

**NORTHEASTERN
OKLAHOMA AGRICULTURAL
AND MECHANICAL COLLEGE**

June 30, 2012

NORTHEASTERN OKLAHOMA AGRICULTURAL
AND MECHANICAL COLLEGE

June 30, 2012

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Independent Auditors' Report

Board of Regents for the Oklahoma Agricultural and Mechanical Colleges
Northeastern Oklahoma Agricultural and Mechanical College
Oklahoma City, Oklahoma

We have audited the accompanying statement of net assets of Northeastern Oklahoma Agricultural and Mechanical College (the "College") (the Primary Government) as of June 30, 2012 and the related statement of revenues, expenses and change in net assets and statement of cash flows for the year then ended. The financial statements of the College as of and for the year ended June 30, 2011 were audited by another auditor whose report, dated October 25, 2011, expressed an unqualified opinion on those financial statements. The financial statements of the separate discretely presented component unit, Northeastern Oklahoma A&M College Development Foundation, Inc. (the "Foundation") (presented as Exhibit I) as of June 30, 2012 and 2011 were audited by other auditors, whose report dated October 30, 2012 expressed an unqualified opinion on those statements. The financial statements of the College and the Foundation collectively comprise the College's basic financial statements. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. Our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General for the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of Northeastern Oklahoma Agricultural and Mechanical College and its separate discretely presented component unit, Northeastern Oklahoma A&M College Development Foundation, Inc., as of June 30, 2012, and the respective change in net assets and, where applicable, cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, on our consideration of the College's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

INTRODUCTION

The following management's discussion and analysis of the financial performance of Northeastern Oklahoma Agricultural and Mechanical College (the "College") provides an overview of the College's financial activities for the fiscal year ended June 30, 2012, with fiscal years 2011 and 2010 data presented for comparative purposes. This analysis is intended to provide you, the reader, with a summary of significant financial activities and information and should be read in conjunction with the College's basic financial statements and footnotes.

FINANCIAL HIGHLIGHTS

- For the year ended June 30, 2012, the College's net assets decreased to \$28,340,162 from \$28,744,342 in 2011 and \$27,291,771 in 2010.
- Total revenues increased to \$28,189,578 in 2012 from \$27,373,367 in 2011 and \$25,086,014 in 2010.
- Total expenses increased to \$28,593,758 in 2012 from \$25,920,796 in 2011 and \$23,829,764 in 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

The College's financial statements are presented in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and, accordingly, include management's discussion and analysis (as required supplementary information); the statements of net assets; the statements of revenues, expenses and changes in net assets; the statements of cash flows; and explanatory notes to the financial statements. The College has implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and an amendment of GASB Statement No. 14. Accordingly, the financial statements of the Northeastern Oklahoma A&M College Development Foundation, Inc. (the "Foundation") are presented as a discrete component unit in the College's financial statements.

THE BASIC FINANCIAL STATEMENTS

One of the most important questions asked about the College is whether it is better off or worse off as a result of the year's financial activities. The statements of net assets and the statements of revenues, expenses and changes in net assets report information about the College as a whole and about its activities in a way that answers this question. These statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. The accrual basis of accounting reports the current year's revenues and expenses regardless of when cash is actually received or disbursed.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

THE BASIC FINANCIAL STATEMENTS--Continued

The statements of net assets and the statements of revenues, expenses and changes in net assets report the College's net assets and changes to them. The College's net assets - the difference between assets and liabilities - is one way to measure the College's financial health or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. Non-financial factors must also be considered, however, such as changes in the College's programs and degrees offered and accreditation status, in addition to the condition of its physical facilities, to fully assess the overall health of the College.

The following two tables show a summary comparison of the College's assets, liabilities and net assets of 2012 compared to 2011, and 2011 compared to 2010.

CONDENSED STATEMENTS OF NET ASSETS

	June 30			
	2012	2011	Increase (Decrease)	Percent Change
CURRENT ASSETS	\$ 7,284,332	\$ 9,522,681	\$ (2,238,349)	-23.5%
NONCURRENT ASSETS				
Capital assets, net	37,040,428	32,169,537	4,870,891	15.1%
Restricted cash and cash equivalents	839,612	933,544	(93,932)	-10.1%
Other	725,443	1,837,158	(1,111,715)	-60.5%
TOTAL ASSETS	<u>\$ 45,889,815</u>	<u>\$ 44,462,920</u>	<u>\$ 1,426,895</u>	<u>3.2%</u>
CURRENT LIABILITIES	\$ 2,741,520	\$ 3,779,194	\$ (1,037,674)	-27.5%
NONCURRENT LIABILITIES	14,808,133	11,939,384	2,868,749	24.0%
TOTAL LIABILITIES	<u>\$ 17,549,653</u>	<u>\$ 15,718,578</u>	<u>\$ 1,831,075</u>	<u>11.6%</u>
NET ASSETS				
Invested in capital assets, net of debt	\$ 22,295,995	\$ 20,505,029	\$ 1,790,966	8.7%
Restricted for:				
Non expendable	139,116	157,518	(18,402)	-11.7%
Expendable	986,315	2,152,229	(1,165,914)	54.2%
Unrestricted	4,918,736	5,929,566	(1,010,830)	-17.0%
TOTAL NET ASSETS	<u>\$ 28,340,162</u>	<u>\$ 28,744,342</u>	<u>\$ (404,180)</u>	<u>-1.4%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

THE BASIC FINANCIAL STATEMENTS--Continued

CONDENSED STATEMENTS OF NET ASSETS

	June 30			
	2011	2010	Increase (Decrease)	Percent Change
CURRENT ASSETS	\$ 9,522,681	\$ 11,701,324	\$ (2,178,643)	-18.6%
NONCURRENT ASSETS				
Investment in plant, net	32,169,537	21,336,110	10,833,427	50.8%
Restricted cash and cash equivalents	933,544	3,438,998	(2,505,454)	-72.9%
Other	1,837,158	493,760	1,343,398	272.1%
TOTAL ASSETS	<u>\$ 44,462,920</u>	<u>\$ 36,970,192</u>	<u>\$ 7,492,728</u>	<u>20.3%</u>
CURRENT LIABILITIES	\$ 3,779,194	\$ 3,051,671	\$ 727,523	23.8%
NONCURRENT LIABILITIES	11,939,384	6,626,750	5,312,634	80.2%
TOTAL LIABILITIES	<u>\$ 15,718,578</u>	<u>\$ 9,678,421</u>	<u>\$ 6,040,157</u>	<u>62.4%</u>
NET ASSETS				
Invested in capital assets, net of debt	\$ 20,505,029	\$ 14,589,546	\$ 5,915,483	40.6%
Restricted for:				
Non expendable	157,518	154,958	2,560	1.7%
Expendable	2,152,229	6,054,516	(3,902,287)	-64.5%
Unrestricted	5,929,566	6,492,751	(563,185)	-8.7%
TOTAL NET ASSETS	<u>\$ 28,744,342</u>	<u>\$ 27,291,771</u>	<u>\$ 1,452,571</u>	<u>5.3%</u>

In 2011 and 2012 the College increased capital assets by \$10.8 million and \$4.9 million respectively. These additions were due to the renovation of campus buildings and the addition of the new student housing complex. The additions are funded by a combination of reserves, both restricted and non-restricted, and by new master lease debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

