

Native American Cultural and Educational Authority

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)



**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Native American Cultural and
Educational Authority

Report on the Financial Statements

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"), a component unit of the State of Oklahoma, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

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, 2013 and 2012, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matters

Authority-Only Financial Statements

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, 2013 and 2012, and the changes in its financial position, for the years then ended in conformity with accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2013 the Authority adopted new accounting guidance, Statements No. 63 and No. 65 of the Governmental Accounting Standards Board (GASB), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Items Previously Reported as Assets and Liabilities*, respectively. Net position as of July 1, 2011, and June 30, 2012, and changes in net position for the year ended June 30, 2012, were restated due to the implementation of GASB No. 65. Our opinion is not modified with respect to this matter.

Other Matters

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 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 audit 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013, 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* in considering the Authority's internal control over financial reporting and compliance.

Finley & Cook, PLLC

Shawnee, Oklahoma
October 30, 2013

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, 2013 and 2012. It should be read in conjunction with the financial statements which begin on page 4. 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 2013 and 2012 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 Position—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 position for the Authority as of June 30, 2013 and 2012.

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, 2013 and 2012.

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 position 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 position.

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 position 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, 2013 and 2012, statements of net position reflect assets in excess of liabilities of \$45,707,465 and \$42,377,652, respectively. For the years ended June 30, 2013 and 2012, the statements of activities reflect a change in net position of \$3,329,813 and \$11,323,660, respectively.

Condensed Financial Information—Government-Wide Financial Statements

Statements of Net Position

	<u>2013</u>	<u>2012</u>
Assets		
Current assets	\$ 7,351,033	7,832,254
Noncurrent assets, as restated	91,283,608	89,956,529
Total assets, as restated	<u>98,634,641</u>	<u>97,788,783</u>
Liabilities		
Current liabilities	3,330,183	3,685,498
Noncurrent liabilities	45,265,000	48,260,000
Total liabilities	<u>48,595,183</u>	<u>51,945,498</u>
Deferred inflows of resources	4,331,993	3,465,633
Total liabilities and deferred inflow of resources	<u>52,927,176</u>	<u>55,411,131</u>
Total net position, as restated	<u>\$ 45,707,465</u>	<u>42,377,652</u>

Statements of Activities

	<u>2013</u>	<u>2012</u>
General revenue:		
State appropriations	\$ 6,784,354	6,784,354
Contributions	897,030	927,523
Other	285,685	1,024,390
	<u>7,967,069</u>	<u>8,736,267</u>
Grant revenues	82,003	7,787,835
Total revenues	<u>8,049,072</u>	<u>16,524,102</u>
Expenses:		
Operations, including interest expense, as restated	<u>4,719,259</u>	<u>5,200,442</u>
Total expenses, as restated	<u>4,719,259</u>	<u>5,200,442</u>
Changes in net position, as restated	<u>\$ 3,329,813</u>	<u>11,323,660</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, and capital assets. Capital assets primarily consist of construction in progress, building, land, and furniture and fixtures. As of June 30, 2013 and 2012, current liabilities were primarily composed of accounts payable along with the current portion of capital lease obligations of \$2,995,000 and \$2,885,000, respectively, and the current portion of compensated absences of approximately \$33,000 and \$48,000, respectively. Noncurrent liabilities at June 30, 2013 and 2012, consisted of the capital lease obligations, less the current portion, of \$45,265,000 and \$48,260,000, respectively. As of June 30, 2013 and 2012, deferred inflows of resources consisted of conditional contributions received of approximately \$4,332,000 and \$3,466,000, respectively.

At June 30, 2013 and 2012, net position was composed of the investment in capital assets, net of related debt, of approximately \$43,014,000 and \$38,236,000, respectively; restricted net position of approximately \$119,000 and \$134,000, respectively; and unrestricted net position of approximately \$2,575,000 and \$4,009,000, respectively.

A significant portion of the statements of activities is represented by State of Oklahoma ("State") appropriations. For both the years ended June 30, 2013 and 2012, approximately \$6,784,000, was appropriated to the Authority from State-appropriated revenues. For the years ended June 30, 2013 and 2012, the statements of activities included approximately \$897,000 and \$928,000, respectively, of contributions. Also included is approximately \$286,000 and \$1,024,000 of other revenues (interest income) in 2013 and 2012, respectively, which were funds expended for construction that were from interest primarily earned by the Oklahoma Capitol Improvement Authority (OCIA). During 2013 and 2012, the Authority recognized approximately \$82,000 and \$7,788,000, respectively, of grant revenues.

