

Native American Cultural and Educational Authority

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)



**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

FINANCIAL STATEMENTS

Table of Contents

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Management's Discussion and Analysis</u>	I-1
<u>Basic Financial Statements:</u>	
<i>Government-Wide Financial Statements:</i>	
Statements of Net Assets	3
Statements of Activities	5
<i>Fund Financial Statements:</i>	
Balance Sheets—Governmental Fund	7
Reconciliation of the Governmental Fund Balance Sheets to the Statements of Net Assets.....	9
Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances to the Statements of Activities	12
Notes to Financial Statements.....	13
<u>Required Supplementary Information:</u>	
Statements of Revenues, Expenditures, and Changes in Fund Balances—Budget to Actual (Budgetary Basis)—Governmental Funds	43
Reconciliations of Differences Between Budgetary Basis and Report Basis—Governmental Funds.....	45

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

FINANCIAL STATEMENTS

Table of Contents, Continued

	<u>Page</u>
Reports and Schedules Required by <i>Government Auditing Standards</i> and <u>OMB Circular A-133:</u>	
Schedule of Expenditures of Federal Awards	47
Notes to Schedule of Expenditures of Federal Awards	48
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings and Questioned Costs.....	53
Summary Schedule of Prior Audit Findings	55



INDEPENDENT AUDITORS' REPORT

Board of Directors
Native American Cultural and
Educational Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Native American Cultural and Educational Authority (the "Authority") as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The Authority is a part of the reporting entity of the State of Oklahoma. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the State of Oklahoma that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2012 and 2011, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2012 and 2011, and the respective changes in financial position for the years then ended, in conformity with accounting principles generally accepted in the United States.

As more fully described in Note 2, the financial statements as of and for the year ended June 30, 2011, have been restated to reflect certain contributions received in 2011 as conditional contributions.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 to I-10 and the budgetary comparison information on pages 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Finley & Cook, PLLC

Shawnee, Oklahoma
November 2, 2012

MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis of the Native American Cultural and Educational Authority’s (the “Authority”) financial performance provides an overview of the Authority’s financial activity for the years ended June 30, 2012 and 2011. It should be read in conjunction with the financial statements which begin on page 3. The Authority is affiliated with a 501(c)(3) entity, the American Indian Cultural Center Foundation (the “Foundation”). The Foundation’s goal is to be the fundraising arm of the Authority for the construction of the American Indian Cultural Center and Museum (the “Museum”). Presently, the Authority and the Foundation share approximately the same voting board of directors, and the assets of the Foundation are being held for the benefit of the Authority. The Foundation is considered a blended component unit of the Authority. Therefore, the financial position and results of operations of the Foundation are included in the financial statements of the Authority and are accounted for in the Authority’s governmental funds financial statements in a special revenue fund.

Discussion of the Basic Financial Statements

The 2012 and 2011 financial statements have been prepared in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34). GASB 34 not only provides for the presentation of Management’s Discussion and Analysis and other required supplementary information, but also provides for the following statements:

Government-Wide Financial Statements:

Statements of Net Assets—These are financial statements of the Authority as a whole. They are prepared on the accrual basis of accounting and present all assets, liabilities, and net assets for the Authority as of June 30, 2012 and 2011.

Statements of Activities—These statements are also prepared on the accrual basis of accounting and present the operating results of the Authority for the years ended June 30, 2012 and 2011.

Fund Financial Statements:

Balance Sheets—Governmental Fund—The Authority has two funds, the general fund and the special revenue fund. The general fund accounts for all of the general operations of the Authority, and the special revenue fund accounts for all operations of the Foundation. These financial statements present the balance sheets prepared on a modified accrual basis of accounting. Certain assets and liabilities presented on the statements of net assets are not reflected on these statements. There is also a reconciliation prepared of the balance sheets to reconcile the fund balance per the governmental funds to the statements of net assets.

Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance—These statements are prepared on a modified accrual basis of accounting; consider only the governmental funds; and present operating results on a governmental fund basis. There is also a reconciliation of the governmental fund statements of revenues, expenditures, and changes in fund balance to the statements of activities; as the name implies, these statements are simply a reconciliation of the net changes in fund balances for governmental funds to the changes in net assets per the statements of activities.

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

Discussion of the Basic Financial Statements, Continued

The government-wide financial statements include all assets and liabilities of the Authority, such as capital assets, capital leases payable, accruals for compensated absences, etc. As such, also included are depreciation and interest expenses, whereas the fund financial statements generally include only current assets and payables. At the fund level, payments on the capital lease are reflected as expenditures when paid and no capital assets such as land and building are included.

Analysis of the Authority’s Overall Financial Position and Results of Operations

The June 30, 2012 and 2011, statements of net assets reflect assets in excess of liabilities of approximately \$42,824,000 and \$31,742,000, respectively. For the years ended June 30, 2012 and 2011, the statements of activities reflect a change in net assets of approximately \$11,082,000 and \$6,737,000, respectively.

Condensed Financial Information—Government-Wide Financial Statements

Statements of Net Assets

	<u>2012</u>	<u>2011</u>
Assets		
Current assets	\$ 7,832,254	8,486,717
Noncurrent assets	90,403,003	80,731,815
Total assets	<u>98,235,257</u>	<u>89,218,532</u>
Liabilities		
Current liabilities, as restated	7,151,131	6,331,732
Noncurrent liabilities	48,260,000	51,145,000
Total liabilities, as restated	<u>55,411,131</u>	<u>57,476,732</u>
Net assets, as restated	<u>\$ 42,824,126</u>	<u>31,741,800</u>

Statements of Activities

	<u>2012</u>	<u>2011</u>
General revenue:		
State appropriations	\$ 6,784,354	6,822,404
Contributions	927,523	404,164
Other	1,024,390	841,177
	<u>8,736,267</u>	<u>8,067,745</u>
Grant revenues, as restated	<u>7,787,835</u>	<u>3,251,261</u>
Total revenues, as restated	<u>16,524,102</u>	<u>11,319,006</u>
Expenses:		
Operations, including interest expense	<u>5,441,776</u>	<u>4,581,723</u>
Total expenses	<u>5,441,776</u>	<u>4,581,723</u>
Changes in net assets, as restated	<u>\$ 11,082,326</u>	<u>6,737,283</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information—Government-Wide Financial Statements, Continued

Current assets consist primarily of cash and cash equivalents and grants receivable. Noncurrent assets consist of restricted cash and cash equivalents, capital assets, and debt issuance costs. Capital assets primarily consist of construction in progress, building, land, and furniture and fixtures. As of June 30, 2012 and 2011, current liabilities were primarily composed of accounts payable along with the current portion of capital lease obligations of \$2,885,000 and \$2,785,000, respectively, and the current portion of compensated absences of approximately \$48,000 and \$39,000, respectively. Noncurrent liabilities at June 30, 2012 and 2011, consisted of the capital lease obligations, less the current portion, of \$48,260,000 and \$51,145,000, respectively.

At June 30, 2012 and 2011, net assets were composed of the investment in capital assets, net of related debt, of approximately \$38,682,000 and \$26,792,000, respectively; restricted net assets of approximately \$134,000 and \$129,000, respectively; and unrestricted net assets of approximately \$4,009,000 and \$4,821,000, respectively.

A significant portion of the statements of activities is represented by State of Oklahoma ("State") appropriations. For the years ended June 30, 2012 and 2011, approximately \$6,784,000 and \$6,822,000, respectively, was appropriated to the Authority from State-appropriated revenues. For the years ended June 30, 2012 and 2011, the statements of activities included approximately \$928,000 and \$404,000, respectively, of contributions. Also included is approximately \$1,024,000 and \$841,000 of other revenues (interest income) at June 30, 2012 and 2011, respectively, which were funds expended for construction that were from interest earned by the Oklahoma Capitol Improvement Authority (OCIA).

Analysis of Balances and Transactions of Individual Funds

As noted previously, the Authority, for reporting purposes, has two funds within the governmental funds, which are the general fund and the special revenue fund. The special revenue fund represents the financial position and results of operations of the Foundation.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information—Fund Financial Statements

Balance Sheets—Governmental Fund

	2012		
	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and cash equivalents	\$ 1,793,294	2,149,114	3,942,408
Restricted cash and cash equivalents	-	3,599,136	3,599,136
Grants receivable	300,710	-	300,710
Due from the Foundation	1,860,058	-	1,860,058
Total assets	<u>\$ 3,954,062</u>	<u>5,748,250</u>	<u>9,702,312</u>
Due to the Authority	\$ -	1,860,058	1,860,058
Conditional contributions received	-	3,465,633	3,465,633
Accounts payable	681,141	71,067	752,208
Fund balances	<u>3,272,921</u>	<u>351,492</u>	<u>3,624,413</u>
Total liabilities and fund balances	<u>\$ 3,954,062</u>	<u>5,748,250</u>	<u>9,702,312</u>
	2011		
	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and cash equivalents	\$ 1,367,671	3,596,927	4,964,598
Restricted cash and cash equivalents	-	2,781,591	2,781,591
Due from the Foundation	3,459,174	-	3,459,174
Grants receivable	750,528	-	750,528
Total assets	<u>\$ 5,577,373</u>	<u>6,378,518</u>	<u>11,955,891</u>
Due to the Authority	\$ -	3,459,174	3,459,174
Conditional contributions received, as restated	-	2,653,088	2,653,088
Accounts payable	814,193	40,553	854,746
Fund balances, as restated	<u>4,763,180</u>	<u>225,703</u>	<u>4,988,883</u>
Total liabilities and fund balances	<u>\$ 5,577,373</u>	<u>6,378,518</u>	<u>11,955,891</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information—Fund Financial Statements, Continued

**Governmental Funds Statements of Revenues, Expenditures, and
Changes in Fund Balances**

	2012		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
State appropriations	\$ 6,784,354	-	6,784,354
Federal grants	7,787,835	-	7,787,835
Contributions	-	927,523	927,523
Other	8,890	13,953	22,843
Total revenues	<u>14,581,079</u>	<u>941,476</u>	<u>15,522,555</u>
Expenditures:			
Salaries, wages, and benefits	866,039	-	866,039
Professional/consultants	422,066	815,687	1,237,753
Lease	44,377	-	44,377
Contractual	9,330,347	-	9,330,347
Other	188,094	-	188,094
Debt service:			
Principal	2,785,000	-	2,785,000
Interest	2,435,415	-	2,435,415
Total expenditures	<u>16,071,338</u>	<u>815,687</u>	<u>16,887,025</u>
Net changes in fund balances	<u>\$ (1,490,259)</u>	<u>125,789</u>	<u>(1,364,470)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information—Fund Financial Statements, Continued

**Governmental Funds Statements of Revenues, Expenditures, and
Changes in Fund Balances**

	2011		
	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State appropriations	\$ 6,822,404	-	6,822,404
Federal grants	3,231,261	-	3,231,261
Contributions, as restated	-	404,164	404,164
Other	59,931	9,925	69,856
Total revenues, as restated	<u>10,113,596</u>	<u>414,089</u>	<u>10,527,685</u>
Expenditures:			
Salaries, wages, and benefits	981,450	-	981,450
Professional/consultants	112,897	585,221	698,118
Lease	40,243	-	40,243
Contractual	5,119,172	-	5,119,172
Other	246,806	-	246,806
Debt service:			
Principal	2,690,000	-	2,690,000
Interest	2,526,820	-	2,526,820
Total expenditures	<u>11,717,388</u>	<u>585,221</u>	<u>12,302,609</u>
Net changes in fund balances, as restated	<u>\$ (1,603,792)</u>	<u>(171,132)</u>	<u>(1,774,924)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Analysis of Significant Variations Between Budget Amounts for the General Fund

For the year ended June 30, 2012, the largest significant budget variances were in the areas of State appropriations. State appropriations were underbudgeted approximately \$432,000. The Authority used 2011 carryover funds from unexpended State appropriations to pay for lease and other contractual expenses related to 2012. These funds helped reduce the amount of 2012 State appropriations that were needed to cover the 2012 expenditures. The 2012 carryover funds will be utilized to pay for the Museum site preservation.