THE BASIC FINANCIAL STATEMENTS--Continued

The next two tables provide a summary comparison of the College's revenues, expenses and changes in net assets for the year ended June 30, 2012 compared to 2011, and the year ended June 30, 2011 compared to 2010.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	June 30			
	2012	2011	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Tuition and fees, net	\$ 2,088,783	\$ 1,820,043	\$ 268,740	14.8%
Grants and contracts	1,798,942	1,270,339	528,603	41.6%
Auxiliary, net	5,754,883	5,809,364	(54,481)	-0.9%
Other	224,898	133,412	91,486	68.6%
TOTAL OPERATING REVENUES	<u>9,867,506</u>	<u>9,033,158</u>	<u>834,348</u>	<u>9.2%</u>
Less: Operating expenses	<u>28,135,796</u>	<u>25,498,627</u>	<u>2,637,169</u>	<u>10.3%</u>
NET OPERATING LOSS	<u>(18,268,290)</u>	<u>(16,465,469)</u>	<u>(1,802,821)</u>	<u>10.9%</u>
NONOPERATING REVENUES				
State appropriations	9,593,321	9,483,140	110,181	1.2%
State grants and contracts	864,128	1,045,573	(181,445)	-17.4%
Federal ARRA funds	-	632,753	(632,753)	-100.0%
Federal grants and contracts	6,822,415	6,131,073	691,342	11.3%
Private gifts and contributions	357,089	484,158	(127,069)	-26.2%
Investment income	20,244	22,018	(1,774)	-8.1%
Interest expenses	<u>(457,962)</u>	<u>(422,169)</u>	<u>(35,793)</u>	<u>8.5%</u>
TOTAL NONOPERATING REVENUES	<u>17,199,235</u>	<u>17,376,546</u>	<u>(177,311)</u>	<u>-1.0%</u>
State appropriations for capital	664,875	527,609	137,266	26.0%
Additions to permanent endowments	<u>-</u>	<u>13,885</u>	<u>(13,885)</u>	<u>-100.0%</u>
CHANGE IN NET ASSETS	<u>(404,180)</u>	<u>1,452,571</u>	<u>(1,856,751)</u>	<u>-127.8%</u>
NET ASSETS AT BEGINNING OF YEAR	<u>28,744,342</u>	<u>27,291,771</u>	<u>1,452,571</u>	<u>5.3%</u>
NET ASSETS AT END OF YEAR	<u>\$ 28,340,162</u>	<u>\$ 28,744,342</u>	<u>\$ (404,180)</u>	<u>-1.4%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

THE BASIC FINANCIAL STATEMENTS--Continued

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	June 30			
	2011	2010	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Tuition and fees, net	\$ 1,820,043	\$ 1,669,380	\$ 150,663	9.0%
Grants and contracts	1,270,339	499,616	770,723	154.3%
Auxiliary, net	5,809,364	4,436,664	1,372,700	30.9%
Other	133,412	564,480	(431,068)	-76.4%
TOTAL OPERATING REVENUES	9,033,158	7,170,140	1,863,018	26.0%
Less: Operating expenses	25,498,627	23,829,764	1,668,863	7.0%
NET OPERATING LOSS	(16,465,469)	(16,659,624)	194,155	-1.2%
NONOPERATING REVENUES				
State appropriations	9,483,140	9,372,722	110,418	1.2%
State grants and contracts	1,045,573	700,403	345,170	49.3%
Federal ARRA funds	632,753	727,965	(95,212)	-13.1%
Federal grants and contracts	6,131,073	5,612,711	518,362	9.2%
Private gifts and contributions	484,158	428,004	56,154	13.1%
Investment income	22,018	146,397	(124,379)	-85.0%
Interest expenses	(422,169)	(321,527)	(100,642)	31.3%
TOTAL NONOPERATING REVENUES	17,376,546	16,666,675	709,871	4.3%
State appropriations for capital	527,609	910,641	(383,032)	-42.1%
Additions to permanent endowments	13,885	17,031	(3,146)	-18.5%
CHANGE IN NET ASSETS	1,452,571	934,723	517,848	55.4%
NET ASSETS AT BEGINNING OF YEAR	27,291,771	26,357,048	934,723	3.5%
NET ASSETS AT END OF YEAR	\$ 28,744,342	\$ 27,291,771	\$ 1,452,571	5.3%

The College has experienced significant growth during the 2010-11 and 2011-12 years. Creditable hours billed grew from 51,000 in 2009-10 to 61,000 in 2010-2011, and 63,000 in 2011-2012. Tuition and fees were increase 5.5% in 2010-11 and 7.7% in 2011-12. When these factors are combined with additional wavers and scholarships, the college saw net tuition and fees revenue increase 14.8% and 9% in 2012 and 2011 respectively. Grants and contracts revenue grew by 41.6% and 154.3% in due to the award of two Department of Education Title III grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

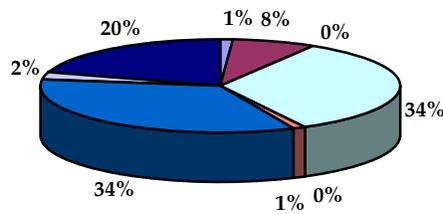
NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

THE BASIC FINANCIAL STATEMENTS--Continued

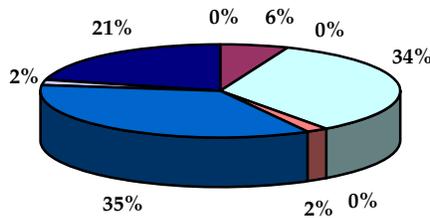
Following is a graphic illustration of the College's revenues for the years ended June 30, 2012, 2011, and 2010:

TOTAL REVENUES 2012



- | | |
|------------------------------------|-----------------------------------|
| ■ Other | ■ Tuition and Fees |
| ■ Investment Income | ■ Grants and Contributions |
| ■ Additions to Permanent Endowment | ■ Private Gifts and Contributions |
| ■ State Appropriations | ■ Capital |
| ■ Auxiliary | |

TOTAL REVENUES 2011



- | | |
|------------------------------------|-----------------------------------|
| ■ Other | ■ Tuition and Fees |
| ■ Investment Income | ■ Grants and Contributions |
| ■ Additions to Permanent Endowment | ■ Private Gifts and Contributions |
| ■ State Appropriations for Capital | ■ Capital |
| ■ Auxiliary | |

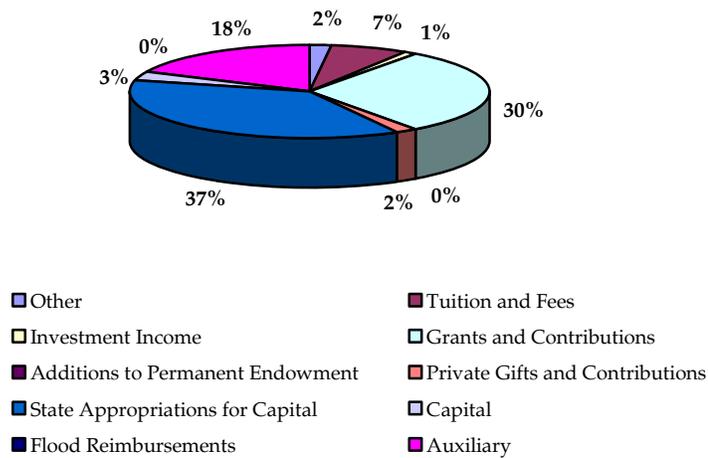
MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