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

	2013		
		Special	Total
	General Fund	Revenue Fund	Governmental Funds
Cash and cash equivalents	\$ 2,143,170	766,957	2,910,127
Restricted cash and cash equivalents	-	4,450,906	4,450,906
Due from the Foundation	280,719	-	280,719
	<u>2,423,889</u>	<u>-</u>	<u>280,719</u>
Total assets	<u>\$ 2,423,889</u>	<u>5,217,863</u>	<u>7,641,752</u>
Due to the Authority	\$ -	280,719	280,719
Accounts payable	263,664	38,700	302,364
Deferred inflows of resources	-	4,331,993	4,331,993
Fund balances	2,160,225	566,451	2,726,676
	<u>2,160,225</u>	<u>566,451</u>	<u>2,726,676</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,423,889</u>	<u>5,217,863</u>	<u>7,641,752</u>
	2012		
		Special	Total
	General Fund	Revenue Fund	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
	<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>
Due to the Authority	\$ -	1,860,058	1,860,058
Accounts payable	681,141	71,067	752,208
Deferred inflows of resources	-	3,465,633	3,465,633
Fund balances	3,272,921	351,492	3,624,413
	<u>3,272,921</u>	<u>351,492</u>	<u>3,624,413</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,954,062</u>	<u>5,748,250</u>	<u>9,702,312</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information—Fund Financial Statements, Continued

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

	2013		
	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State appropriations	\$ 6,784,354	-	6,784,354
Federal grants	82,003	-	82,003
Contributions	-	897,030	897,030
Other	273,294	12,391	285,685
Total revenues	<u>7,139,651</u>	<u>909,421</u>	<u>8,049,072</u>
Expenditures:			
Salaries, wages, and benefits	843,186	-	843,186
Professional/consultants	61,567	694,462	756,029
Lease	44,611	-	44,611
Contractual	1,936,252	-	1,936,252
Other	152,507	-	152,507
Debt service:			
Principal	2,885,000	-	2,885,000
Interest	2,329,224	-	2,329,224
Total expenditures	<u>8,252,347</u>	<u>694,462</u>	<u>8,946,809</u>
Net changes in fund balances	<u>\$ (1,112,696)</u>	<u>214,959</u>	<u>(897,737)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Condensed Financial Information—Fund Financial Statements, Continued

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

	2012		
	General Fund	Special Revenue Fund	Total Governmental Funds
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

Analysis of Significant Variations Between Budget Amounts for the General Fund

For the year ended June 30, 2013, the largest significant budget variances were in the areas of State appropriations. State appropriations were overbudgeted approximately \$830,000. The Authority used 2012 carryover funds from unexpended State appropriations to pay for contractual expenses (Museum site preservation) related to 2013. These funds helped reduce the amount of 2013 State appropriations that were needed to cover the 2013 expenditures. The 2013 carryover funds will be utilized to pay for Museum site preservation.

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.

Description of Long-Term Debt Activity and Significant Capital Assets

As of June 30, 2013 and 2012, 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, 2013 and 2012, the principal amount of this debt was \$48,260,000 and \$51,145,000, respectively. A summary of the changes in lease obligation for the years ended June 30 is as follows:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 51,145,000	53,930,000
Principal payments	<u>(2,885,000)</u>	<u>(2,785,000)</u>
Balance, end of year	<u>\$ 48,260,000</u>	<u>51,145,000</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 2013 and 2012 is as follows:

	<u>Balance at</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at</u> <u>June 30, 2013</u>
Land	\$ 355,000	-	-	-	355,000
Construction in progress	86,911,349	1,431,240	-	-	88,342,589
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>90,326,147</u>	<u>1,431,240</u>	<u>-</u>	<u>-</u>	<u>91,757,387</u>
Less accumulated depreciation:					
Furniture and fixtures	(80,549)	(4,469)	-	-	(85,018)
Building	<u>(299,069)</u>	<u>(99,692)</u>	<u>-</u>	<u>-</u>	<u>(398,761)</u>
Total accumulated depreciation	<u>(379,618)</u>	<u>(104,161)</u>	<u>-</u>	<u>-</u>	<u>(483,779)</u>
Capital assets, net	<u>\$ 89,946,529</u>	<u>1,327,079</u>	<u>-</u>	<u>-</u>	<u>91,273,608</u>
	<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>

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 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, 2012, to June 30, 2013, and the year July 1, 2013, to June 30, 2014. Overall, the total budgeted expenditure changes are \$(955,000) and \$734,000 for fiscal years 2014 and 2013, respectively. The changes in anticipated expenditures are as follows:

	<u>2014 Budget Compared to 2013</u>	<u>2013 Budget Compared to 2012</u>
State appropriated	\$ (830,000)	1,262,000
Federal	<u>(125,000)</u>	<u>(528,000)</u>
Total expenditure change	<u>\$ (955,000)</u>	<u>734,000</u>

For fiscal year 2014, the Authority’s State appropriations significantly fluctuated, and the Authority does not anticipate receiving any significant additional grant funds.