For the year ended June 30, 2011, the largest significant budget variances were in the areas of State appropriations, federal grants, and contractual expense. State appropriations were overbudgeted approximately \$687,000. The Authority budgeted for additional employees in anticipation of fiscal year 2011 appropriations, while also budgeting for expenses associated with maintaining the site in the event of a halt on construction and demobilization of the general contractors from the construction site. In addition, the State reduced the Authority's appropriated revenue by 2.5%. Federal grant revenue was overbudgeted approximately \$959,000, and contractual expense was overbudgeted \$1,148,000. The Authority budgeted for \$790,000 of federal grant revenue and contractual expense in relation to the Institute of Museum and Library Services (IMLS) grant. However, during fiscal year 2011, the Authority actually recognized approximately \$20,700 of federal grant revenues and expenditures in relation to this grant.

Description of Long-Term Debt Activity and Significant Capital Assets

As of June 30, 2012 and 2011, the only long-term debt the Authority had consisted of capital lease obligations. The OCIA issues bonds on behalf of the Authority. The Authority then signs a lease agreement with OCIA. At June 30, 2012 and 2011, the principal amount of this debt was \$51,145,000 and \$53,930,000, respectively. A summary of the changes in lease obligation for the years ended June 30 is as follows:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 53,930,000	56,620,000
Principal payments	<u>(2,785,000)</u>	<u>(2,690,000)</u>
Balance, end of year	<u>\$ 51,145,000</u>	<u>53,930,000</u>

Construction in progress is the Authority's largest capital asset. The capital assets of the Authority consist of land, construction in progress under capital lease obligations, furniture and fixtures, and the addition of the Visitor Center included in building.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Description of Long-Term Debt Activity and Significant Capital Assets, Continued

A summary of capital assets and the changes for the years 2012 and 2011 is as follows:

	<u>Balance at</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2012</u>
Land	\$ 355,000	-	-	-	355,000
Construction in progress	76,891,174	10,020,175	-	-	86,911,349
Furniture and fixtures	85,018	-	-	-	85,018
Building	<u>2,974,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,974,780</u>
Total cost	<u>80,305,972</u>	<u>10,020,175</u>	<u>-</u>	<u>-</u>	<u>90,326,147</u>
Less accumulated depreciation:					
Furniture and fixtures	(72,585)	(7,964)	-	-	(80,549)
Building	<u>(199,380)</u>	<u>(99,689)</u>	<u>-</u>	<u>-</u>	<u>(299,069)</u>
Total accumulated depreciation	<u>(271,965)</u>	<u>(107,653)</u>	<u>-</u>	<u>-</u>	<u>(379,618)</u>
Capital assets, net	<u>\$ 80,034,007</u>	<u>9,912,522</u>	<u>-</u>	<u>-</u>	<u>89,946,529</u>
	<u>Balance at</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2011</u>
Land	\$ 355,000	-	-	-	355,000
Construction in progress	66,089,357	10,801,817	-	-	76,891,174
Furniture and fixtures	85,018	-	-	-	85,018
Building	<u>2,974,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,974,780</u>
Total cost	<u>69,504,155</u>	<u>10,801,817</u>	<u>-</u>	<u>-</u>	<u>80,305,972</u>
Less accumulated depreciation:					
Furniture and fixtures	(56,934)	(15,651)	-	-	(72,585)
Building	<u>(99,690)</u>	<u>(99,690)</u>	<u>-</u>	<u>-</u>	<u>(199,380)</u>
Total accumulated depreciation	<u>(156,624)</u>	<u>(115,341)</u>	<u>-</u>	<u>-</u>	<u>(271,965)</u>
Capital assets, net	<u>\$ 69,347,531</u>	<u>10,686,476</u>	<u>-</u>	<u>-</u>	<u>80,034,007</u>

During 2010, the Authority completed and began using the Visitor Center; therefore, the Authority began depreciating the cost of the Visitor Center using the straight-line basis.

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

Description of Long-Term Debt Activity and Significant Capital Assets, Continued

While not a part of capital assets, the Authority has a lease receivable representing unexpended bond proceeds held by OCIA. As the proceeds are expended, the expended amounts are reflected as construction in progress. There was no lease receivable as of June 30, 2012. A summary of the changes in lease receivables for June 30, 2011, is as follows:

Balance, beginning of year	\$ 4,861,547
Other income expended for construction	821,098
Expended for construction in progress	<u>(5,682,645)</u>
Balance, end of year	<u><u>\$ -</u></u>

The other income consists of earnings on the unspent bond proceeds held by OCIA, as well as any additional monies received by OCIA and expended for the construction project.

Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations

Funding for the Authority is made by the Oklahoma Legislature as a line-item appropriation in the Oklahoma Department of Commerce’s bill. As authorized by the appropriation bill, the amount for the Authority is transferred by the Office of State Finance from the Oklahoma Department of Commerce’s general revenue fund into the revolving fund for the Authority. The Office of State Finance approved the Authority’s budget as part of the Oklahoma Department of Commerce’s budget for the year July 1, 2011, to June 30, 2012, and the year July 1, 2012, to June 30, 2013. Overall, the total budgeted expenditure changes are \$(652,000) and \$(2,135,000) for fiscal years 2013 and 2012, respectively. The changes in anticipated expenditures are as follows:

	<u>2013 Budget</u> <u>Compared to 2012</u>	<u>2012 Budget</u> <u>Compared to 2011</u>
State appropriated	\$ -	(38,000)
Federal	<u>(652,000)</u>	<u>(2,097,000)</u>
Total expenditure change	<u><u>\$ (652,000)</u></u>	<u><u>(2,135,000)</u></u>

For fiscal year 2013, the Authority’s State appropriations did not significantly fluctuate, and the Authority does not anticipate receiving any additional grant funds.

For fiscal year 2012, the Authority’s State appropriations did not significantly fluctuate, and the Authority does not anticipate expending any federal funds in relation to budgeted expenditures.

The Authority does not prepare a budget for the special revenue fund, which represents the Foundation’s operations. Therefore, no budget comparison information is provided for the special revenue fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Current Status of the Museum

The State's decision to vote against capital funding for the Museum project in the 2012 Legislative Session resulted in an indefinite suspension of construction until funds to complete the project are recognized. During the interim, preserving the Museum site and existing structures requires 24 hour presence and security, mechanical equipment warranty maintenance, building/grounds maintenance, and utilities expenses. This preservation plan has been contracted with the Museum's general contractor to avoid demobilization and totals approximately \$52,000 per month, which requires the use of operational appropriation funds until the future of the project is determined. Using appropriations results in an operational budget that does not allow for the much-needed growth of the Authority; however, it does provide enough to sustain current operations until the State approves additional funding or identifies an alternative plan and/or partnership in accomplishing the Museum completion. In fiscal year 2014, the Authority anticipates a flat operating budget (or the same appropriation as fiscal year 2013). This will enable current Authority operations to continue.

The future of the Authority as a governing body, as well as the completion of the Museum project itself, are now in the hands of the State. With regard to construction, the Museum is approximately \$80 million short of completion. As of 2012, the Authority has secured \$40 million in conditional pledges from private donors contingent upon the State's match of funding to complete the project, among other conditions on certain pledges. A viable roadmap to completion has been presented which will ensure usage of this \$40 million in non-state matching funds contingent on the State matching \$40 million in capital completion funds. This plan will be weighed and considered in the coming 2013 legislative session. A decision by the State not to match the non-state funds will likely result in the withdrawal of the \$40 million non-state funds currently pledged and thereby the transfer of the total burden of completion back to the State. However, the State's commitment to provide the necessary matching capital funds will solidify a completion date for the Museum and will strengthen the Authority's future efforts in raising funds for operations for the Museum. It should also be noted that the economic impact over a 20-year period is conservatively estimated to be \$3.8 billion according to the Applied Economics Impact Study of 2009 which was independently commissioned by the Greater OKC Chamber.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director % the Native American Cultural and Educational Authority, 900 N. Broadway, Suite 200, Oklahoma City, OK 73102.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

STATEMENTS OF NET ASSETS

<i>June 30,</i>	<i>2012</i>	<i>2011</i>
Assets		
Current assets:		
Cash and cash equivalents (including \$3,589,136 and \$2,771,591 of restricted cash as of June 30, 2012 and 2011, respectively)	\$ 7,531,544	7,736,189
Grants receivable	<u>300,710</u>	<u>750,528</u>
Total current assets	<u>7,832,254</u>	<u>8,486,717</u>
Noncurrent assets:		
Restricted cash and cash equivalents	10,000	10,000
Debt issuance costs, net	446,474	687,808
Capital assets:		
Land	355,000	355,000
Building, net of accumulated depreciation	2,675,711	2,775,400
Furniture and fixtures, net of accumulated depreciation	4,469	12,433
Construction in progress	<u>86,911,349</u>	<u>76,891,174</u>
Total capital assets, net of accumulated depreciation	<u>89,946,529</u>	<u>80,034,007</u>
Total noncurrent assets	<u>90,403,003</u>	<u>80,731,815</u>
Total assets	<u>98,235,257</u>	<u>89,218,532</u>