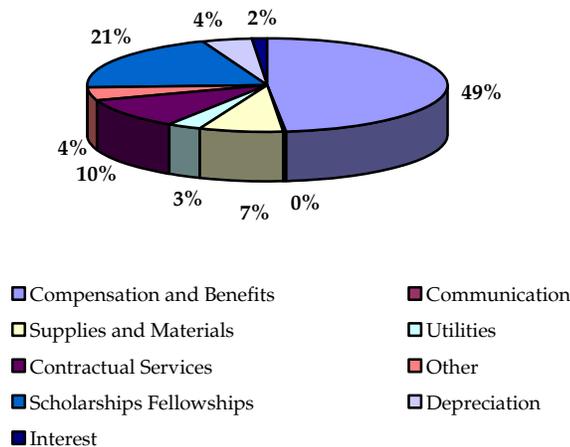
THE BASIC FINANCIAL STATEMENTS--Continued

TOTAL REVENUES 2010



Following is a graphic illustration of the College's expenses for the years ended June 30, 2012, 2011, and 2010:

TOTAL EXPENSES 2012



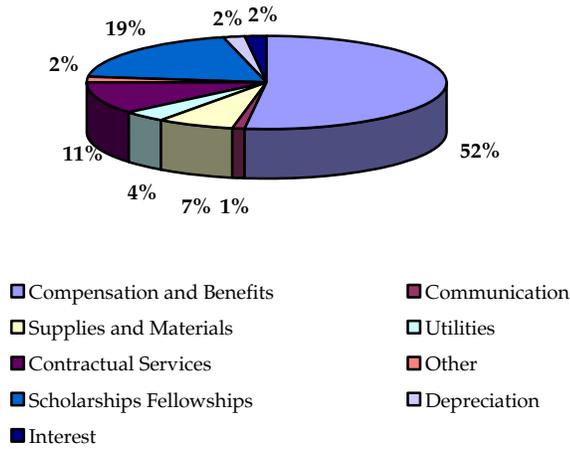
MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

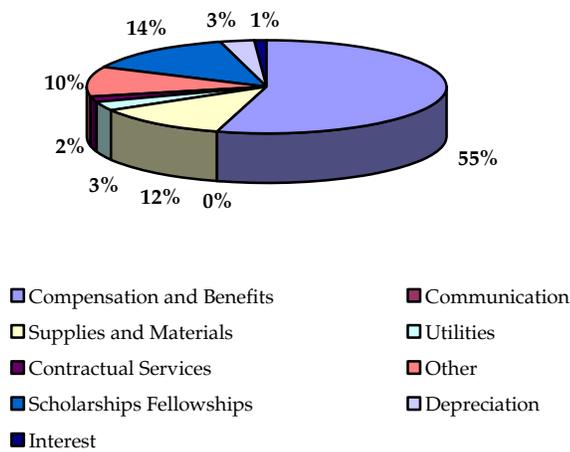
For The Years Ended June 30, 2012, 2011 and 2010

THE BASIC FINANCIAL STATEMENTS--Continued

TOTAL EXPENSES 2011



TOTAL EXPENSES 2010



MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

THE BASIC FINANCIAL STATEMENTS--Continued

During the period July 1, 2011 to June 30, 2012, the College's net assets decreased by \$404,180.

	June 30		Increase	Percent
	<u>2012</u>	<u>2011</u>	<u>(Decrease)</u>	<u>Change</u>
NET ASSETS				
Net investment in capital assets	\$ 22,295,995	\$ 20,505,029	\$ 1,790,966	8.7%
Restricted				
Nonexpendable	139,116	157,518	(18,402)	-11.7%
Expendable	986,315	2,152,229	(1,165,914)	54.2%
Unrestricted	<u>4,918,736</u>	<u>5,929,566</u>	<u>(1,010,830)</u>	<u>-17.0%</u>
TOTAL NET ASSETS	<u>\$ 28,340,162</u>	<u>\$ 28,744,342</u>	<u>\$ (404,180)</u>	<u>-1.4%</u>

During the period July 1, 2010 to June 30, 2011, the College's net assets increased by \$1,452,571.

	June 30		Increase	Percent
	<u>2011</u>	<u>2010</u>	<u>(Decrease)</u>	<u>Change</u>
NET ASSETS				
Net investment in capital assets	\$ 20,505,029	\$ 14,589,546	\$ 5,915,483	40.6%
Restricted				
Nonexpendable	157,518	154,958	2,560	1.7%
Expendable	2,152,229	6,054,516	(3,902,287)	-64.5%
Unrestricted	<u>5,929,566</u>	<u>6,492,751</u>	<u>(563,185)</u>	<u>-8.7%</u>
TOTAL NET ASSETS	<u>\$ 28,744,342</u>	<u>\$ 27,291,771</u>	<u>\$ 1,452,571</u>	<u>5.3%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

THE BASIC FINANCIAL STATEMENTS--Continued

During the period July 1, 2011 to June 30, 2012, the College's overall cash and cash equivalents decreased by \$1,944,505. This change was primarily due to the change in operating activities and net assets.

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended		Increase (Decrease)	Percent Change
	June 30			
	2012	2011		
CASH PROVIDED BY (USED IN)				
Operating Activities	\$ (16,657,726)	\$ (14,449,140)	\$ (2,208,586)	15.3%
Non-Capital Financing Activities	16,577,864	16,691,539	(113,675)	-0.7%
Capital and Related Financing Activities	(3,874,970)	(6,783,080)	2,908,110	-42.9%
Investing Activities	2,010,327	527,365	1,482,962	281.2%
NET DECREASE IN CASH	(1,944,505)	(4,013,316)	2,068,811	-51.5%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,947,981	11,961,297	(4,013,316)	-33.6%
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,003,476	\$ 7,947,981	\$ (1,944,505)	-24.5%

During the period July 1, 2010 to June 30, 2011, the College's overall cash and cash equivalents decreased by \$4,013,316. This change was primarily due to the change in operating activities and net assets.

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended		Increase (Decrease)	Percent Change
	June 30			
	2011	2010		
CASH PROVIDED BY (USED IN)				
Operating Activities	\$ (14,449,140)	\$ (13,367,473)	\$ (1,081,667)	8.1%
Non-Capital Financing Activities	16,691,539	15,174,398	1,517,141	10.0%
Capital and Related Financing Activities	(6,783,080)	258,902	(7,041,982)	-2719.9%
Investing Activities	527,365	2,334,241	(1,806,876)	-77.4%
NET INCREASE (DECREASE) IN CASH	(4,013,316)	4,400,068	(8,413,384)	-191.2%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,961,297	7,561,229	4,400,068	58.2%
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,947,981	\$ 11,961,297	\$ (4,013,316)	-33.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2012 and 2011, the College had recorded \$58,042,132 and \$52,009,450, respectively, in capital assets and \$21,001,704 and \$19,839,913, respectively, in accumulated depreciation on those capital assets.