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

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 and 2013 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 \$60,000 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 2015, the Authority anticipates a flat operating budget (or the same State appropriation as fiscal year 2014). The fiscal year 2014 State appropriation was the same as the 2013 State appropriation. 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, which is largely comprised of conditional pledges and conditional donations from private donors that are contingent upon the State's match of funding to complete the project, among other conditions on certain pledges and donations. 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 2014 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 POSITION

<i>June 30,</i>	<i>2013</i>	<i>2012</i>
Assets		
Current assets:		
Cash and cash equivalents (including \$4,440,906 and \$3,589,136 of restricted cash as of June 30, 2013 and 2012, respectively)	\$ 7,351,033	7,531,544
Grants receivable	-	300,710
Total current assets	<u>7,351,033</u>	<u>7,832,254</u>
Noncurrent assets:		
Restricted cash and cash equivalents	10,000	10,000
Capital assets:		
Land	355,000	355,000
Building, net of accumulated depreciation	2,576,019	2,675,711
Furniture and fixtures, net of accumulated depreciation	-	4,469
Construction in progress	<u>88,342,589</u>	<u>86,911,349</u>
Total capital assets, net of accumulated depreciation	<u>91,273,608</u>	<u>89,946,529</u>
Total noncurrent assets, as restated	<u>91,283,608</u>	<u>89,956,529</u>
Total assets, as restated	<u>98,634,641</u>	<u>97,788,783</u>

(Continued)

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

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

STATEMENTS OF NET POSITION, CONTINUED

<i>June 30,</i>	<i>2013</i>	<i>2012</i>
Liabilities		
Current liabilities:		
Accounts payable	302,364	752,208
Capital lease obligations—current portion	2,995,000	2,885,000
Accrued compensated absences	32,819	48,290
Total current liabilities	<u>3,330,183</u>	<u>3,685,498</u>
Noncurrent liabilities:		
Capital lease obligations—less current portion	<u>45,265,000</u>	<u>48,260,000</u>
Total noncurrent liabilities	<u>45,265,000</u>	<u>48,260,000</u>
 Total liabilities	 <u>48,595,183</u>	 <u>51,945,498</u>
Deferred Inflows of Resources		
Conditional contributions received	<u>4,331,993</u>	<u>3,465,633</u>
 Total liabilities and deferred inflows of resources	 <u>52,927,176</u>	 <u>55,411,131</u>
Net Position		
Invested in capital assets, net of related debt, as restated	43,013,608	38,235,528
Restricted	118,913	133,503
Unrestricted	<u>2,574,944</u>	<u>4,008,621</u>
 Total net position, as restated	 <u>\$ 45,707,465</u>	 <u>42,377,652</u>

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

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2013

		<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 Position</u>
Governmental activities:					
Operations	\$ (2,306,867)	-	-	-	(2,306,867)
Interest expense	(2,329,224)	-	-	-	(2,329,224)
Total general government	<u>(4,636,091)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,636,091)</u>
Grant programs	<u>(83,168)</u>	<u>-</u>	<u>-</u>	<u>82,003</u>	<u>(1,165)</u>
Total governmental activities	<u>\$ (4,719,259)</u>	<u>-</u>	<u>-</u>	<u>82,003</u>	<u>(4,637,256)</u>
General revenues:					
State appropriations					6,784,354
Contributions					897,030
Other					<u>285,685</u>
Total general revenues					<u>7,967,069</u>
Changes in net position					3,329,813
Net position, beginning of year, as restated					<u>42,377,652</u>
Net position, end of year					<u>\$ 45,707,465</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, 2012

	<u>Expenses</u>	REVENUES			<u>Net (Expense) Revenue/Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>	
Governmental activities:					
Operations, as restated	\$ (2,765,027)	-	-	-	(2,765,027)
Interest expense	<u>(2,435,415)</u>	-	-	-	<u>(2,435,415)</u>
Total general government, as restated	<u>(5,200,442)</u>	-	-	-	<u>(5,200,442)</u>
Grant programs	<u>-</u>	-	<u>219,095</u>	<u>7,568,740</u>	<u>7,787,835</u>
Total governmental activities, as restated	<u>\$ (5,200,442)</u>	<u>-</u>	<u>219,095</u>	<u>7,568,740</u>	<u>2,587,393</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 position, as restated					11,323,660
Net position, beginning of year, as restated					<u>31,053,992</u>
Net position, end of year, as restated					<u>\$ 42,377,652</u>

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

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

BALANCE SHEETS—GOVERNMENTAL FUND

June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,143,170	766,957	2,910,127
Restricted cash and cash equivalents	-	4,450,906	4,450,906
Due from the Foundation	<u>280,719</u>	<u>-</u>	<u>280,719</u>
 Total assets	 <u>\$ 2,423,889</u>	 <u>5,217,863</u>	 <u>7,641,752</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Due to the Authority	\$ -	280,719	280,719
Accounts payable	<u>263,664</u>	<u>38,700</u>	<u>302,364</u>
Total liabilities	<u>263,664</u>	<u>319,419</u>	<u>583,083</u>
Deferred inflows of resources:			
Conditional contributions received	<u>-</u>	<u>4,331,993</u>	<u>4,331,993</u>
 Total liabilities and deferred inflows of resources	 <u>263,664</u>	 <u>4,651,412</u>	 <u>4,915,076</u>
Fund balances:			
Nonspendable	-	10,000	10,000
Restricted	5,082	108,913	113,995
Committed	280,719	447,538	728,257
Unassigned	<u>1,874,424</u>	<u>-</u>	<u>1,874,424</u>
Total fund balances	<u>2,160,225</u>	<u>566,451</u>	<u>2,726,676</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 2,423,889</u>	 <u>5,217,863</u>	 <u>7,641,752</u>