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

STATEMENTS OF NET ASSETS, CONTINUED

<i>June 30,</i>	<i>2012</i>	<i>2011</i>
Liabilities		
Current liabilities:		
Accounts payable	752,208	854,746
Capital lease obligations—current portion	2,885,000	2,785,000
Accrued compensated absences	48,290	38,898
Conditional contributions received, as restated	3,465,633	2,653,088
Total current liabilities, as restated	<u>7,151,131</u>	<u>6,331,732</u>
Noncurrent liabilities:		
Capital lease obligations—less current portion	<u>48,260,000</u>	<u>51,145,000</u>
Total noncurrent liabilities	<u>48,260,000</u>	<u>51,145,000</u>
 Total liabilities, as restated	 <u>55,411,131</u>	 <u>57,476,732</u>
Net Assets		
Invested in capital assets, net of related debt	38,682,002	26,791,815
Restricted, as restated	133,503	128,503
Unrestricted	<u>4,008,621</u>	<u>4,821,482</u>
 Total net assets, as restated	 <u>\$ 42,824,126</u>	 <u>31,741,800</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2012

	<u>REVENUES</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Net (Expense) Revenue/Changes in Net Assets</u>
Governmental activities:					
Operations	\$ (3,006,361)	-	-	-	(3,006,361)
Interest expense	(2,435,415)	-	-	-	(2,435,415)
Total general government	<u>(5,441,776)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,441,776)</u>
Grant programs	<u>-</u>	<u>-</u>	<u>219,095</u>	<u>7,568,740</u>	<u>7,787,835</u>
Total governmental activities	<u>\$ (5,441,776)</u>	<u>-</u>	<u>219,095</u>	<u>7,568,740</u>	<u>2,346,059</u>
General revenues:					
State appropriations					6,784,354
Contributions					927,523
Other					<u>1,024,390</u>
Total general revenues					<u>8,736,267</u>
Changes in net assets					11,082,326
Net assets, beginning of year, as restated					<u>31,741,800</u>
Net assets, end of year					<u>\$ 42,824,126</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2011

	<u>REVENUES</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Net (Expense) Revenue/Changes in Net Assets</u>
Governmental activities:					
Operations	\$ (2,054,903)	-	-	-	(2,054,903)
Interest expense	(2,526,820)	-	-	-	(2,526,820)
Total general government	<u>(4,581,723)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,581,723)</u>
Grant programs	<u>-</u>	<u>-</u>	<u>177,801</u>	<u>3,073,460</u>	<u>3,251,261</u>
Total governmental activities	<u>\$ (4,581,723)</u>	<u>-</u>	<u>177,801</u>	<u>3,073,460</u>	<u>(1,330,462)</u>
General revenues:					
State appropriations					6,822,404
Contributions, as restated					404,164
Other					<u>841,177</u>
Total general revenues, as restated					<u>8,067,745</u>
Changes in net assets, as restated					6,737,283
Net assets, beginning of year					<u>25,004,517</u>
Net assets, end of year, as restated					<u>\$ 31,741,800</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

BALANCE SHEETS—GOVERNMENTAL FUND

June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,793,294	2,149,114	3,942,408
Restricted cash and cash equivalents	-	3,599,136	3,599,136
Grants receivable	300,710	-	300,710
Due from the Foundation	<u>1,860,058</u>	<u>-</u>	<u>1,860,058</u>
 Total assets	 <u>\$ 3,954,062</u>	 <u>5,748,250</u>	 <u>9,702,312</u>
Liabilities and Fund Balances			
Liabilities:			
Due to the Authority	\$ -	1,860,058	1,860,058
Conditional contributions received	-	3,465,633	3,465,633
Accounts payable	<u>681,141</u>	<u>71,067</u>	<u>752,208</u>
Total liabilities	<u>681,141</u>	<u>5,396,758</u>	<u>6,077,899</u>
Fund balances:			
Nonspendable	-	10,000	10,000
Restricted	6,423	123,503	129,926
Committed	1,543,491	217,989	1,761,480
Unassigned	<u>1,723,007</u>	<u>-</u>	<u>1,723,007</u>
Total fund balances	<u>3,272,921</u>	<u>351,492</u>	<u>3,624,413</u>
 Total liabilities and fund balances	 <u>\$ 3,954,062</u>	 <u>5,748,250</u>	 <u>9,702,312</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

BALANCE SHEETS—GOVERNMENTAL FUND, CONTINUED

June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,367,671	3,596,927	4,964,598
Restricted cash and cash equivalents	-	2,781,591	2,781,591
Due from the Foundation	3,459,174	-	3,459,174
Grants receivable	750,528	-	750,528
	<u>5,577,373</u>	<u>6,378,518</u>	<u>11,955,891</u>
Total assets	\$ 5,577,373	6,378,518	11,955,891
Liabilities and Fund Balances			
Liabilities:			
Due to the Authority	\$ -	3,459,174	3,459,174
Conditional contributions received, as restated	-	2,653,088	2,653,088
Accounts payable	814,193	40,553	854,746
	<u>814,193</u>	<u>6,152,815</u>	<u>6,967,008</u>
Total liabilities, as restated	814,193	6,152,815	6,967,008
Fund balances:			
Nonspendable	-	10,000	10,000
Restricted, as restated	7,386	118,503	125,889
Committed	3,459,174	97,200	3,556,374
Unassigned	1,296,620	-	1,296,620
	<u>4,763,180</u>	<u>225,703</u>	<u>4,988,883</u>
Total fund balances, as restated	4,763,180	225,703	4,988,883
	<u>\$ 5,577,373</u>	<u>6,378,518</u>	<u>11,955,891</u>
Total liabilities and fund balances	\$ 5,577,373	6,378,518	11,955,891

See Independent Auditors' Report.
See accompanying notes to financial statements.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS TO
THE STATEMENTS OF NET ASSETS**

<i>June 30,</i>	<i>2012</i>	<i>2011</i>
Reconciliation of Fund Balance to Net Assets		
Total fund balances—governmental fund, as restated	\$ 3,624,413	4,988,883
Amounts reported in the statements of net assets are different because:		
Certain assets used in governmental activities are not financial resources and therefore are not reported in the fund:		
Capital assets:		
Furniture and fixtures, net of accumulated depreciation	4,469	12,432
Construction in progress	86,911,349	76,891,174
Land	355,000	355,000
Building, net of accumulated depreciation	2,675,711	2,775,401
Debt issuance costs	446,474	687,808
Certain liabilities are not due and payable in the current period and therefore are not reported in the fund:		
Accrued compensated absences	(48,290)	(38,898)
Capital lease obligations	<u>(51,145,000)</u>	<u>(53,930,000)</u>
Net assets of governmental activities, as restated	<u>\$ 42,824,126</u>	<u>31,741,800</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

**GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Federal grants	\$ 7,787,835	-	7,787,835
Contributions	-	927,523	927,523
Other	8,890	13,953	22,843
Total revenues	<u>7,796,725</u>	<u>941,476</u>	<u>8,738,201</u>
Expenditures:			
Operational:			
Salaries, wages, and benefits	866,039	-	866,039
Professional/consultants	422,066	815,687	1,237,753
Travel	23,702	-	23,702
Lease	44,377	-	44,377
Equipment rental	7,549	-	7,549
Supplies	18,093	-	18,093
Equipment	30,776	-	30,776
Maintenance	18,936	-	18,936
Telephone	9,683	-	9,683
Postage and freight	900	-	900
Advertising	1,263	-	1,263
Contractual	9,330,347	-	9,330,347
Other	77,192	-	77,192
Debt service:			
Principal	2,785,000	-	2,785,000
Interest	2,435,415	-	2,435,415
Total expenditures	<u>16,071,338</u>	<u>815,687</u>	<u>16,887,025</u>
(Deficiency) excess of revenues over expenditures	(8,274,613)	125,789	(8,148,824)
Other funding sources:			
State appropriations	6,784,354	-	6,784,354
Total other funding sources	<u>6,784,354</u>	<u>-</u>	<u>6,784,354</u>
Net changes in fund balances	(1,490,259)	125,789	(1,364,470)
Fund balances, beginning of year, as restated	<u>4,763,180</u>	<u>225,703</u>	<u>4,988,883</u>
Fund balances, end of year	<u>\$ 3,272,921</u>	<u>351,492</u>	<u>3,624,413</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

**GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES, CONTINUED**

Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Federal grants	\$ 3,231,261	-	3,231,261
Contributions, as restated	-	404,164	404,164
Other	59,931	9,925	69,856
Total revenues, as restated	<u>3,291,192</u>	<u>414,089</u>	<u>3,705,281</u>
Expenditures:			
Operational:			
Salaries, wages, and benefits	981,450	-	981,450
Professional/consultants	112,897	585,221	698,118
Travel	27,588	-	27,588
Lease	40,243	-	40,243
Equipment rental	7,095	-	7,095
Supplies	10,942	-	10,942
Equipment	6,771	-	6,771
Maintenance	9,136	-	9,136
Telephone	22,188	-	22,188
Postage and freight	2,575	-	2,575
Advertising	92,610	-	92,610
Printing	11,320	-	11,320
Contractual	5,119,172	-	5,119,172
Other	56,581	-	56,581
Debt service:			
Principal	2,690,000	-	2,690,000
Interest	2,526,820	-	2,526,820
Total expenditures	<u>11,717,388</u>	<u>585,221</u>	<u>12,302,609</u>
Deficiency of revenues over expenditures, as restated	(8,426,196)	(171,132)	(8,597,328)
Other funding sources:			
State appropriations	6,822,404	-	6,822,404
Total other funding sources	<u>6,822,404</u>	<u>-</u>	<u>6,822,404</u>
Net changes in fund balances, as restated	(1,603,792)	(171,132)	(1,774,924)
Fund balances, beginning of year	<u>6,366,972</u>	<u>396,835</u>	<u>6,763,807</u>
Fund balances, end of year, as restated	<u>\$ 4,763,180</u>	<u>225,703</u>	<u>4,988,883</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENTS OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO
THE STATEMENTS OF ACTIVITIES**

<i>Years Ended June 30,</i>	<i>2012</i>	<i>2011</i>
Net changes in fund balances—total governmental funds, as restated	\$ (1,364,470)	(1,774,924)
<p>Amounts reported for governmental activities in the statements of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets:</p>		
Depreciation expense	(107,653)	(115,341)
Capital asset purchases capitalized	1,449,888	2,025,633
Grant funds spent on construction and capitalized	7,568,740	3,073,460
Other income spent on construction	1,001,547	841,177
	9,912,522	5,824,929
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of net assets:</p>		
Capital lease obligation principal payments	2,785,000	2,690,000
<p>Some expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>		
Changes in accrued compensated absences	(9,392)	(2,722)
Amortization of debt issuance costs	(241,334)	-
	\$ 11,082,326	6,737,283
Changes in net assets of governmental activities, as restated	\$ 11,082,326	6,737,283

See Independent Auditors' Report.
See accompanying notes to financial statements.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Native American Cultural and Educational Authority (the “Authority”) complies with accounting principles generally accepted in the United States. Accounting principles generally accepted in the United States include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

Reporting Entity

In 1994, the Oklahoma Legislature authorized creation of the Authority to design, construct, and operate an American Indian Cultural Center and Museum (the “Museum”).