CAPITAL ASSETS, net

	Years Ended June 30		Increase (Decrease)	Percent Change
	2012	2011		
Land	\$ 479,337	\$ 479,337	\$ -	0.0%
Construction in-progress	2,387,557	9,895,652	(7,508,095)	-75.9%
Buildings and improvements	46,610,148	33,111,864	13,498,284	40.8%
Non-structural improvements	861,609	861,609	-	0.0%
Equipment	5,424,139	5,450,731	(26,592)	-0.5%
Library materials	2,279,342	2,210,257	69,085	3.1%
TOTAL	58,042,132	52,009,450	6,032,682	11.6%
Less: accumulated depreciation	(21,001,704)	(19,839,913)	(1,161,791)	5.9%
CAPITAL ASSETS, net	<u>\$ 37,040,428</u>	<u>\$ 32,169,537</u>	<u>\$ 4,870,891</u>	<u>15.1%</u>

As of June 30, 2011 and 2010, the College had recorded \$52,009,450 and \$40,358,276, respectively, in capital assets and \$19,839,913 and \$19,022,166, respectively, in accumulated depreciation on those capital assets.

CAPITAL ASSETS, net

	Years Ended June 30		Increase (Decrease)	Percent Change
	2011	2010		
Land	\$ 479,337	\$ 479,337	\$ -	0.0%
Construction in-progress	9,895,652	7,734,196	2,161,456	27.9%
Buildings and improvements	33,111,864	23,720,554	9,391,310	39.6%
Non-structural improvements	861,609	861,609	-	0.0%
Equipment	5,450,731	5,412,394	38,337	0.7%
Library materials	2,210,257	2,150,186	60,071	2.8%
TOTAL	52,009,450	40,358,276	11,651,174	28.9%
Less: accumulated depreciation	(19,839,913)	(19,022,166)	(817,747)	4.3%
CAPITAL ASSETS, net	<u>\$ 32,169,537</u>	<u>\$ 21,336,110</u>	<u>\$ 10,833,427</u>	<u>50.8%</u>

More detailed information about the College's capital assets is presented in Note D to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION--Continued

At June 30, 2012 and 2011, the College had long-term debt obligations of \$15,142,612 and \$12,063,827, respectively.

LONG TERM DEBT

	Years Ended		Increase (Decrease)	Percent Change
	June 30			
	2012	2011		
OCIA Series 2005F	\$ 3,916,364	\$ 3,916,364	\$ -	0.0%
OCIA Series 1999 A, B, and C	234,799	263,522	(28,723)	-10.9%
OCIA 2010A	1,571,961	1,571,961	-	0.0%
OCIA 2010B	493,355	493,355	-	0.0%
ODFA Master Lease - Series 2007A	458,833	542,083	(83,250)	-15.4%
ODFA Master Lease - Series 2008A	38,716	78,716	(40,000)	-50.8%
ODFA Master Lease - Series 2009A	40,250	60,333	(20,083)	-33.3%
ODFA Master Lease - Series 2010A	3,292,000	3,431,417	(139,417)	-4.1%
ODFA Master Lease - Series 2010B	1,376,083	1,540,909	(164,826)	-10.7%
ODFA Master Lease - Series 2011A	3,100,834	165,167	2,935,667	1777.4%
ODFA Master Lease - Series 2011C	619,417	-	619,417	100.0%
TOTAL	\$ 15,142,612	\$ 12,063,827	\$ 3,078,785	25.5%

At June 30, 2011 and 2010, the College had long-term debt obligations of \$12,063,827 and \$6,596,511, respectively.

LONG TERM DEBT

	Years Ended		Increase (Decrease)	Percent Change
	June 30			
	2011	2010		
OCIA Series 2005F	\$ 3,916,364	\$ 5,444,793	\$ (1,528,429)	-28.1%
OCIA Series 1999 A, B, and C	263,522	289,086	(25,564)	-8.8%
OCIA 2010A	1,571,961	-	1,571,961	100.0%
OCIA 2010B	493,355	-	493,355	100.0%
ODFA Master Lease - Series 2007A	542,083	621,416	(79,333)	-12.8%
ODFA Master Lease - Series 2008A	78,716	160,883	(82,167)	-51.1%
ODFA Master Lease - Series 2009A	60,333	80,333	(20,000)	-24.9%
ODFA Master Lease - Series 2010A	3,431,417	-	3,431,417	100.0%
ODFA Master Lease - Series 2010B	1,540,909	-	1,540,909	100.0%
ODFA Master Lease - Series 2011A	165,167	-	165,167	100.0%
TOTAL	\$ 12,063,827	\$ 6,596,511	\$ 5,467,316	82.9%

More detailed information about the College's outstanding debt obligations is included in Note E to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For The Years Ended June 30, 2012, 2011 and 2010

ECONOMIC FACTORS AND THE COLLEGE'S FUTURE

The nation-wide economic downturn over the last several years has resulted in declining state appropriations for public institutions of higher education in Oklahoma. The state legislators and the College's administrators have met the challenges of declining state appropriations in several ways. During FY2010 and FY2011, the state of Oklahoma distributed federal stimulus funds to each of the public institutions of higher education to help offset the reduction in appropriations. These appropriations were annualized as part of the Colleges' appropriations in 2012. Simultaneously, the College's administration implemented strategies to reduce expenditures. These strategies included not filling some of the vacated positions, reducing the number of full-time faculty, reassigning job duties, and reducing other expenditures as deemed appropriate. In fiscal years 2012 and 2013, it became necessary to increase tuition in order to offset the reduction in state appropriations at a time when the College experienced record increases in enrollment.

Additional revenues have been generated through an increase in credit hour production, an increase in donations to the Foundation for support of college scholarships and projects, and the procurement of grants. The College has experienced a significant increase in enrollment, and a subsequent increase in revenue from tuition and fees. Enrollment headcount and credit hour production increased over 40% over the past three academic years.

The College was recently awarded two Title III federal grants for Native American Serving Institutions, for a total of \$4 million to add student services and strengthening academic programs. Over the past two years, the administration has garnered a historical level of financial donations to support a number of student activities and student scholarships.

The College is committed to providing quality academic programs and student services. The administration, faculty, and staff will continue to seek financial resources and reduce expenditures to meet the challenges brought forth by the current state of the economy.

FINANCIAL REPORT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If there are any questions about this report or if additional information is needed, contact the Fiscal Affairs Department at Northeastern Oklahoma Agricultural and Mechanical College, 200 I St. N.E., Miami, Oklahoma 74354.

STATEMENTS OF NET ASSETS

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	June 30	
	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,476,337	\$ 5,073,693
Restricted cash and cash equivalents	687,527	1,940,744
Accounts receivable, net	975,550	876,255
Investments	761,823	1,285,008
Inventories	<u>383,095</u>	<u>346,981</u>
TOTAL CURRENT ASSETS	7,284,332	9,522,681
NONCURRENT ASSETS		
Restricted cash and cash equivalents	839,612	933,544
Receivables restricted for capital projects	166,442	168,191
Investments	217,210	1,299,856
Other assets	102,643	70,176
Deferred charges on debt restructure	239,148	298,935
Capital assets, net	<u>37,040,428</u>	<u>32,169,537</u>
TOTAL NONCURRENT ASSETS	<u>38,605,483</u>	<u>34,940,239</u>
TOTAL ASSETS	<u>\$ 45,889,815</u>	<u>\$ 44,462,920</u>