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

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

BALANCE SHEETS—GOVERNMENTAL FUND, CONTINUED

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, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Due to the Authority	\$ -	1,860,058	1,860,058
Accounts payable	<u>681,141</u>	<u>71,067</u>	<u>752,208</u>
Total liabilities	<u>681,141</u>	<u>1,931,125</u>	<u>2,612,266</u>
Deferred inflows of resources:			
Conditional contributions received	<u>-</u>	<u>3,465,633</u>	<u>3,465,633</u>
 Total liabilities and deferred inflows of resources	 <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, deferred inflows of resources, 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**

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

<i>June 30,</i>	<i>2013</i>	<i>2012</i>
Reconciliation of Fund Balance to Net Position		
Total fund balances—governmental fund	\$ 2,726,676	3,624,413
Amounts reported in the statements of net position 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
Construction in progress	88,342,589	86,911,349
Land	355,000	355,000
Building, net of accumulated depreciation	2,576,019	2,675,711
Certain liabilities are not due and payable in the current period and therefore are not reported in the fund:		
Accrued compensated absences	(32,819)	(48,290)
Capital lease obligations	<u>(48,260,000)</u>	<u>(51,145,000)</u>
Net position of governmental activities, as restated	<u>\$ 45,707,465</u>	<u>42,377,652</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, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Federal grants	\$ 82,003	-	82,003
Contributions	-	897,030	897,030
Other	273,294	12,391	285,685
Total revenues	<u>355,297</u>	<u>909,421</u>	<u>1,264,718</u>
Expenditures:			
Operational:			
Salaries, wages, and benefits	843,186	-	843,186
Professional/consultants	61,567	694,462	756,029
Travel	16,700	-	16,700
Lease	44,611	-	44,611
Equipment rental	6,919	-	6,919
Supplies	2,931	-	2,931
Equipment	3,287	-	3,287
Maintenance	12,127	-	12,127
Telephone	19,055	-	19,055
Postage and freight	232	-	232
Advertising	15	-	15
Contractual	1,936,252	-	1,936,252
Other	91,241	-	91,241
Debt service:			
Principal	2,885,000	-	2,885,000
Interest	2,329,224	-	2,329,224
Total expenditures	<u>8,252,347</u>	<u>694,462</u>	<u>8,946,809</u>
(Deficiency) excess of revenues over expenditures	(7,897,050)	214,959	(7,682,091)
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	(1,112,696)	214,959	(897,737)
Fund balances, beginning of year	<u>3,272,921</u>	<u>351,492</u>	<u>3,624,413</u>
Fund balances, end of year	<u>\$ 2,160,225</u>	<u>566,451</u>	<u>2,726,676</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, 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	<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**

**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>2013</i>	<i>2012</i>
Net changes in fund balances—total governmental funds	\$ (897,737)	(1,364,470)
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets:		
Depreciation expense	(104,161)	(107,653)
Capital asset purchases capitalized	1,384,330	1,449,888
Grant funds spent on construction and capitalized	46,910	7,568,740
Other income spent on construction	-	1,001,547
	<u>1,327,079</u>	<u>9,912,522</u>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of net position:		
Capital lease obligation principal payments	2,885,000	2,785,000
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:		
Changes in accrued compensated absences	<u>15,471</u>	<u>(9,392)</u>
Changes in net position of governmental activities, as restated	<u>\$ 3,329,813</u>	<u>11,323,660</u>

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

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

(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 2013 and 2012 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 have the same management group. 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>2013</u>	<u>2012</u>
Assets:		
Cash and cash equivalents	\$ 486,238	289,056
Restricted cash and cash equivalents	<u>4,731,625</u>	<u>5,459,194</u>
Total assets	<u>\$ 5,217,863</u>	<u>5,748,250</u>
Liabilities:		
Due to the Authority	\$ 280,719	1,860,058
Conditional contributions received	4,331,993	3,465,633
Accounts payable	<u>38,700</u>	<u>71,067</u>
Total liabilities	<u>4,651,412</u>	<u>5,396,758</u>
Net assets	<u>566,451</u>	<u>351,492</u>
Total liabilities and net assets	<u>\$ 5,217,863</u>	<u>5,748,250</u>

