to be "significant deficiencies" as defined in A.I.C.P.A. standards.
3. No instances of noncompliance material to the financial statements of Northeast Technology Center which would be required to be reported in accordance with Government Auditing Standards were disclosed in the audit.
4. There were no audit findings reported of deficiencies in internal control over major programs, which the auditor considers to be "significant deficiencies" as defined by A.I.C.P.A. standards.
5. The auditor's report on compliance for the major federal award programs for Northeast Technology Center expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to major federal award programs for Northeast Technology Center that are required to be reported in accordance with OMB Circular A-133.
7. The programs tested as major programs included: Student Financial Aid Cluster (84.063, 84.007, & 84.033) and ARRA State Energy Program (84.041).
8. The threshold for distinguishing Types A and B programs was \$300,000.00.
9. Northeast Technology Center did qualify as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

1. No matters were reported.

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

1. No matters were reported.

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
SUMMARY OF PRIOR AUDIT FINDINGS
JULY 1, 2011 TO JUNE 30, 2012**

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

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

**NORTHEAST TECHNOLOGY CENTER NO. 11
MAYES COUNTY, OKLAHOMA
SCHEDULE OF COMMENTS
JULY 1, 2011 TO JUNE 30, 2012**

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

Previous Year's Audit Comments

There are no items in the Center's 2010-11 audit report, which required resolution.

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, 2011 TO JUNE 30, 2012**

State of Oklahoma)
County of Tulsa)

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

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



BY _____

Kerry John Patten

AUTHORIZED AGENT

Subscribed and sworn to before me on this

15th day of March, 2013

Linda Kellick 05010870

NOTARY PUBLIC

My commission expires on:

30 day of Nov., 2013