The Authority operates primarily from appropriations from State of Oklahoma (“State”) funds. In addition to State appropriations, during 2012 and 2011 the Authority also utilized awards from federal agencies and non-federal entities and other income that was earned on unspent bond proceeds, which was used by the Authority for construction activities.

Presently, a portion of the Authority’s funds are administered by the Oklahoma Department of Commerce (ODOC). The Authority’s funds administered by ODOC are included in the annual appropriations for ODOC.

The Department of Central Services (DCS) maintains the proceeds from the bond issuances and the State Fiscal Stabilization Fund (SFSF) and other grant monies. The funds from the bond issuances and the grant proceeds are administered by the DCS. The expenditures of the bond issuances and grant proceeds administered by DCS are included in the Authority’s operations.

The Authority is the primary reporting entity. ODOC and DCS are administrative agencies which perform some administrative functions for the Authority.

The financial statements of the Authority are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the State that is attributable to the transactions of the Authority. These financial statements include only the activities of the Authority and not ODOC, DCS, or any other activities of the State. The Authority’s financial statements are included in the statewide financial statements of the State.

See Independent Auditors’ Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Reporting Entity, Continued

American Indian Cultural Center Foundation

The Authority is affiliated with a 501(c)(3) entity, the American Indian Cultural Center Foundation (the "Foundation"). The Foundation's goal is to be the fundraising arm of the Authority for the construction of the Museum. Presently, the Authority and the Foundation share approximately the same voting board of directors, and the assets of the Foundation are being held for the benefit of the Authority. The Foundation is considered a blended component unit of the Authority. Therefore, the financial position and results of activities of the Foundation are included in the financial statements of the Authority and are accounted for in the Authority's governmental funds financial statements in a special revenue fund. A summary of the Foundation's financial statements at June 30 is as follows:

Statements of Financial Position

	<u>2012</u>	<u>2011</u>
Assets:		
Cash and cash equivalents	\$ 289,056	137,753
Restricted cash and cash equivalents	<u>5,459,194</u>	<u>6,240,765</u>
Total assets	<u>5,748,250</u>	<u>6,378,518</u>
Liabilities:		
Due to the Authority	1,860,058	3,459,174
Conditional contributions received, as restated	3,465,633	2,653,088
Accounts payable	<u>71,067</u>	<u>40,553</u>
Total liabilities, as restated	<u>5,396,758</u>	<u>6,152,815</u>
Net assets, as restated	<u>\$ 351,492</u>	<u>225,703</u>

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Reporting Entity, Continued

American Indian Cultural Center Foundation, Continued

Statements of Activities

	Years Ended June 30,	
	<u>2012</u>	<u>2011</u>
Support and revenues:		
Contributions, as restated	\$ 927,523	404,164
Interest income	<u>13,953</u>	<u>9,925</u>
Total support and revenues, as restated	<u>941,476</u>	<u>414,089</u>
Expenses:		
Fundraising	14,220	4,015
For the benefit of the Authority	755,701	508,965
Operating	<u>45,766</u>	<u>72,241</u>
Total expenses	<u>815,687</u>	<u>585,221</u>
Changes in net assets, as restated	125,789	(171,132)
Net assets, beginning of year, as restated	<u>225,703</u>	<u>396,835</u>
Net assets, end of year, as restated	<u>\$ 351,492</u>	<u>225,703</u>

In 2012 and 2011, the Foundation received contributions of approximately \$923,000 and \$404,000, respectively, for general operations and consulting costs, which were concentrated from one source representing 99% and 93%, respectively, of those contributions. The Foundation also received approximately \$813,000 and \$2,653,000 in conditional contributions for the Capital Campaign, a fundraising campaign to raise funds via private, tribal, and public sources for the development of the Authority's museum (the "Capital Campaign"), during 2012 and 2011, respectively. The 2012 conditional contributions were concentrated from three sources representing 74% of conditional contributions, and the 2011 conditional contributions were concentrated from seven sources representing 94% of conditional contributions.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Reporting Entity, Continued

American Indian Cultural Center Foundation, Continued

In January 2008, the Foundation received \$4,906,222 from the City of Oklahoma City (the “City”) for reimbursement for the Brownsfield Economic Development Initiative Grant (BEDI Grant) and the commitment for the Contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974. The amount was made up of a \$5,000,000 commitment, less \$93,778 worth of interest that was owed. The commitment was received by the Foundation and is owed to the Authority. During 2012 and 2011, the Foundation paid the Authority \$1,599,116 and \$1,501,366, respectively, of the amount owed, therefore resulting in a payable to the Authority of \$1,860,058 and \$3,459,174 as of June 30, 2012 and 2011, respectively. The net amount was eliminated on the government-wide financial statements.

Basis of Presentation

Government-Wide Financial Statements

The statements of net assets and the statements of activities display information about the Authority as a whole. The Authority’s activities are all governmental in nature and generally are financed primarily through State appropriations and other nonexchange revenues (grants and contributions). The Authority has no business-type activities as defined by GASB 34.

Fund Financial Statements

Fund financial statements are normally organized into funds, each of which is considered to be a separate accounting entity. A fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

The Authority’s governmental funds are comprised of the following:

- General Fund—accounts for general operations of the Authority.
- Special Revenue Fund—accounts for the operations of the Foundation. As discussed above, the Foundation’s primary purpose is to support the Authority.

The Authority has only governmental-type funds and no proprietary or fiduciary funds.

See Independent Auditors’ Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

Measurement Focus

On the government-wide statements of net assets and the statements of activities, the Authority’s activities are presented using the “economic resources” measurement focus as defined in Item *a* below.

In the fund financial statements, the “current financial resources” measurement focus is used as defined in Item *b* below.

- (a) The statements of net assets and the statements of activities utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of changes in net assets and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.
- (b) The governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. The funds use fund balances as the measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statements of net assets and statements of activities, the Authority’s activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets are used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchanges take place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized when the funds become available (have been collected/paid or are collected/paid soon after year-end).

See Independent Auditors’ Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting, Continued

Basis of Accounting, Continued

In the fund financial statements, the governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers 90 days as the timeframe for collectible. Expenditures (including capital outlay) are recorded when the related fund liability is incurred if the transaction will be funded with the Authority’s current financial resources, except for principal and interest which are reported when due.

Lease Receivable and Construction in Progress

In connection with the Authority’s capital lease obligations, the Oklahoma Capitol Improvement Authority (OCIA) issues bonds for the benefit of the Authority. Unexpended bond proceeds held by OCIA are reflected by the Authority as lease receivable; expended bond proceeds are reflected as construction in progress.

The unspent bond proceeds held by OCIA are invested. The Authority is allowed to spend portions of the earnings. For financial reporting purposes, earnings are recognized as expended. During 2012 and 2011, the Authority recognized \$1,001,547 and \$821,098, respectively, as other income spent on construction, as the earnings were expended.

Restricted Assets

Restricted assets include funds restricted by the donors in the amount of \$3,599,136 and \$2,781,591 as of June 30, 2012 and 2011, respectively. The assets consist primarily of cash and cash equivalents which are restricted for the development of the Authority’s Museum. Such restricted assets represent conditional contributions received of \$3,465,633 and \$2,653,088 as of June 30, 2012 and 2011, respectively. The contributions are conditional upon the State making a commitment to contribute an additional \$40 million toward the development of the Authority’s Museum, among other conditions on certain contributions.

See Independent Auditors’ Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences

Full-time continuous employees earn annual vacation leave at the rate of 10 hours per month for up to 5 years of service, 12 hours per month for service of over 5 years to 10 years, 13.2 hours per month for service of over 10 years to 20 years, and 16.4 hours per month for over 20 years of service. For employees with 5 or more years of service with the State, accrued annual leave up to a total of 480 hours is payable upon termination, resignation, retirement, or death. The statements of net assets and the statements of activities account for compensated absences on an accrual basis. The amount reflected as a current liability is an estimate based on historical use.

Capital Lease Obligations

The Authority has entered into capital lease obligations, as more fully described in Note 8 to the financial statements. The amounts reflected in the statements of net assets are the principal balances due as of June 30, 2012 and 2011.

Equity Classifications

Government-Wide Financial Statements

Equity is classified as net assets and displayed in three components:

- (a) Invested in capital assets, net of related debt—consists of capital assets including restricted capital assets and debt issuance costs, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net assets—consists of net assets with constraints placed on the use either by i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or ii) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net assets—all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the Authority’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

See Independent Auditors’ Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- (a) Nonspendable fund balance—The nonspendable fund balance classification includes amounts that cannot be spent because they are either i) not in spendable form or ii) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash, including inventories and prepaid amounts. It may also include the long-term amount of loans and receivables, as well as property acquired for resale and the corpus (principal) of a permanent fund.
- (b) Restricted fund balance—The restricted fund balance classification should be reported when constraints placed on the use of resources are either i) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or ii) imposed by law through constitutional provisions or enabling legislation.
- (c) Committed fund balance—The committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the Authority's and the Foundation's highest level of decision-making authority. Also, such constraints can only be removed or changed by the same form of formal action.

For purposes of a committed fund balance, the Authority's and the Foundation's Board of Directors (the "Board") is considered to be its highest level of decision making. Funds set aside by the Board as a committed fund balance require the approval by a majority vote of the members of the Board. Such approval must take place prior to the Authority's and the Foundation's fiscal year-end in order for it to be applicable to the Authority's and the Foundation's fiscal year-end, although it is permitted for the specific amount of the commitment to be determined after the fiscal year-end if additional information is required in order to determine the exact amount to be committed. The Board has the authority to remove or change the commitment of funds with a majority vote.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

Fund Financial Statements, Continued

- (d) Assigned fund balance—The assigned fund balance classification reflects amounts that are constrained by the Authority’s intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint. Assigned funds cannot cause a deficit in the unassigned fund balance.