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
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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>2013</u>	<u>2012</u>
Support and revenues:		
Contributions	\$ 897,030	927,523
Interest income	12,391	13,953
Total support and revenues	<u>909,421</u>	<u>941,476</u>
Expenses:		
Fundraising	31,262	14,220
For benefit of the Authority	650,452	755,701
Operating	12,748	45,766
Total expenses	<u>694,462</u>	<u>815,687</u>
Changes in net assets	214,959	125,789
Net assets, beginning of year	<u>351,492</u>	<u>225,703</u>
Net assets, end of year	<u>\$ 566,451</u>	<u>351,492</u>

In 2013 and 2012, the Foundation received contributions of approximately \$897,000 and \$928,000, respectively, for general operations and consulting costs, which were concentrated from one source representing 99% of those contributions for both years. The Foundation also received approximately \$866,000 and \$813,000 in conditional contributions for the Capital Campaign, a fundraising campaign to raise funds via private, tribal, and public sources for the development of the Museum (the "Capital Campaign"), during 2013 and 2012, respectively. The 2013 conditional contributions were concentrated from two sources representing 98% of conditional contributions, and the 2012 conditional contributions were concentrated from three sources representing 74% 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 Brownfields 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 2013 and 2012, the Foundation paid the Authority \$1,579,339 and \$1,599,116, respectively, of the amount owed, therefore resulting in a payable to the Authority of \$280,719 and \$1,860,058 as of June 30, 2013 and 2012, respectively. The net amount was eliminated on the government-wide financial statements.

Basis of Presentation

Government-Wide Financial Statements

The statements of net position 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 position 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 position 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 position 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 position 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).

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**NATIVE AMERICAN CULTURAL AND
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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, the Authority recognized \$1,001,547 as other income spent on construction, as the earnings were expended. During 2013, the Authority did not utilize such earnings for construction. However, the Authority was provided a credit against the capital lease obligations related to the earnings in the amount of approximately \$272,000, which was recorded as other revenue and a reduction in capital lease obligations.

Restricted Assets

Restricted assets include funds restricted by the donors in the amount of \$4,450,906 and \$3,599,136 as of June 30, 2013 and 2012, respectively. The assets consist of cash and cash equivalents which are restricted for the development of the Museum. Such restricted assets represent conditional contributions received of \$4,331,993 and \$3,465,633 as of June 30, 2013 and 2012, respectively. The contributions are conditional upon the State making a commitment to contribute an additional \$40 million toward the development of the Museum, among other conditions on certain contributions.

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**NATIVE AMERICAN CULTURAL AND
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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 position 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 earned but unused annual leave.

Capital Lease Obligations

The Authority has entered into capital lease obligations, as more fully described in Note 6 to the financial statements. The amounts reflected in the statements of net position are the principal balances due as of June 30, 2013 and 2012.

Equity Classifications

Government-Wide Financial Statements

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

- (a) Invested in capital assets, net of related debt—consists of capital assets including restricted capital assets, 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 position—consists of net position 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 position—all other net position 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 position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

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**NATIVE AMERICAN CULTURAL AND
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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.

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**NATIVE AMERICAN CULTURAL AND
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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
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

Fund Financial Statements, Continued

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

	2013		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Fund balances:			
Nonspendable	\$ -	10,000	10,000
Restricted:			
Capital projects	-	108,913	108,913
Other	5,082	-	5,082
Total restricted	<u>5,082</u>	<u>108,913</u>	<u>113,995</u>
Committed:			
Capital projects	280,719	-	280,719
Benefit of the Authority	-	447,538	447,538
Total committed	<u>280,719</u>	<u>447,538</u>	<u>728,257</u>
Unassigned (State appropriations)	<u>1,874,424</u>	-	<u>1,874,424</u>
Total fund balances	<u>\$ 2,160,225</u>	<u>566,451</u>	<u>2,726,676</u>

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

Fund Financial Statements, Continued

	2012		Total Governmental Funds
	<u>General Fund</u>	<u>Special Revenue Fund</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 balances	<u>\$ 3,272,921</u>	<u>351,492</u>	<u>3,624,413</u>

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**NATIVE AMERICAN CULTURAL AND
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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, 2013 and 2012, total encumbrances approximated \$155,000 and \$141,000, respectively.

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.

As of June 30, 2012, the Authority had approximately \$83,000 of federal grant funds available to be drawn upon when needed. All such remaining federal grant funds at June 30, 2012, were obligated and were paid by November 30, 2012. At June 30, 2013, no federal grant funds were available to the Authority.

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.

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.

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**NATIVE AMERICAN CULTURAL AND
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes, Continued

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, 2013 or 2012, which would require the Foundation to record a liability for the uncertain tax positions in its financial statements. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Foundation has no open examinations with either the Internal Revenue Service or the Oklahoma Tax Commission.

Recent Accounting Pronouncements

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (GASB 61). GASB 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, GASB 61 clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

GASB 61 amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

The Authority adopted GASB 61 on July 1, 2012, which did not have a significant impact on the Authority's financial statements.