STATEMENTS OF NET ASSETS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	June 30	
	<u>2012</u>	<u>2011</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,363,391	\$ 2,714,677
Accrued payroll and other accrued expenses	136,802	107,140
Deferred revenue	228,647	196,907
Student and other deposits	89,579	70,339
Current portion of noncurrent liabilities	<u>923,101</u>	<u>690,131</u>
TOTAL CURRENT LIABILITIES	2,741,520	3,779,194
NONCURRENT LIABILITIES, net of current portion		
Accrued compensated absences	127,858	127,858
Accrued pension and other postemployment benefit obligation	141,800	145,916
Premium on revenue bonds	92,003	98,344
Capital lease obligations payable to state agencies	<u>14,446,472</u>	<u>11,567,266</u>
TOTAL NONCURRENT LIABILITIES	<u>14,808,133</u>	<u>11,939,384</u>
TOTAL LIABILITIES	17,549,653	15,718,578
NET ASSETS		
Invested in capital assets, net of related debt	22,295,995	20,505,029
Restricted for:		
Nonexpendable	139,116	157,518
Expendable:		
Scholarships, research, instruction and other	836,766	1,528,280
Endowed lectureship	70,812	70,812
Loans	78,737	77,794
Capital projects	-	475,343
Unrestricted	<u>4,918,736</u>	<u>5,929,566</u>
TOTAL NET ASSETS	<u>28,340,162</u>	<u>28,744,342</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 45,889,815</u>	<u>\$ 44,462,920</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	Years Ended June 30	
	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Tuition and fees, net of scholarship discounts and allowances of \$5,107,000 and \$4,407,000 in 2012 and 2011, respectively	\$ 2,088,783	\$ 1,820,043
Federal grants and contracts	1,682,752	1,180,976
State and local grants and contracts	116,190	89,363
Auxiliary enterprise charges:		
Housing, net of scholarship discounts and allowances of \$246,000 and \$212,000 in 2012 and 2011, respectively	1,040,049	733,910
Food services, net of scholarship discounts and allowances of \$431,000 and \$372,000 in 2012 and 2011, respectively	1,563,028	1,710,003
Bookstore, net of scholarship discounts and allowances of \$369,000 and \$319,000 in 2012 and 2011, respectively	1,006,530	1,215,685
Student Union	726,611	683,462
Athletics	114,833	168,996
Other	1,303,832	1,297,308
Other operating revenues	<u>224,898</u>	<u>133,412</u>
TOTAL OPERATING REVENUES	<u>9,867,506</u>	<u>9,033,158</u>
OPERATING EXPENSES		
Compensation and employee benefits	13,754,852	13,432,925
Contractual services	2,994,331	2,788,027
Supplies and materials	2,114,555	1,789,543
Utilities	970,149	912,813
Communications	134,866	144,663
Other operating expenses	1,181,972	502,855
Scholarships and fellowships	5,764,038	4,941,450
Depreciation	<u>1,221,033</u>	<u>986,351</u>
TOTAL OPERATING EXPENSES	<u>28,135,796</u>	<u>25,498,627</u>
OPERATING LOSS	(18,268,290)	(16,465,469)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	Years Ended June 30	
	2012	2011
NONOPERATING REVENUES (EXPENSES)		
State appropriations	8,891,321	8,882,140
Federal ARRA funds	-	632,753
On-behalf appropriations for OTRS	702,000	601,000
Federal grants and contracts	6,822,415	6,131,073
State grants and contracts	864,128	1,045,573
Private gifts and contributions	357,089	413,346
Other	-	70,812
Investment income	20,244	22,018
Interest expense	(457,962)	(422,169)
NET NONOPERATING REVENUES (EXPENSES)	<u>17,199,235</u>	<u>17,376,546</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	(1,069,055)	911,077
State appropriations restricted for capital purposes	457,395	458,989
On-behalf payments for OCIA capital leases	207,480	68,620
Additions to permanent endowments	<u>-</u>	<u>13,885</u>
CHANGE IN NET ASSETS	(404,180)	1,452,571
NET ASSETS AT BEGINNING OF YEAR	<u>28,744,342</u>	<u>27,291,771</u>
NET ASSETS AT END OF YEAR	<u>\$ 28,340,162</u>	<u>\$ 28,744,342</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	Years Ended June 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 2,082,655	\$ 1,739,629
Grants and contracts	1,791,540	1,200,729
Auxiliary enterprise charges	5,700,858	5,818,232
Other operating receipts	222,853	133,412
Payments to employees for salaries and benefits	(12,997,782)	(12,834,311)
Payments to suppliers	(13,457,850)	(10,506,831)
NET CASH USED IN OPERATING ACTIVITIES	<u>(16,657,726)</u>	<u>(14,449,140)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	8,891,321	8,882,140
Federal ARRA funds	-	632,753
Federal grants and contracts	6,822,415	6,131,073
State and local grants and contracts	864,128	1,045,573
Federal Direct Student Loans receipts	7,048,001	5,688,610
Federal Direct Student Loans disbursements	(7,048,001)	(5,688,610)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>16,577,864</u>	<u>16,691,539</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	(7,162,144)	(11,819,793)
Capital appropriations received	457,395	458,989
Amortization of capitalized interest and discount of revenue bonds	-	156,940
Proceeds of capital debt	-	74,470
Additions to permanent endowments	-	13,885
Proceeds from capital debt and leases	3,773,146	5,168,000
Repayments of capital debt and leases	(622,493)	(413,402)
Interest paid on capital debt and leases	(320,874)	(422,169)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,874,970)</u>	<u>(6,783,080)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,968,642	527,365
Interest received on investments	41,685	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,010,327</u>	<u>527,365</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,944,505)	(4,013,316)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,947,981</u>	<u>11,961,297</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,003,476</u>	<u>\$ 7,947,981</u>

STATEMENTS OF CASH FLOWS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	Years Ended June 30	
	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (18,268,290)	\$ (16,465,469)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,221,033	986,351
Loss on the disposal of fixed assets	-	15
On-behalf contributions to teachers' retirement system	702,000	601,000
Changes in net assets and liabilities:		
Accounts receivable	(68,875)	(126,517)
Inventories	(36,114)	(26,279)
Other assets	(32,467)	(40,526)
Accounts payable and accrued expenses	(255,517)	581,449
Deferred revenue	31,740	16,892
Compensated absences and accrued pension	29,524	14,949
Student and other deposits	19,240	8,995
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (16,657,726)</u>	<u>\$ (14,449,140)</u>
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal and interest on capital debt paid by state agency on behalf of the College	<u>\$ 207,480</u>	<u>\$ 68,620</u>
Principal and interest refinanced through new bonds	<u>\$ -</u>	<u>\$ 2,065,316</u>
Debt issued on-behalf of College with proceeds held by issuing agency	<u>\$ 165,807</u>	<u>\$ 167,000</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,476,337	\$ 5,073,693
Restricted cash and cash equivalents	687,527	1,940,744
Noncurrent assets:		
Restricted cash and cash equivalents	<u>839,612</u>	<u>933,544</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 6,003,476</u>	<u>\$ 7,947,981</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Northeastern Oklahoma Agricultural and Mechanical College (the "College") is an associate degree granting institution established by an act of the Oklahoma State Legislature in 1919. The College's mission is to provide higher education primarily for people of northeastern Oklahoma and surrounding areas through academic programs, cultural enrichment, lifelong learning experiences, and public service activities. The College is under the governance of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Board of Regents").

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, consists of the primary government organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The accompanying financial statements include the accounts and funds of the College. The College is part of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education (the "OSRHE"). The College is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State as part of the Higher Education component unit.