For purposes of an assigned fund balance, the Authority has given authority to its Executive Director to assign funds for specific purposes. Any funds that the Executive Director assigns for specific purposes must be reported to the Authority’s Board at its next regular meeting. The assignment of funds shall be recorded in the Board’s official meeting minutes.

- (e) Unassigned fund balance—The unassigned fund balance classification is the residual classification for the general fund only. It is also where negative residual amounts for all other governmental funds would be reported. An unassigned fund balance essentially consists of excess funds that have not been classified in the other four fund balance categories mentioned above.

It is the Authority’s and the Foundation’s policy to first use the restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both a restricted and an unrestricted fund balance are available. The Authority’s policy for the use of the unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

Fund Financial Statements, Continued

The following table shows the fund balance classifications as shown on the governmental funds balance sheets as of June 30:

	2012		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Fund balances:			
Nonspendable	\$ -	10,000	10,000
Restricted:			
Capital projects	-	123,503	123,503
Other	6,423	-	6,423
Total restricted	<u>6,423</u>	<u>123,503</u>	<u>129,926</u>
Committed:			
Capital projects	1,543,491	-	1,543,491
Benefit of the Authority	-	217,989	217,989
Total committed	<u>1,543,491</u>	<u>217,989</u>	<u>1,761,480</u>
Unassigned (State appropriations)	<u>1,723,007</u>	-	<u>1,723,007</u>
Total fund balance	<u>\$ 3,272,921</u>	<u>351,492</u>	<u>3,624,413</u>

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

Fund Financial Statements, Continued

	2011		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Fund balances, as restated:			
Nonspendable	\$ -	10,000	10,000
Restricted, as restated:			
Capital projects, as restated	-	118,503	118,503
Other	7,386	-	7,386
Total restricted, as restated	7,386	118,503	125,889
Committed:			
Capital projects	3,459,174	-	3,459,174
Benefit of the Authority	-	97,200	97,200
Total committed	3,459,174	97,200	3,556,374
Unassigned (State appropriations)	1,296,620	-	1,296,620
Total fund balance, as restated	\$ 4,763,180	225,703	4,988,883

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds. This is an extension of the formal budgetary integration in the general fund. Encumbrances do not represent any further constraint on the use of amounts than is already communicated by governmental fund balance classification as restricted, committed, or assigned. As of June 30, 2012, total encumbrances approximated \$141,000. As of June 30, 2011, there were no such encumbrances outstanding.

Advertising Costs

All costs associated with advertising are expensed as incurred.

Federal Grant Revenues and Expenditures

The Authority's federal grant revenues are expenditure driven, in that prior to requesting grant monies, expenditures are incurred. Grants receivable represents the amount needed to fund expenditures accrued at June 30, 2012 and 2011.

As of June 30, 2012 and 2011, the Authority had approximately \$83,000 and \$7,636,000, respectively, of federal grant funds available to be drawn upon when needed. All such remaining federal grant funds at June 30, 2012, were obligated and will be paid by November 30, 2012.

Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified to make them comparable with the 2012 presentation.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts 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 these estimates.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

The Authority is a component unit of the State; therefore, it is exempt from federal and state income taxes. The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar State provisions.

The Foundation evaluates and accounts for its uncertain tax positions, if any, in accordance with Financial Accounting Standards Board *Accounting Standards Codification* Topic 740, "Income Taxes," including the Foundation's tax position as a tax-exempt, not-for-profit entity. Through the Foundation's evaluation of its uncertain tax positions, the Foundation's management has determined no uncertain tax positions existed as of June 30, 2012 or 2011, which would require the Foundation to record a liability for the uncertain tax positions in its financial statements.

Recent Accounting Pronouncements

In December 2010, GASB issued statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* (GASB 62). The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

- a) Financial Accounting Standards Board (FASB) Statements and Interpretations
- b) Accounting Principles Board Opinions
- c) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures

The requirements of GASB 62 will improve financial reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. GASB 62 is effective for financial statements for periods beginning after December 15, 2011. The provisions of GASB 62 are required to be applied retroactively for all periods presented.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011, and are to be applied retroactively for all prior periods.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, certain items that were previously reported as assets or liabilities, as deferred outflows of resources or deferred inflows of resources; and recognize, certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. In the first period that this statement is applied, changes made to comply with this statement will be treated as an adjustment of prior periods, and financial statements presented for the periods affected will be restated.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. This statement is effective for financial statements for periods beginning after June 15, 2014. In the first period that this statement is applied, changes made to comply with this statement will be treated as an adjustment of prior periods, and financial statements presented for the periods affected will be restated.

Date of Management's Review of Subsequent Events

The Authority has evaluated subsequent events through November 2, 2012, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During 2011, the Foundation received \$2,653,088 in conditional contributions which were inappropriately recorded as contributions restricted for the Capital Campaign. The contributions are conditional upon the State making a commitment to contribute an additional \$40 million toward the development of the Authority's Museum, among other conditions on certain contributions. As of June 30, 2011, the State had not committed to the additional \$40 million contribution. Therefore, the conditions on the contributions received were not met and the contributions should not have been recognized, rather they should have been recorded as a liability as of June 30, 2011, in the Authority's statements of net assets and the governmental fund balance sheets.

The effects of the restatement are as follows:

	Government-Wide Financial <u>Statements</u>	Fund Financial <u>Statements</u>
Conditional contributions received:		
As previously reported	\$ -	-
Effect of conditional contributions	2,653,088	2,653,088
As restated	<u>\$ 2,653,088</u>	<u>2,653,088</u>
Contributions:		
As previously reported	\$ 3,057,252	3,057,252
Effect of conditional contributions	(2,653,088)	(2,653,088)
As restated	<u>\$ 404,164</u>	<u>404,164</u>
Changes in net assets/changes in fund balances:		
As previously reported	\$ 9,390,371	878,164
Effect of conditional contributions	(2,653,088)	(2,653,088)
As restated	<u>\$ 6,737,283</u>	<u>(1,774,924)</u>
Restricted net assets/fund balances:		
As previously reported	\$ 2,781,591	2,778,977
Effect of conditional contributions	(2,653,088)	(2,653,088)
As restated	<u>\$ 128,503</u>	<u>125,889</u>
Net assets/fund balances:		
As previously reported	\$ 34,394,888	7,641,971
Effect of conditional contributions	(2,653,088)	(2,653,088)
As restated	<u>\$ 31,741,800</u>	<u>4,988,883</u>

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) CURRENT STATUS OF THE MUSEUM

The State's decision to vote against capital funding for the Museum project in the 2012 Legislative Session resulted in an indefinite suspension of construction until funds to complete the project are recognized. During the interim, preserving the Museum site and existing structures requires 24 hour presence and security, mechanical equipment warranty maintenance, building/grounds maintenance, and utilities expenses. This preservation plan has been contracted with the Museum's general contractor to avoid demobilization and totals approximately \$52,000 per month, which requires the use of operational appropriation funds until the future of the project is determined. Using appropriations results in an operational budget that does not allow for the much-needed growth of the Authority; however, it does provide enough to sustain current operations until the State approves additional funding or identifies an alternative plan and/or partnership in accomplishing the Museum completion. In fiscal year 2014, the Authority anticipates a flat operating budget (or the same appropriation as fiscal year 2013). This will enable current Authority operations to continue.

The future of the Authority as a governing body, as well as the completion of the Museum project itself, are now in the hands of the State. With regard to construction, the Museum is approximately \$80 million short of completion. As of 2012, the Authority has secured \$40 million in conditional pledges from private donors contingent upon the State's match of funding to complete the project, among other conditions on certain pledges. A viable roadmap to completion has been presented which will ensure usage of this \$40 million in non-state matching funds contingent on the State matching \$40 million in capital completion funds. This plan will be weighed and considered in the coming 2013 legislative session. A decision by the State not to match the non-state funds will likely result in the withdrawal of the \$40 million non-state funds currently pledged and thereby transfer of the total burden of completion back to the State. However, the State's commitment to provide the necessary matching capital funds will solidify a completion date for the Museum and will strengthen the Authority's future efforts in raising funds for operations for the Museum.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the Authority at June 30 consisted of:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents held by the Authority	\$ 1,793,294	1,367,671
Cash and cash equivalents held by the Foundation	<u>5,748,250</u>	<u>6,378,518</u>
	<u>\$ 7,541,544</u>	<u>7,746,189</u>
Unrestricted	\$ 3,942,408	4,964,598
Restricted	<u>3,599,136</u>	<u>2,781,591</u>
	<u>\$ 7,541,544</u>	<u>7,746,189</u>

The cash and cash equivalents of the Foundation are summarized as follows as of June 30:

	<u>2012</u>	<u>2011</u>
Money market mutual fund:		
Unrestricted	\$ 22,500	131,700
Restricted	<u>1,956,034</u>	<u>3,595,270</u>
	<u>1,978,534</u>	<u>3,726,970</u>
Bank accounts:		
Unrestricted—FDIC insured	266,556	6,053
Restricted—FDIC insured	<u>3,503,160</u>	<u>2,645,495</u>
	<u>3,769,716</u>	<u>2,651,548</u>
 Total Foundation cash and cash equivalents	 <u>\$ 5,748,250</u>	 <u>6,378,518</u>

The Foundation generally intends to have all cash deposits fully insured, collateralized, or invested in such a manner as to limit the risk of loss to very low levels.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH AND CASH EQUIVALENTS, CONTINUED

As of June 30, 2012 and 2011, the cash held by the Foundation included \$22,500 and \$131,700, respectively, which was invested in a short-term money market mutual fund. As of June 30, 2012, the short-term money market mutual fund was invested in U.S. government agency obligations (70.5%) and U.S. treasuries (29.5%). As of June 30, 2011, the short-term money market mutual fund was invested in U.S. government agency obligations (89.5%) and U.S. Treasuries (10.5%). As of June 30, 2012 and 2011, the credit rating of the short-term money market mutual fund was AAA by Standard & Poor's and Aaa by Moody's. The weighted average maturity of the investments in the short-term money market mutual fund was 43 and 44 days as of June 30, 2012 and 2011, respectively. As the short-term money market mutual fund is as liquid as cash, it is considered to be a cash equivalent.