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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 were effective for financial statements for periods beginning after December 15, 2011. The Authority adopted GASB 63 effective July 1, 2012. The adoption of the statement required the Authority to adopt the term "net position" as required.

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, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority adopted GASB 65 as of July 1, 2012, and retrospectively applied it for the year beginning July 1, 2012, which resulted in the Authority writing off debt issuance costs and restating prior period financial positions and operating results as discussed in Note 2. In addition, the Authority determined that as of June 30, 2013 and 2012, that the balance of conditional contributions received were considered to be deferred inflows of resources which have been presented as such in accordance with GASB 63 and 65.

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 governmental 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 expense/expenditures. This statement is effective for financial statements for periods beginning after June 15, 2014. The Authority has not determined the effects, if any, of implementing GASB 68.

Date of Management's Review of Subsequent Events

The Authority has evaluated subsequent events through October 30, 2013, 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.

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**NATIVE AMERICAN CULTURAL AND
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

As discussed in Note 1, the Authority adopted GASB 65, as of July 1, 2012, which was retrospectively applied causing a restatement of net position as of July 1, 2011, and June 30, 2012, in the accompanying statements of net position and a restatement in operating expenses and changes in net position in the accompanying statement of activities for the year ended June 30, 2012, as follows:

	<u>Total Net Position</u>
As previously reported as of July 1, 2011	\$ 31,741,800
Write-off of debt issuance costs, net	<u>(687,808)</u>
As restated as of July 1, 2011	<u>\$ 31,053,992</u>

	<u>Debt Issuance Costs, Net</u>	<u>Total Assets</u>	<u>Net Position Invested in Capital Assets, Net of Related Debt</u>	<u>Total Net Position</u>	<u>Operating Expenses</u>	<u>Changes in Net Position</u>
As previously reported as of June 30, 2012	\$ 446,474	98,235,257	38,682,002	42,824,126	3,006,361	11,082,326
Write-off of debt issuance costs, net	(446,474)	(446,474)	(446,474)	(446,474)	-	-
Amortization of debt issuance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241,334)</u>	<u>241,334</u>
As restated as of June 30, 2012	<u>\$ -</u>	<u>97,788,783</u>	<u>38,235,528</u>	<u>42,377,652</u>	<u>2,765,027</u>	<u>11,323,660</u>

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**NATIVE AMERICAN CULTURAL AND
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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 and 2013 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 \$60,000 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 2015, the Authority anticipates a flat operating budget (or the same State appropriation as fiscal year 2014). The fiscal year 2014 State appropriation was the same as the 2013 State appropriation. 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, which is largely comprised of conditional pledges and conditional donations from private donors that are contingent upon the State's match of funding to complete the project, among other conditions on certain pledges and donations. 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 2014 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.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH AND CASH EQUIVALENTS

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

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents held by the Authority	\$ 2,143,170	1,793,294
Cash and cash equivalents held by the Foundation	<u>5,217,863</u>	<u>5,748,250</u>
	<u>\$ 7,361,033</u>	<u>7,541,544</u>
Unrestricted	\$ 2,910,127	3,942,408
Restricted	<u>4,450,906</u>	<u>3,599,136</u>
	<u>\$ 7,361,033</u>	<u>7,541,544</u>

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

	<u>2013</u>	<u>2012</u>
Money market mutual fund:		
Unrestricted	\$ 290,969	22,500
Restricted	<u>275,719</u>	<u>1,956,034</u> ^(a)
	<u>566,688</u>	<u>1,978,534</u>
Bank accounts:		
Unrestricted	195,269	266,556
Restricted	<u>4,455,906</u>	<u>3,503,160</u> ^(a)
	<u>4,651,175</u>	<u>3,769,716</u>
 Total Foundation cash and cash equivalents	 <u>\$ 5,217,863</u>	 <u>5,748,250</u>

^(a) A total of \$280,719 and \$1,860,058, respectively, was restricted for the Authority, which has been presented as unrestricted for the blended component presentation on the financial statements.

The Foundation maintains cash balances at one Oklahoma banking institution. At June 30, 2013, deposit accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. A concentration of credit risk at June 30, 2013, of \$4,396,157 existed on this account.

At June 30, 2013, the Foundation had \$566,688 invested in a short-term money market mutual fund. The money market mutual fund is not guaranteed by the banking institution and is not insured or guaranteed by the FDIC.