Northeastern Oklahoma A&M College Development Foundation, Inc., (the "Foundation") is a legally separate, tax-exempt component unit of the College. The Foundation is organized for the purpose of receiving and administering gifts intended for the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and its financial statements are separately presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board ("FASB") standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Financial Statement Presentation: The College's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Under GASB Statements No. 34 and No. 35, the College is required to present a statement of net assets classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net assets, with separate presentation for operating and nonoperating revenues and expenses, and statement of cash flows using the direct method.

Basis of Accounting: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

Cash Equivalents: For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

Deposits and Investments: The College accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the College has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State. Accounts receivable also include amounts due from the Federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the College's previous loss history, and the condition of the general economy and the industry as a whole. The College writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Inventories: Inventories consist primarily of books and supplies held for resale, and food products at the College's cafeteria. Inventories are carried at the lower of cost (first-in, first-out) or fair market value.

Restricted Cash and Investments: Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase capital or other noncurrent assets, are classified as restricted assets in the statements of net assets.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 40 years for buildings, infrastructure and land improvements, and 7 years for library materials and equipment.

Deferred Revenues: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Compensated Absences: Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statements of net assets, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net assets.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year, and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Net Assets: The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Assets - Expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted Net Assets - Nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted Net Assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets--Continued: When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is for management to use their discretion in determining the best source from which to pay.

Income Taxes: The College, as a political subdivision of the State of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the College may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511(a)(2)(B).

Classification of Revenues: The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, student aid revenues, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Reclassifications: Certain amounts in the 2011 financial statements have been reclassified to conform to the current year presentation.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements: The GASB has issued several new accounting pronouncements, which will be effective to the College in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the College's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2013

- *Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements.*
GASB Statement No. 60 addresses issues related to service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The College will only be required to adopt the provisions of GASB Statement No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.
- *Statement No. 61, The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34.*
GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Earlier application is encouraged. The College does not believe that the adoption of GASB Statement No. 61 will have a significant impact on its financial statement presentation.
- *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*
GASB Statement No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The College does not believe that the adoption GASB Statement No. 62 will have a significant impact on its financial position, activities or cash flows, or its financial statement presentation.
- *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*
GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the College to make changes in its financial statement presentation.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements--Continued:

Fiscal Year Ended June 30, 2014

- *Statement No. 65, Items Previously Reported as Assets and Liabilities.*

GASB Statement No. 65 establishes 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 and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The College has not quantified the effects of adoption of GASB Statement No. 65 on its net position.

Fiscal Year Ended June 30, 2015

- *Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27.*

GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB Statement No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB Statement No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB Statement No. 68 was issued in June 2012, and the College has not yet determined the impact that implementation of GASB Statement No. 68 will have on its net position.

NOTE B--DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The College's deposit policy for custodial credit risk is described as follows:

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Custodial Credit Risk - Deposits--Continued: The College requires that balances on deposit with financial institutions be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the College's name.

At June 30, 2012 and 2011, the carrying amount of the College's deposits with the State Treasurer and other financial institutions was as follows:

	<u>2012</u>	<u>2011</u>
Deposits with the State Treasurer	\$ 5,985,021	\$ 7,929,526
U.S. financial institutions	10,000	10,000
Petty cash and change funds	8,455	8,455
Total Deposits	<u>\$ 6,003,476</u>	<u>\$ 7,947,981</u>

Investments: Investments are recorded at fair value, as determined by quoted market prices.

At June 30, 2012 and 2011, the College had the following investments:

	<u>2012</u>	<u>2011</u>
U.S. Treasury securities	\$ 178,254	\$ 1,487,326
Bank certificates of deposit	677,461	697,000
Mortgage-backed securities	52,505	281,031
	<u>908,220</u>	<u>2,465,357</u>
OSRHE endowment holdings	70,813	70,813
Total Investments	<u>\$ 979,033</u>	<u>\$ 2,536,170</u>

Investment maturities were as follows at June 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One</u>	<u>One to Five</u>	<u>Six to Ten</u>	<u>More Than Ten</u>
U.S. Treasury securities	\$ 178,254	\$ 13,549	\$ 164,705	\$ -	\$ -
Bank certificates of deposit	677,461	677,461	-	-	-
Mortgage-backed securities	52,505	-	-	-	52,505
	<u>\$ 908,220</u>	<u>\$ 691,010</u>	<u>\$ 164,705</u>	<u>\$ -</u>	<u>\$ 52,505</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Interest Rate Risk: The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: All United States government obligations are held by the Federal Reserve Bank in the name of the College. The majority of the College's certificates of deposits were invested through the State Treasurer. The Board has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the United States Government and its agencies, certificates of deposit and demand deposits.

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2012	2011
Student tuition and fees	\$ 516,343	\$ 426,514
Auxiliary enterprises and other student activities	344,229	282,918
Federal and state agencies	486,016	478,614
	1,346,588	1,188,046
Less: allowance for doubtful accounts	(371,038)	(311,791)
Accounts receivable, net	\$ 975,550	\$ 876,255

The College also has \$166,442 and \$168,191 of receivables restricted for capital projects as of June 30, 2012 and 2011, respectively, which relate to private gifts and governmental grants and contracts for ongoing and planned capital projects at the College. These receivable balances are classified as noncurrent assets in the statements of net assets as they are restricted for long-term purposes.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE D--CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2012:

	Balance at June 30, 2011	Additions	Transfers	Retirements	Balance at June 30, 2012
Capital assets not being depreciated:					
Land	\$ 479,337	\$ -	\$ -	\$ -	\$ 479,337
Construction in-progress	<u>9,895,652</u>	<u>5,990,189</u>	<u>(13,498,284)</u>	-	<u>2,387,557</u>
Total not being depreciated	10,374,989	5,990,189	(13,498,284)	-	2,866,894
Other capital assets:					
Buildings and improvements	33,111,864	-	13,498,284	-	46,610,148
Nonstructural improvements	261,844	-	-	-	261,844
Infrastructure	599,765	-	-	-	599,765
Equipment	5,450,731	32,650	-	(59,242)	5,424,139
Library materials	<u>2,210,257</u>	<u>69,085</u>	-	-	<u>2,279,342</u>
Total other capital assets	41,634,461	101,735	13,498,284	(59,242)	55,175,238
Accumulated depreciation:					
Buildings and improvements	(12,201,182)	(859,883)	-	-	(13,061,065)
Nonstructural improvements	(225,745)	(3,091)	-	-	(228,836)
Infrastructure	(393,316)	(21,471)	-	-	(414,787)
Equipment	(4,954,110)	(243,658)	-	59,242	(5,138,526)
Library materials	<u>(2,065,560)</u>	<u>(92,930)</u>	-	-	<u>(2,158,490)</u>
Total accumulated depreciation	<u>(19,839,913)</u>	<u>(1,221,033)</u>	-	<u>59,242</u>	<u>(21,001,704)</u>
Capital assets, net	<u>\$32,169,537</u>	<u>\$4,870,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$37,040,428</u>
Capital assets summary:					
Capital assets not being depreciated	\$10,374,989	\$5,990,189	\$(13,498,284)	\$ -	\$ 2,866,894
Other capital assets, at cost	<u>41,634,461</u>	<u>101,735</u>	<u>13,498,284</u>	<u>(59,242)</u>	<u>55,175,238</u>
Total cost of capital assets	52,009,450	6,091,924	-	(59,242)	58,042,132
Less: accumulated depreciation	<u>(19,839,913)</u>	<u>(1,221,033)</u>	-	<u>59,242</u>	<u>(21,001,704)</u>
Capital assets, net	<u>\$32,169,537</u>	<u>\$4,870,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$37,040,428</u>