Unrestricted

The unrestricted cash balance consists of cash of the Foundation held at banking institutions in Oklahoma and cash of the Authority held at the State Treasurer's office, as presented above. Cash balances of the Authority are part of the State's pooled cash system and, as such, are properly collateralized. The balance as of June 30 was as follows:

	<u>2012</u>	<u>2011</u>
Foundation	\$ 2,149,114	3,596,927
Held by the State Treasurer's office	<u>1,793,294</u>	<u>1,367,671</u>
	<u>\$ 3,942,408</u>	<u>4,964,598</u>

Restricted

At June 30, 2012 and 2011, restricted cash of \$3,599,136 and \$2,781,591, respectively, was due to donor-imposed restrictions. The restricted cash consisted of funds held by the Foundation in Oklahoma banking institutions. Such restricted assets represent conditional contributions received of \$3,465,633 and \$2,653,088 as of June 30, 2012 and 2011, respectively. The contributions are conditional upon the State making a commitment to contribute an additional \$40 million toward the development of the Authority's Museum, among other conditions on certain contributions.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) LEASE RECEIVABLE

As noted previously, lease receivable represents unexpended bond proceeds held by OCIA on behalf of the Authority. As the proceeds are expended, the expended amounts are reflected as construction in progress in the statements of net assets. There was no lease receivable balance as of June 30, 2012. A summary of the changes in lease receivable for the year ended June 30, 2011, is as follows:

Balance, beginning of year	\$ 4,861,547
Other income expended for construction	821,098
Expended for construction in progress	<u>(5,682,645)</u>
Balance, end of year	<u><u>\$ -</u></u>

The other income shown above is the earnings of the unspent bond proceeds held by OCIA, expended during the year by the Authority.

(6) CAPITAL ASSETS

The capital assets of the Authority consist of land, construction in progress under capital lease obligations, furniture and fixtures, and building. A summary of changes in capital assets is as follows:

	<u>Balance at</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2012</u>
Land	\$ 355,000	-	-	-	355,000
Construction in progress	76,891,174	10,020,175	-	-	86,911,349
Furniture and fixtures	85,018	-	-	-	85,018
Building	<u>2,974,780</u>	-	-	-	<u>2,974,780</u>
Total cost	<u>80,305,972</u>	<u>10,020,175</u>	-	-	<u>90,326,147</u>
Less accumulated depreciation:					
Furniture and fixtures	(72,585)	(7,964)	-	-	(80,549)
Building	<u>(199,380)</u>	<u>(99,689)</u>	-	-	<u>(299,069)</u>
Total accumulated depreciation	<u>(271,965)</u>	<u>(107,653)</u>	-	-	<u>(379,618)</u>
Capital assets, net	<u>\$ 80,034,007</u>	<u>9,912,522</u>	-	-	<u>89,946,529</u>

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) CAPITAL ASSETS, CONTINUED

	Balance at <u>June 30, 2010</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	Balance at <u>June 30, 2011</u>
Land	\$ 355,000	-	-	-	355,000
Construction in progress	66,089,357	10,801,817	-	-	76,891,174
Furniture and fixtures	85,018	-	-	-	85,018
Building	<u>2,974,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,974,780</u>
Total cost	<u>69,504,155</u>	<u>10,801,817</u>	<u>-</u>	<u>-</u>	<u>80,305,972</u>
Less accumulated depreciation:					
Furniture and fixtures	(56,934)	(15,651)	-	-	(72,585)
Building	<u>(99,690)</u>	<u>(99,690)</u>	<u>-</u>	<u>-</u>	<u>(199,380)</u>
Total accumulated depreciation	<u>(156,624)</u>	<u>(115,341)</u>	<u>-</u>	<u>-</u>	<u>(271,965)</u>
Capital assets, net	<u>\$ 69,347,531</u>	<u>10,686,476</u>	<u>-</u>	<u>-</u>	<u>80,034,007</u>

In connection with the Authority's objective to build a museum, the Oklahoma Legislature approved House Bill 3066 and Senate Bills 73 and 1374. In 1999, House Bill 3066 authorized the issuance of the 1999C bond up to \$5,000,000 by OCIA on behalf of the Authority. The Authority signed a 20-year lease with OCIA dated September 11, 1999. The Authority began making payments September 11, 1999, and the lease term is through August 31, 2019, or until all indebtedness of OCIA incurred in connection with the project is paid or provision for payment therefore has been made. The lease has been accounted for as a capital lease, with a lease receivable established at an original amount of \$4,805,000. During 2005, OCIA refunded a portion of the 1999C bond issue, resulting in a change of lease terms. As a result, the lease receivable was reduced \$15,000.

In 2004, Senate Bill 73 authorized the issuance of the 2005C bond up to \$33,000,000 by OCIA on behalf of the Authority. The Authority signed a 20-year lease with OCIA dated May 12, 2005. The Authority began making principal payments July 1, 2007, and the lease term is through July 31, 2027, or until all indebtedness of OCIA incurred in connection with the project is paid or provision for payment therefore has been made. The lease has been accounted for as a capital lease, with a lease receivable established at an original amount of \$33,000,000.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) CAPITAL ASSETS, CONTINUED

In 2008, Senate Bill 1374 authorized the issuance of the 2008A bond up to \$25,380,000 by OCIA on behalf of the Authority. The Authority signed a 15-year lease with OCIA dated October 1, 2008. The Authority began making principal payments July 1, 2010, and the lease term is through June 30, 2025, or until all indebtedness of OCIA incurred in connection with the project is paid or provision for payment therefore has been made. The lease had been accounted for as a capital lease, with a lease receivable established at an original amount of \$25,380,000.

When the bonds are paid in full, the project will become the property of the Authority. The Authority is responsible for all maintenance, repairs, and insurance of the construction project. As the bond monies are spent, the lease receivable is reduced and construction in progress is increased. As shown in Note 5, as of June 30, 2011, all of the bond proceeds have been expended for construction; therefore, no lease receivable exists. Upon completion of certain project stages and when such related assets are available for use, the assets will be reclassified to their respective asset category and depreciation will commence.

During the year ended June 30, 2010, the Authority completed and began utilizing the Visitor Center; therefore, the Authority began depreciating the cost of the Visitor Center.

The assets are valued at cost and are depreciated using the straight-line method over their estimated useful lives. The useful lives are as follows:

Land	N/A
Construction in progress	N/A
Furniture and fixtures	5 years
Building—structural	40 years
Building—nonstructural	10–15 years

Depreciation expense for the years ended June 30, 2012 and 2011, was \$107,653 and \$115,341, respectively.

(7) DEBT ISSUANCE COSTS

At the time bonds were issued to the Authority, certain costs to issue the debt were deducted from the bond proceeds provided to the OCIA. These costs were capitalized as debt issuance costs and are being amortized in the government-wide financial statements over the remaining terms of the respective debt obligations. Gross debt issuance costs were \$687,808 as of both June 30, 2012 and 2011. Accumulated amortization of debt issuance costs was \$241,334 as of June 30, 2012.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) CAPITAL LEASE OBLIGATIONS

The Authority has three capital lease obligations outstanding. The 1999C and 2004A, the 2005C, and the 2008A capital lease obligations. During 2005, the 1999C and 2004A lease obligation was changed due to the partial refunding of the bond issue by OCIA. The refunding was accomplished through the issuance of the 2004A Series bonds. The leased assets and related obligation are accounted for in the statements of net assets.

OCIA issued revenue bonds to facilitate the purchase of the leased asset, and the lease payments made by the Authority will repay the principal of the bonds, plus interest. The following is a schedule of future minimum lease payments under the capital leases, together with the present value of the minimum lease payments as of June 30, 2012:

<u>Year Ending June 30,</u>	<u>1999C and 2004A Lease</u>	<u>2005C Lease</u>	<u>2008A Lease</u>	<u>Total</u>
2013	\$ 381,000	2,531,241	2,301,983	5,214,224
2014	381,750	2,534,166	2,303,015	5,218,931
2015	382,625	2,533,598	2,304,815	5,221,038
2016	382,750	2,534,410	2,304,415	5,221,575
2017	382,125	2,517,105	2,301,815	5,201,045
2018–2022	1,128,542	12,431,115	11,524,950	25,084,607
2023–2027	-	12,363,175	6,918,460	19,281,635
Minimum payments for capital leases	3,038,792	37,444,810	29,959,453	70,443,055
Less amount representing interest	<u>(568,792)</u>	<u>(10,559,810)</u>	<u>(8,169,453)</u>	<u>(19,298,055)</u>
Present value of minimum lease payments	<u>\$ 2,470,000</u>	<u>26,885,000</u>	<u>21,790,000</u>	<u>51,145,000</u>

As the lease payments are equal to the principal and interest due on the bonds, the present value of the minimum lease payments is equal to the outstanding principal due on the bonds.

1999C and 2004A Lease—The lease expires August 31, 2019, or at which time the bonds are paid in full. The Authority is responsible for all maintenance and insurance of the building. The bonds bear an interest rate of 2.5%–5.0% and mature through 2019.

2005C Lease—The lease expires July 31, 2027, or at which time the bonds are paid in full. The Authority is responsible for all maintenance and insurance of the building. The bonds bear an interest rate of 3.000%–4.941% and mature through 2027.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) CAPITAL LEASE OBLIGATIONS, CONTINUED

2008A Lease—The lease expires June 30, 2025, or at which time the bonds are paid in full. The Authority is responsible for all maintenance and insurance of the building. The bonds bear an interest rate of 3.5%–5.3% and mature through 2025.

Changes in the lease obligations for the years ended June 30 were as follows:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 53,930,000	56,620,000
Principal payments in fiscal year	<u>(2,785,000)</u>	<u>(2,690,000)</u>
Balance, end of year	<u>\$ 51,145,000</u>	<u>53,930,000</u>

The lease obligations, by lease, are as follows:

	<u>2012</u>	<u>2011</u>
1999C and 2004A lease	\$ 2,470,000	2,715,000
2005C lease	26,885,000	28,185,000
2008A lease	<u>21,790,000</u>	<u>23,030,000</u>
	<u>\$ 51,145,000</u>	<u>53,930,000</u>

Principal payments for the lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>1999C and 2004A Lease</u>	<u>2005C Lease</u>	<u>2008A Lease</u>	<u>Total Principal Payment</u>
2013	\$ 260,000	1,345,000	1,280,000	2,885,000
2014	270,000	1,395,000	1,330,000	2,995,000
2015	285,000	1,445,000	1,385,000	3,115,000
2016	300,000	1,500,000	1,440,000	3,240,000
2017	315,000	1,555,000	1,495,000	3,365,000
2018–2022	1,040,000	8,790,000	8,600,000	18,430,000
2023–2027	<u>-</u>	<u>10,855,000</u>	<u>6,260,000</u>	<u>17,115,000</u>
	<u>\$ 2,470,000</u>	<u>26,885,000</u>	<u>21,790,000</u>	<u>51,145,000</u>

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) CAPITAL LEASE OBLIGATIONS, CONTINUED

The lease agreements between the Authority and OCIA contain an available funds clause, in that if the Oklahoma Legislature does not appropriate funds for the lease payments, the Authority is under no obligation to make lease payments. If that were to occur, OCIA would terminate the lease.