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**NATIVE AMERICAN CULTURAL AND
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) CASH AND CASH EQUIVALENTS, CONTINUED

As of June 30, 2013 and 2012, the cash held by the Foundation included \$290,969 and \$22,500, respectively, which was invested in a short-term money market mutual fund. As of June 30, 2013, the short-term money market mutual fund was invested in U.S. government agency obligations (67.6%) and U.S. treasuries (32.4%). 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, 2013 and 2012, 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 50 and 43 days as of June 30, 2013 and 2012, 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 a banking institution 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>2013</u>	<u>2012</u>
Foundation	\$ 766,957	2,149,114
Held by the State Treasurer's office	<u>2,143,170</u>	<u>1,793,294</u>
	<u>\$ 2,910,127</u>	<u>3,942,408</u>

Restricted

At June 30, 2013 and 2012, restricted cash of \$4,450,906 and \$3,599,136, respectively, was due to donor-imposed restrictions. The restricted cash consisted of funds held by the Foundation in an Oklahoma banking institution. Such restricted assets represent conditional contributions received of \$4,331,993 and \$3,465,633 as of June 30, 2013 and 2012, respectively. The contributions are conditional upon the State making a commitment to contribute an additional \$40 million toward the development of the Museum, among other conditions on certain contributions.

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**NATIVE AMERICAN CULTURAL AND
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) 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 June 30, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance at June 30, 2013</u>
Land	\$ 355,000	-	-	-	355,000
Construction in progress	86,911,349	1,431,240	-	-	88,342,589
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>90,326,147</u>	<u>1,431,240</u>	<u>-</u>	<u>-</u>	<u>91,757,387</u>
Less accumulated depreciation:					
Furniture and fixtures	(80,549)	(4,469)	-	-	(85,018)
Building	<u>(299,069)</u>	<u>(99,692)</u>	<u>-</u>	<u>-</u>	<u>(398,761)</u>
Total accumulated depreciation	<u>(379,618)</u>	<u>(104,161)</u>	<u>-</u>	<u>-</u>	<u>(483,779)</u>
Capital assets, net	<u>\$ 89,946,529</u>	<u>1,327,079</u>	<u>-</u>	<u>-</u>	<u>91,273,608</u>

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) CAPITAL ASSETS, CONTINUED

	<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>

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.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) 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 of June 30, 2013 and 2012, all of the bond proceeds have been expended for construction; therefore, no lease receivable existed. 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, 2013 and 2012, was \$104,161 and \$107,653, respectively.

(6) 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 position.

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**NATIVE AMERICAN CULTURAL AND
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) CAPITAL LEASE OBLIGATIONS, CONTINUED

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, 2013:

<u>Year Ending June 30,</u>	<u>1999C and 2004A Lease</u>	<u>2005C Lease</u>	<u>2008A Lease</u>	<u>Total</u>
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	380,750	2,508,855	2,301,777	5,191,382
2019–2023	671,667	12,395,735	11,528,993	24,596,395
2024–2027	-	9,889,700	4,612,640	14,502,340
Minimum payments for capital leases	<u>2,581,667</u>	<u>34,913,569</u>	<u>27,657,470</u>	<u>65,152,706</u>
Less amount representing interest	<u>(371,667)</u>	<u>(9,373,569)</u>	<u>(7,147,470)</u>	<u>(16,892,706)</u>
Present value of minimum lease payments	<u>\$ 2,210,000</u>	<u>25,540,000</u>	<u>20,510,000</u>	<u>48,260,000</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.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) 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>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 51,145,000	53,930,000
Principal payments in fiscal year	<u>(2,885,000)</u>	<u>(2,785,000)</u>
Balance, end of year	<u>\$ 48,260,000</u>	<u>51,145,000</u>

The lease obligations, by lease, are as follows:

	<u>2013</u>	<u>2012</u>
1999C and 2004A lease	\$ 2,210,000	2,470,000
2005C lease	25,540,000	26,885,000
2008A lease	<u>20,510,000</u>	<u>21,790,000</u>
	<u>\$ 48,260,000</u>	<u>51,145,000</u>

Principal payments for the lease obligations as of June 30, 2013, 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>
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	330,000	1,620,000	1,560,000	3,510,000
2019–2023	710,000	9,155,000	9,025,000	18,890,000
2024–2027	<u>-</u>	<u>8,870,000</u>	<u>4,275,000</u>	<u>13,145,000</u>
	<u>\$ 2,210,000</u>	<u>25,540,000</u>	<u>20,510,000</u>	<u>48,260,000</u>

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) 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.

(7) ACCRUED COMPENSATED ABSENCES

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

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 48,290	38,898
Amount earned	32,580	34,949
Amount used	<u>(48,051)</u>	<u>(25,557)</u>
Balance, end of year	<u>\$ 32,819</u>	<u>48,290</u>

For the statements of net position, the amounts estimated to be current are the available balances at June 30, 2013 and 2012.

(8) CONDITIONAL CONTRIBUTIONS RECEIVED

Conditional contributions received by the Foundation totaled \$4,331,993 and \$3,465,633 as of June 30, 2013 and 2012, 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, 2013 and 2012, such conditions were not met; therefore, the contributions are recorded as deferred inflows of resources in the Authority's statements of net position and governmental fund balance sheets.