The College has acquired certain capital assets, including buildings and equipment, under various lease-purchase contracts and other capital lease agreements. The cost of the College's assets held under capital leases totaled \$25,207,422 and \$11,709,139 as of June 30, 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE D--CAPITAL ASSETS--Continued

Following are the changes in capital assets for the year ended June 30, 2011:

	Balance at June 30, 2010	Additions	Transfers	Retirements	Balance at June 30, 2011
Capital assets not being depreciated:					
Land	\$ 479,337	\$ -	\$ -	\$ -	\$ 479,337
Construction in-progress	7,734,196	11,552,766	(9,391,310)	-	9,895,652
Total not being depreciated	8,213,533	11,552,766	(9,391,310)	-	10,374,989
Other capital assets:					
Buildings and improvements	23,720,554	-	9,391,310	-	33,111,864
Nonstructural improvements	261,844	-	-	-	261,844
Infrastructure	599,765	-	-	-	599,765
Equipment	5,412,394	206,956	-	(168,619)	5,450,731
Library materials	2,150,186	60,071	-	-	2,210,257
Total other capital assets	32,144,743	267,027	9,391,310	(168,619)	41,634,461
Accumulated depreciation:					
Buildings and improvements	(11,620,148)	(581,034)	-	-	(12,201,182)
Nonstructural improvements	(222,654)	(3,091)	-	-	(225,745)
Infrastructure	(371,845)	(21,471)	-	-	(393,316)
Equipment	(4,845,338)	(277,376)	-	168,604	(4,954,110)
Library materials	(1,962,181)	(103,379)	-	-	(2,065,560)
Total accumulated depreciation	(19,022,166)	(986,351)	-	168,604	(19,839,913)
Capital assets, net	<u>\$21,336,110</u>	<u>\$10,833,442</u>	<u>\$ -</u>	<u>\$ (15)</u>	<u>\$32,169,537</u>
Capital assets summary:					
Capital assets not being depreciated	\$ 8,213,533	\$11,552,766	\$(9,391,310)	\$ -	\$10,374,989
Other capital assets, at cost	32,144,743	267,027	9,391,310	(168,619)	41,634,461
Total cost of capital assets	40,358,276	11,819,793	-	(168,619)	52,009,450
Less: accumulated depreciation	(19,022,166)	(986,351)	-	168,604	(19,839,913)
Capital assets, net	<u>\$21,336,110</u>	<u>\$10,833,442</u>	<u>\$ -</u>	<u>\$ (15)</u>	<u>\$32,169,537</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE E--LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2012 was as follows:

	Balance at June 30, 2011			Balance at June 30, 2012			Amounts Due Within One Year
		Additions	Reductions				
Capital lease obligations:							
OCIA Series 1999 A, B, and C	\$ 263,522	\$ -	\$ (28,723)	\$ 234,799	\$ 28,140		
OCIA Series 2005F	3,916,364	-	-	3,916,364	-		
OCIA Series 2010A	1,571,961	-	-	1,571,961	-		
OCIA Series 2010B	493,355	-	-	493,355	-		
ODFA Master Lease, Series 2007A	542,083	-	(83,250)	458,833	86,250		
ODFA Master Lease, Series 2008A	78,716	-	(40,000)	38,716	38,500		
ODFA Master Lease, Series 2009A	60,333	-	(20,083)	40,250	21,000		
ODFA Master Lease, Series 2010A	3,431,417	-	(139,417)	3,292,000	144,333		
ODFA Master Lease, Series 2010B	1,540,909	-	(164,826)	1,376,083	164,500		
ODFA Master Lease, Series 2011A	165,167	3,065,000	(129,333)	3,100,834	134,417		
ODFA Master Lease, Series 2011C	-	665,000	(45,583)	619,417	79,000		
Total bonds and capital leases	<u>12,063,827</u>	<u>3,730,000</u>	<u>(651,215)</u>	<u>15,142,612</u>	<u>696,140</u>		
Other liabilities:							
Accrued pensions and other post-retirement benefit obligations	\$ 145,916	\$ -	\$ (4,116)	\$ 141,800	\$ -		
Premium on bonds	107,069	104,532	(107,006)	104,595	12,592		
Accrued compensated absences	312,703	214,369	(184,845)	342,227	214,369		
Total other liabilities	<u>565,688</u>	<u>318,901</u>	<u>(295,967)</u>	<u>588,622</u>	<u>226,961</u>		
Total long-term liabilities	<u>\$ 12,629,515</u>	<u>\$ 4,048,901</u>	<u>\$ (947,182)</u>	<u>\$ 15,731,234</u>	<u>\$ 923,101</u>		

Long-term liabilities activity for the year ended June 30, 2011 was as follows:

	Balance at June 30, 2010			Balance at June 30, 2011			Amounts Due Within One Year
		Additions	Reductions				
Capital lease obligations:							
OCIA Series 1999 A, B, and C	\$ 289,086	\$ -	\$ (25,564)	\$ 263,522	\$ 26,818		
OCIA Series 2005F	5,444,793	-	(1,528,429)	3,916,364	-		
OCIA Series 2010A	-	1,571,961	-	1,571,961	-		
OCIA Series 2010B	-	493,355	-	493,355	-		
ODFA Master Lease, Series 2007A	621,416	-	(79,333)	542,083	83,250		
ODFA Master Lease, Series 2008A	160,883	-	(82,167)	78,716	40,167		
ODFA Master Lease, Series 2009A	80,333	-	(20,000)	60,333	20,083		
ODFA Master Lease, Series 2010A	-	3,542,000	(110,583)	3,431,417	139,417		
ODFA Master Lease, Series 2010B	-	1,626,000	(85,091)	1,540,909	164,826		
ODFA Master Lease, Series 2011A	-	167,000	(1,833)	165,167	22,000		
Total bonds and capital leases	<u>6,596,511</u>	<u>7,400,316</u>	<u>(1,933,000)</u>	<u>12,063,827</u>	<u>496,561</u>		
Other liabilities:							
Accrued pensions and other post-retirement benefit obligations	\$ 150,032	\$ -	\$ (4,116)	\$ 145,916	\$ -		
Premium on bonds	156,513	-	(49,444)	107,069	8,725		
Accrued compensated absences	293,638	184,845	(165,780)	312,703	184,845		
Total other liabilities	<u>600,183</u>	<u>184,845</u>	<u>(219,340)</u>	<u>565,688</u>	<u>193,570</u>		
Total long-term liabilities	<u>\$ 7,196,694</u>	<u>\$ 7,585,161</u>	<u>\$ (2,152,340)</u>	<u>\$ 12,629,515</u>	<u>\$ 690,131</u>		

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Capital Improvement Authority Lease Obligations ("OCIA")

In September 1999, the Oklahoma Capital Improvement Authority ("OCIA") issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the OSRHE allocated \$500,611 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College. Lease principal and interest payments to OCIA totaling \$41,680 and \$39,789 during the years ended June 30, 2012 and 2011, respectively, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statements of revenues, expenses and changes in net assets.