(9) ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences for the years ended June 30 were as follows:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 38,898	36,176
Amount earned	34,949	43,311
Amount used	<u>(25,557)</u>	<u>(40,589)</u>
Balance, end of year	<u>\$ 48,290</u>	<u>38,898</u>

For the statements of net assets, the amounts estimated to be current are the available balances at June 30, 2012 and 2011.

(10) CONDITIONAL CONTRIBUTIONS RECEIVED

Conditional contributions received by the Foundation totaled \$3,465,633 and \$2,653,088 as of June 30, 2012 and 2011, respectively. The contributions are restricted for the Capital Campaign and are conditional upon the State making a commitment to contribute an additional \$40 million toward the development of the Authority's Museum, among other conditions on certain contributions. As of June 30, 2012 and 2011, such conditions were not met; therefore, the contributions are recorded as a liability in the Authority's statements of net assets and governmental fund balance sheets.

(11) CONDITIONAL PLEDGES

During 2012, the Foundation received conditional pledges totaling approximately \$31,204,000 in promises to contribute to the Capital Campaign. The pledges are conditional upon the State making a commitment to contribute an additional \$40 million toward the development of the Authority's Museum, among other conditions on certain pledges. As of June 30, 2012, such conditions were not met; therefore, the conditional pledges have not been recorded in the Authority's financial statements. Conditional pledges are recorded as pledges receivable at the time such conditions have been met and collection is determinable.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(12) STATE APPROPRIATIONS

The Authority receives monies through appropriations from the State as approved by the Oklahoma Legislature. Appropriations received for the years ended June 30, 2012 and 2011, totaled \$6,784,354 and \$6,822,404, respectively.

(13) RENT

During the years ended June 30, 2012 and 2011, \$27,842 and \$21,924, respectively, was paid to a third party for rent of office space.

(14) PENSION PLAN

Description

The Authority's eligible staff are required to participate in the statewide and State-sponsored Oklahoma Public Employees Retirement System (OPERS) pension plan. In general, OPERS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members.

OPERS has separately prepared audited financial statements which include historical trend information about the system. The trend information provides information about progress made in accumulating assets and paying benefits when due. Complete copies of the audited financial statements can be obtained from the Oklahoma Public Employees Retirement System, 5801 Broadway Extension, Suite 400, Oklahoma City, OK 73118.

Funding Policy

Plan members and the agencies are required to contribute at a rate established by state law. For State agencies, the contribution rates for the 2012, 2011, and 2010 fiscal years were 16.5%, 15.5%, and 15.5%, respectively, of all salaries; and for State employees, 3.5% of total salaries for 2012, 2011, and 2010.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(14) PENSION PLAN, CONTINUED

Funding Policy, Continued

The Authority paid 100% of all required pension contributions for 2012, 2011, and 2010. Approximate total pension expense for the Authority and amounts contributed by the employees to OPERS were as follows:

	<u>Authority Expense</u>	<u>Employee Contributions</u>
2012	\$ 99,000	23,000
2011	106,000	26,000
2010	107,000	26,000

**(15) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND
DEFERRED SAVINGS INCENTIVE PLAN**

Deferred Compensation Plan

The State offers its employees a Deferred Compensation Plan (the “Plan”) as authorized by Section 457 of the IRC, as amended by the Tax Reform Act of 1986, and in accordance with the provisions of Sections 1701 through 1706 of Title 74 of the Oklahoma Statutes.

The supervisory authority for the management and operation of the Plan is the Board of Trustees of the Oklahoma Public Employees Retirement System (the “Board of Trustees”).

The Plan is available to all State employees, as well as any elected officials receiving a salary from the State. Participants may direct the investment of their contributions in available investment options offered by the Plan. The minimum contribution amount is the equivalent of \$25 per month, and participants are immediately 100% vested in their respective accounts. All interest, dividends, and investment fees are allocated to participants’ accounts.

Participants may defer until future years up to the lesser of 100% of their compensation as defined by plan documents or the maximum amount allowed each year as determined by the Internal Revenue Service, currently \$17,000.

See Independent Auditors’ Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

**(15) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND
DEFERRED SAVINGS INCENTIVE PLAN, CONTINUED**

Deferred Compensation Plan, Continued

The Plan offers a catch-up program to participants, which allows them to defer annually for the 3 years prior to their year of retirement up to twice that plan year's deferral limit. The amount of additional contributions in excess of the normal maximum contributions to the Plan is also limited to contributions for years in which the participant was eligible but did not participate in the Plan or the difference between contributions made and the maximum allowable level. To be eligible for the catch-up program, the participant must be within 3 years of retirement with no reduced benefits.

Participants age 50 or older may make additional contributions of up to \$5,500 annually, subject to certain limits.

Deferred compensation benefits are paid to participants or beneficiaries upon termination, retirement, death, or unforeseeable emergency. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments at the option of the participant or beneficiaries in accordance with the Plan's provisions.

Effective January 1, 1998, the Board of Trustees established a trust and a trust fund covering the Plan's assets, pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC no later than January 1, 1999. Under the terms of the trust, the corpus or income of the Trust Fund may be used only for the exclusive benefit of the Plan's participants and their beneficiaries. Prior to the establishment of the trust, the Plan's assets were subject to the claims of general creditors of the State. The Board of Trustees acts as trustee of the trust. The participants' accounts are invested in accordance with the investment elections of the participants. The Board of Trustees is accountable for all deferred compensation received, but has no duty to require any compensation to be deferred or to determine that the amounts received comply with the Plan or to determine that the trust fund is adequate to provide the benefits payable pursuant to the Plan.

Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan's audited financial statements for the years ended June 30, 2012 and 2011. The Authority believes that it has no liabilities with respect to the Plan.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

**(15) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND
DEFERRED SAVINGS INCENTIVE PLAN, CONTINUED**

Deferred Savings Incentive Plan

Effective January 1, 1998, the State established the Oklahoma State Employees Deferred Savings Incentive Plan (the "Savings Incentive Plan") as a money purchase pension plan pursuant to IRC Section 401(a). The Savings Incentive Plan and its related trust are intended to meet the requirements of IRC Sections 401(a) and 501(a).

Any qualified participant who is a State employee and is an active participant in the Plan is eligible for a contribution of the amount determined by the Oklahoma Legislature, currently the equivalent of \$25 per month. Participation in the Savings Incentive Plan is automatic in the month of participation in the Plan and is not voluntary.

Upon cessation of contributions to the Plan, termination of employment with the State, retirement, or death, a participant will no longer be eligible for contributions from the State into the Savings Incentive Plan. Participants are at all times 100% vested in their Savings Incentive Plan account. Participant contributions are not required or permitted. Qualified participants may make rollover contributions to the Savings Incentive Plan, provided such rollover contributions meet applicable requirements of the IRC. Plan participants may direct the investment of the contributions in available investment options offered by the Savings Incentive Plan. All interest, dividends, and investment fees are allocated to the participants' accounts.

Savings Incentive Plan benefits are paid to participants or beneficiaries upon termination, retirement, or death. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments or may be rolled over to a qualified plan at the option of the participant or beneficiaries.

(16) RISK MANAGEMENT

The Risk Management Division of the Department of Central Services (the "Division") is responsible for the acquisition and administration of all insurance purchased by the State or administration of any self-insurance plans and programs adopted for use by the State for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(16) RISK MANAGEMENT, CONTINUED

The Division is authorized to settle claims of the State and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided by the State, an agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Government Tort Claims Act, as provided by Title 51 O.S. Supp. 1988, Section 154. The Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Division is also charged with the responsibility to immediately notify the attorney general of any claims against the State presented to the Division. The Division purchases insurance policies through third-party insurance carriers that ultimately inherit the risk of loss. The Division annually assesses each State agency, including the Authority, their pro rata share of the premiums purchased. The Authority has no obligations to any claims submitted against the Authority.

(17) THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

The American Recovery and Reinvestment Act of 2009 (ARRA) was passed by Congress in February 2009 to provide a stimulus to the U.S. economy in the wake of the economic downturn. A summary of the objectives of the ARRA funds administered by the Authority is as follows:

- √ *Stimulus State Energy Program (SSEP)*—The SSEP program funds were contracted by ODOC (the contracting agency) through the U.S. Department of Energy to purchase and construct an energy-efficient cooling system. For the year ended June 30, 2011, the Authority had incurred \$980,000 of costs under the program, and therefore recognized \$980,000 in grant revenue in the financial statements. As of June 30, 2011, all grant funds had been expended.

- √ *State Fiscal Stabilization Fund (SFSF)*—The SFSF funds are contracted by the U.S. Department of Education to support public safety and other government services, which may include assistance for elementary and secondary education and public institutions of higher education (IHE), and for modernization, renovation, or repair of public school facilities and IHE facilities. Governors are permitted to use government services funds for certain construction and infrastructure support. In 2011, the Authority received \$9,000,000 of federal awards under the SFSF to be utilized for the construction of the Museum. For the years ended June 30, 2012 and 2011, the Authority had expended \$6,906,540 and \$2,093,460, respectively, of costs under the program, and therefore recognized \$6,906,540 and \$2,093,460, respectively, of grant revenue in its 2012 and 2011 financial statements. As of June 30, 2012, all grant funds had been expended.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(18) COMMITMENTS AND CONTINGENT LIABILITIES

Contracts

The Authority has issued certain contracts for construction, maintenance, and security of the Museum which will be funded by current financial resources and appropriations from the State.

Grant Agreement and Contract

As discussed in Note 1, in January 2008 the Foundation received \$4,906,222 from the City for reimbursement for the BEDI Grant and the commitment for the Contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974. Under the 20-year term of the grant agreement and contract, the Authority is required to comply with all of the terms and conditions and covenants contained in the grant agreement and contract. The City may demand repayment of the grant and contract if the Authority does not comply with such terms and conditions and covenants. The Authority's management believes it is in compliance with the grant agreement and contract.