(9) CONDITIONAL PLEDGES

As of June 30, 2013 and 2012, the Foundation had received written conditional pledges totaling approximately \$30,948,000 and \$30,850,000, respectively, 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, 2013 and 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

(10) STATE APPROPRIATIONS

The Authority receives monies through appropriations from the State as approved by the Oklahoma Legislature. Appropriations received for both the years ended June 30, 2013 and 2012, totaled \$6,784,354.

(11) RENT

During the years ended June 30, 2013 and 2012, \$28,380 and \$27,842, respectively, was paid to a third party for rent of office space.

(12) 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 2013, 2012, and 2011 fiscal years were 16.5%, 16.5%, and 15.5%, respectively, of all salaries; and for State employees, 3.5% of total salaries for 2013, 2012, and 2011.

See Independent Auditors' Report.

**NATIVE AMERICAN CULTURAL AND
EDUCATIONAL AUTHORITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(12) PENSION PLAN, CONTINUED

Funding Policy, Continued

The Authority paid 100% of all required pension contributions for 2013, 2012, and 2011. 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>
2013	\$ 96,000	22,000
2012	99,000	23,000
2011	106,000	26,000

**(13) 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

**(13) 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, 2013 and 2012. 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

**(13) 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.

(14) 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

(14) 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.

(15) 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:

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 year ended June 30, 2012, the Authority had expended \$6,906,540, of costs under the program, and therefore recognized \$6,906,540, of grant revenue in its 2012 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

(16) 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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	Actual on <u>Budgetary Basis</u>	<u>Variance</u>
Revenues:				
State appropriations	\$ 6,784,354	7,614,027	6,784,354	(829,673)
Federal grants	208,800	333,616	382,713	49,097
Other	-	-	1,471	1,471
Total revenues	<u>6,993,154</u>	<u>7,947,643</u>	<u>7,168,538</u>	<u>(779,105)</u>
Expenditures:				
Salaries, wages, and benefits	856,651	863,824	843,302	20,522
Travel	76,000	76,000	18,088	57,912
Lease	5,272,054	5,272,054	5,258,835	13,219
Equipment	12,000	12,000	11,539	461
Maintenance	35,000	35,000	13,757	21,243
Professional/consultants	-	-	119,785	(119,785)
Contractual	263,363	1,205,006	1,206,559	(1,553)
Miscellaneous administrative expenses	<u>478,086</u>	<u>483,759</u>	<u>352,426</u>	<u>131,333</u>
Total expenditures	<u>6,993,154</u>	<u>7,947,643</u>	<u>7,824,291</u>	<u>123,352</u>
Deficiency of revenues over expenditures	-	-	(655,753)	(655,753)
Budgetary fund balances, beginning of year	<u>89,653</u>	<u>150,413</u>	<u>1,560,876</u>	<u>1,410,463</u>
Budgetary fund balances, end of year	<u>\$ 89,653</u>	<u>150,413</u>	<u>905,123</u>	<u>754,710</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	Actual on <u>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**

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

Year Ended June 30, 2013

	<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	82,003	300,710	382,713
Contributions	897,030	(897,030)	-
Other	285,685	(284,214)	1,471
Total revenues	<u>8,049,072</u>	<u>(880,534)</u>	<u>7,168,538</u>
Expenditures:			
Salaries, wages, and benefits	843,186	116	843,302
Travel	16,700	1,388	18,088
Lease	44,611	5,214,224	5,258,835
Equipment	10,206	1,333	11,539
Maintenance	12,127	1,630	13,757
Debt service:			
Principal	2,885,000	(2,885,000)	-
Interest	2,329,224	(2,329,224)	-
Professional/consultants	756,029	(636,244)	119,785
Contractual	1,936,252	(729,693)	1,206,559
Miscellaneous administrative expenses	113,474	238,952	352,426
Total expenditures	<u>8,946,809</u>	<u>(1,122,518)</u>	<u>7,824,291</u>
(Deficiency) excess of revenues over expenditures	(897,737)	241,984	(655,753)
Fund balances, beginning of year	<u>3,624,413</u>	<u>(2,063,537)</u>	<u>1,560,876</u>
Fund balances, end of year	<u>\$ 2,726,676</u>	<u>(1,821,553)</u>	<u>905,123</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, 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)	-
Professional/consultants	1,237,753	(1,032,943)	204,810
Contractual	9,330,347	(8,518,468)	811,879
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	<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
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**REPORTS REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



**INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Native American Cultural and Educational Authority (the "Authority"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 30, 2013. Our report also includes an explanatory paragraph to emphasize the fact that the financial statements include only that portion of the State of Oklahoma that is attributable to transactions of the Authority. In addition, our report includes an explanatory paragraph disclaiming an opinion on required supplementary information and an explanatory paragraph to emphasize the adoption of Governmental Accounting Standards Board Statements No. 63 and No. 65 by the Authority.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

**INDEPENDENT AUDITORS' 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 from 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*.

Purpose of This Report

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

Finley & Cook, PLLC

Shawnee, Oklahoma
October 30, 2013