Federal Grant Programs

The Authority participates in a number of federally assisted grant programs. These programs are subject to audits by the grantors or their representatives. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under the terms of the grant. Presently, the Authority has no such requests pending and, in the opinion of management, any such amounts would not be considered material.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

REQUIRED SUPPLEMENTARY INFORMATION

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

**STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—BUDGET TO ACTUAL
(BUDGETARY BASIS)—GOVERNMENTAL FUNDS**

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance</u>
Revenues:				
State appropriations	\$ 6,784,354	6,352,461	6,784,354	431,893
Federal grants	861,211	861,211	838,791	(22,420)
Other	-	-	1,356	1,356
Total revenues	<u>7,645,565</u>	<u>7,213,672</u>	<u>7,624,501</u>	<u>410,829</u>
Expenditures:				
Salaries, wages, and benefits	979,996	935,378	873,549	61,829
Travel	91,551	45,524	24,223	21,301
Lease	5,276,950	5,057,233	5,264,792	(207,559)
Equipment	12,000	12,489	30,776	(18,287)
Maintenance	35,000	17,088	20,700	(3,612)
Professional/consultants	-	-	204,810	(204,810)
Contractual	969,856	995,836	811,879	183,957
Miscellaneous administrative expenses	<u>280,212</u>	<u>150,124</u>	<u>96,179</u>	<u>53,945</u>
Total expenditures	<u>7,645,565</u>	<u>7,213,672</u>	<u>7,326,908</u>	<u>(113,236)</u>
Excess of revenues over expenditures	-	-	297,593	297,593
Budgetary fund balances, beginning of year	<u>89,653</u>	<u>150,413</u>	<u>1,263,283</u>	<u>1,112,870</u>
Budgetary fund balances, end of year	<u>\$ 89,653</u>	<u>150,413</u>	<u>1,560,876</u>	<u>1,410,463</u>

Note: The Authority uses the cash basis of accounting to prepare its budget. The budget and actual amounts essentially represent the Authority's primary government operations (general fund) and not the Foundation's operations (special revenue fund), as the Foundation is not legally required to and does not prepare an annual budget.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

**STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—BUDGET TO ACTUAL
(BUDGETARY BASIS)—GOVERNMENTAL FUNDS, CONTINUED**

Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance</u>
Revenues:				
State appropriations	\$ 7,509,195	7,509,195	6,822,404	(686,791)
Federal grants	347,200	2,097,200	1,137,801	(959,399)
Other	<u>-</u>	<u>-</u>	<u>59,931</u>	<u>59,931</u>
Total revenues	<u>7,856,395</u>	<u>9,606,395</u>	<u>8,020,136</u>	<u>(1,586,259)</u>
Expenditures:				
Salaries, wages, and benefits	977,245	977,245	976,349	896
Contractual	528,000	2,128,000	980,000	1,148,000
Travel	159,000	159,000	25,799	133,201
Lease	5,316,139	5,235,139	5,257,063	(21,924)
Equipment	48,000	75,000	6,771	68,229
Maintenance	207,200	207,200	5,742	201,458
Professional/consultants	-	-	116,177	(116,177)
Miscellaneous administrative expenses	<u>620,811</u>	<u>743,811</u>	<u>163,854</u>	<u>579,957</u>
Total expenditures	<u>7,856,395</u>	<u>9,525,395</u>	<u>7,531,755</u>	<u>1,993,640</u>
Excess of revenues over expenditures	-	81,000	488,381	407,381
Budgetary fund balances, beginning of year	<u>89,653</u>	<u>69,413</u>	<u>774,902</u>	<u>705,489</u>
Budgetary fund balances, end of year	<u>\$ 89,653</u>	<u>150,413</u>	<u>1,263,283</u>	<u>1,112,870</u>

Note: The Authority uses the cash basis of accounting to prepare its budget. The budget and actual amounts essentially represent the Authority's primary government operations (general fund) and not the Foundation's operations (special revenue fund), as the Foundation is not legally required to and does not prepare an annual budget.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

**RECONCILIATIONS OF DIFFERENCES BETWEEN
BUDGETARY BASIS AND REPORT BASIS—GOVERNMENTAL FUNDS**

Year Ended June 30, 2012

	<u>Actual per Audit Report</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>
Revenues:			
State appropriations	\$ 6,784,354	-	6,784,354
Federal grants	7,787,835	(6,949,044)	838,791
Contributions	927,523	(927,523)	-
Other	22,843	(21,487)	1,356
Total revenues	<u>15,522,555</u>	<u>(7,898,054)</u>	<u>7,624,501</u>
Expenditures:			
Salaries, wages, and benefits	866,039	7,510	873,549
Travel	23,702	521	24,223
Lease	44,377	5,220,415	5,264,792
Equipment	30,776	-	30,776
Maintenance	18,936	1,764	20,700
Debt service:			
Principal	2,785,000	(2,785,000)	-
Interest	2,435,415	(2,435,415)	-
Contractual	9,330,347	(8,518,468)	811,879
Professional/consultants	1,237,753	(1,032,943)	204,810
Miscellaneous administrative expenses	114,680	(18,501)	96,179
Total expenditures	<u>16,887,025</u>	<u>(9,560,117)</u>	<u>7,326,908</u>
(Deficiency) excess of revenues over expenditures	(1,364,470)	1,662,063	297,593
Fund balances, beginning of year, as restated	<u>4,988,883</u>	<u>(3,725,600)</u>	<u>1,263,283</u>
Fund balances, end of year	<u>\$ 3,624,413</u>	<u>(2,063,537)</u>	<u>1,560,876</u>

Note: The Authority uses the cash basis of accounting to prepare its budget. The budget and actual amounts essentially represent the Authority's primary government operations (general fund) and not the Foundation's operations (special revenue fund), as the Foundation is not legally required to and does not prepare an annual budget.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

**RECONCILIATIONS OF DIFFERENCES BETWEEN
BUDGETARY BASIS AND REPORT BASIS—GOVERNMENTAL FUNDS, CONTINUED**

Year Ended June 30, 2011

	<u>Actual per Audit Report</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>
Revenues:			
State appropriations	\$ 6,822,404	-	6,822,404
Federal grants	3,231,261	(2,093,460)	1,137,801
Contributions, as restated	404,164	(404,164)	-
Other	69,856	(9,925)	59,931
Total revenues, as restated	<u>10,527,685</u>	<u>(2,507,549)</u>	<u>8,020,136</u>
Expenditures:			
Salaries, wages, and benefits	981,450	(5,101)	976,349
Contractual	5,119,172	(4,139,172)	980,000
Travel	27,588	(1,789)	25,799
Lease	40,243	5,216,820	5,257,063
Equipment	6,771	-	6,771
Maintenance	9,136	(3,394)	5,742
Debt service:			
Principal	2,690,000	(2,690,000)	-
Interest	2,526,820	(2,526,820)	-
Professional/consultants	690,118	(573,941)	116,177
Miscellaneous administrative expenses	211,311	(47,457)	163,854
Total expenditures	<u>12,302,609</u>	<u>(4,770,854)</u>	<u>7,531,755</u>
(Deficiency) excess of revenues over expenditures, as restated	(1,774,924)	2,263,305	488,381
Fund balances, beginning of year	<u>6,763,807</u>	<u>(5,988,905)</u>	<u>774,902</u>
Fund balances, end of year, as restated	<u>\$ 4,988,883</u>	<u>(3,725,600)</u>	<u>1,263,283</u>

Note: The Authority uses the cash basis of accounting to prepare its budget. The budget and actual amounts essentially represent the Authority's primary government operations (general fund) and not the Foundation's operations (special revenue fund), as the Foundation is not legally required to and does not prepare an annual budget.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

**REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND
OMB CIRCULAR A-133**

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

<u>Grant Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number/Grant Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Economic Development Initiative— Special Project, Neighborhood Initiative, and Miscellaneous Grants FY 08	14.251	B-08-SP-OK-0664	\$ 137,200
U.S. DEPARTMENT OF EDUCATION			
ARRA—State Fiscal Stabilization Funds	84.397 *	S397GS-361-1-11	3,987,347
ARRA—State Fiscal Stabilization Funds	84.397 *	S397GS-361-2-11	2,919,193
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
National Leadership Grants FY 10	45.312 *	CM-00-10-0015-10	645,728
FY 09		CM-00-09-0027-09	<u>98,367</u>
TOTAL			<u>\$ 7,787,835</u>

* A major program as determined by the auditors.

See Independent Auditors' Report.
See accompanying notes to Schedule of Expenditures of Federal Awards.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

BASIS OF PREPARATION

The schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available, and expenditures are recorded when the liability is incurred if the transaction will be funded with the Authority's current financial resources.

See Independent Auditors' Report.



**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**

Board of Directors
Native American Cultural and
Educational Authority

We have audited the financial statements of the governmental activities and each major fund of the Native American Cultural and Educational Authority (the "Authority") as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 2, 2012. Our report includes a paragraph to emphasize the fact that the report includes only that portion of the State of Oklahoma that is attributable to the transactions of the Authority. Our report contains an explanatory paragraph disclaiming an opinion on required supplementary information. Our report also includes a paragraph indicating that the 2011 financial statements were restated. We conducted our audit in accordance with auditing standards generally accepted in the United States 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

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

(Continued)

**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, CONTINUED**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated November 2, 2012.

This report is intended solely for the information and use of management, others within the Authority, the State of Oklahoma, 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.

Finley & Cook, PLLC

Shawnee, Oklahoma
November 2, 2012



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

Board of Directors
Native American Cultural and
Educational Authority

Compliance

We have audited the Native American Cultural and Educational Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditors' 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 the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority 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.

(Continued)

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

Internal Control Over Compliance

Management of the Authority 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 our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of the Authority'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.

Our 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the Authority, the State of Oklahoma, 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.

Finley & Cook, PLLC

Shawnee, Oklahoma
November 2, 2012

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified? Yes **None Noted**

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes **None Reported**

Noncompliance material to financial statements noted? Yes **None Noted**

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes **None Noted**

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes **None Reported**

Type of auditors’ report issued on compliance for the major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes **No**

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

SECTION I—SUMMARY OF AUDITORS’ RESULTS, CONTINUED

Federal Awards, Continued

Identification of major programs:

<u>Federal CFDA #</u>	<u>Name of Federal Program</u>
45.312	<i>Institute of Museum and Library Services</i> National Leadership Grants
84.397	<i>U.S. Department of Education</i> ARRA—State Fiscal Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**

Auditee qualified as low-risk auditee? Yes No

SECTION II—FINDINGS—FINANCIAL STATEMENT AUDIT

None noted.

**SECTION III—FINDINGS AND QUESTIONED COSTS—
MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None noted.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2012

No matters were considered reportable for the year ended June 30, 2011.