In 2005, the OCIA issued its State Facilities Revenue Bonds ("Higher Education Project") Series 2005F. Of the total bond indebtedness, the OSRHE allocated approximately \$6,000,000 to the College. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006 through July 1, 2030, will be \$10,400,529. Payments will be made annually ranging from \$164,494 to \$442,595, by the State of Oklahoma on behalf of the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

Through June 30, 2012, the College has drawn its total allotment for expenditures incurred in connection with the project. These expenses have been capitalized as investments in capital assets or recorded as operating expenses, in accordance with the College's policy. The College has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayments made.

In 2011, the OCIA Series 2005F lease agreement was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring that has been recorded as a charge of \$339,333 on restructuring as a deferred cost that will be amortized over a period of six years. As of June 30, 2012 and 2011, the unamortized cost totaled \$239,148 and \$298,935, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Capital Improvement Authority Lease Obligations ("OCIA")--Continued

This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$64,688, which also approximates the economic cost of the lease restructuring. Although this restructuring resulted in a cost to the College, it is anticipated that the on-behalf payments provided to cover the original lease agreement will also cover the deferred lease restructuring charge.

Lease payments to OCIA totaling \$68,620 during the years ended June 30, 2012 and 2011 were made by the State of Oklahoma on behalf of the College. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net assets.

Oklahoma Development Finance Authority Lease Obligation ("ODFA")

On June 14, 2007, the College entered into a capital lease obligation for the Oklahoma Development Finance Authority ("ODFA") Master Real Property Lease Revenue Bonds, Series 2007A in the amount of \$846,000. Total lease payments over the term of the agreement, beginning July 15, 2007 through May 15, 2017 will be \$1,048,657. Payments will be made monthly ranging from \$8,740 to \$9,388. Proceeds from the obligation were used for renovations to the football stadium, along with the issuance costs of the obligation.

On December 17, 2008, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2008A in the amount of \$314,000. Total lease payments over the term of the agreement, beginning October 15, 2009 through May 15, 2013 will be \$351,726. Payments will be made monthly ranging from \$7,875 to \$9,548. Proceeds from the obligation were used for equipment and upgrades.

On July 1, 2009, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2009A in the amount of \$100,000 for five years. Total lease payments over the term of the agreement, beginning July 1, 2009 through May 15, 2014 will be \$108,883. Payments will be made monthly ranging from \$1,804 to \$2,110. Proceeds from the obligation were used for the purchase of recruitment software.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Development Finance Authority Lease Obligation ("ODFA")--Continued

On April 1, 2010, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Purchase Agreement, Series 2010B in the amount of \$1,627,812. Total lease payments over the term of the agreement, beginning January 15, 2011 through November 15, 2030 will be \$2,023,077. Payments will be made monthly ranging from \$17,802 to \$19,168. Proceeds from the obligation were used for the Student Union Renovation Project. Through June 30, 2012, the College has drawn its total allotment for expenditures incurred in connection with the project.

On May 1, 2010, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2010A in the amount of \$3,500,000. Total lease payments over the term of the agreement, beginning July 14, 2011 through May 15, 2031 will be \$4,579,321. Payments will be made monthly ranging from \$19,165 to \$21,124. Proceeds from the obligation were used for the Student Union Renovation Project. Through June 30, 2012, the College has drawn its total allotment for expenditures incurred in connection with the project.

On May 1, 2011, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2011A in the amount of \$3,065,000. Total lease payments over the term of the agreement, beginning July 14, 2011 through May 15, 2031 will be \$4,560,290. Payments will be made monthly ranging from \$19,158 to \$21,004. Proceeds from the obligation were used for the Student Union Renovation Project. Through June 30, 2012, the College has drawn its total allotment for expenditures incurred in connection with the project. In August of 2011, the Student Union Renovation was completed and the facility placed in service.

On May 1, 2011, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Revenue Bonds, Series 2011A in the amount of \$167,000. Total lease payments over the term of the agreement, beginning May 11, 2011 through May 15, 2018 will be \$188,409. Payments will be made monthly ranging from \$2,205 to \$2,281. Proceeds from the obligation will be used for lighting upgrades. Through June 30, 2012, the College had drawn \$18,868 of its allotment. The College has recorded a receivable totaling \$148,132 at June 30, 2012. As of June 30, 2012, the project was not complete and nothing had been capitalized or depreciated.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Development Finance Authority Lease Obligation ("ODFA")--Continued

On October 1, 2011, the College entered into a capital lease obligation for the ODFA Master Equipment and Real Property Lease Revenue Bonds, Series 2011C in the amount of \$665,000. Total lease payments over the term of the agreement, beginning October 15, 2011 through May 15, 2031 will be \$823,610. Payments will be made monthly ranging from \$868 to \$8,611. Proceeds from the obligation will be used for upgrades to campus equipment, a new VOIP phone system and the construction of a new Student Housing Project. Through June 30, 2012, the College has drawn its total allotment for expenditures incurred in connection with the project. As of June 30, 2012, the VOIP project was not complete and nothing had been capitalized or depreciated. The Student Housing Complex was completed and placed into service in January 2012.

Future minimum lease payments under the College's obligations to the OCIA and ODFA are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 696,140	\$ 412,978	\$ 1,109,118
2014	843,011	568,381	1,411,392
2015	1,142,761	537,318	1,680,079
2016	1,167,622	501,252	1,668,874
2017	1,225,445	477,721	1,703,166
2018-2022	3,157,195	1,828,710	4,985,905
2023-2027	3,676,552	1,241,270	4,917,822
2028-2032	3,233,886	362,452	3,596,338
	<u>\$ 15,142,612</u>	<u>\$ 5,930,082</u>	<u>\$ 21,072,694</u>

NOTE F--RETIREMENT PLANS

The College's academic and non-academic personnel are covered by various retirement plans. The plans available to College personnel include the Oklahoma Teachers' Retirement System, which is a State of Oklahoma Public Employees' Retirement System, and the Supplemental Retirement Plan, which is a single-employer public-employee retirement system which was approved in 1971. The College does not maintain the accounting records, hold the investments for, or administer these plans.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE F--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System

Plan Description

The College contributes to the Oklahoma Teachers' Retirement System ("OTRS"), a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS 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.

The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. OTRS does not provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

Funding Policy

The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 9.5% of covered salaries and fringe benefits in 2012, 2011, and 2010, is applied to annual compensation, and is determined by State Statute.

Employees' contributions are also determined by State Statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2012, 2011, and 2010, respectively. These contributions were made directly by the College for 2012, 2011, and 2010.

The College's contributions to OTRS for the years ended June 30, 2012, 2011, and 2010, were approximately \$1,568,000, \$1,302,000 and \$1,332,000, respectively, equal to the required contributions for each year. These contributions included the College's statutory contribution and the share of the employee's contribution paid directly by the College.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE F--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System--Continued

Funding Policy--Continued

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2012 and 2011, the State of Oklahoma contributed 5% of State revenues from sales and use taxes and individual income taxes to OTRS on behalf of participating employers. The College has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2012 and 2011, the total amounts contributed to OTRS by the State of Oklahoma on behalf of the College were approximately \$702,000 and \$601,000, respectively. These on-behalf payments have been recorded as nonoperating State appropriations revenues and operating compensation and employee benefits expense in the statements of revenues, expenses and changes in net assets.

Supplemental Retirement Plan

Plan Description

The Supplemental Retirement Plan (the "Plan") is a single-employer, defined benefit pension plan administered by the College. It guarantees eligible employees a level of retirement benefits. If Social Security and OTRS payments do not equal one-half of the employees highest three years' earnings, the College pays the balance from the current year's operating budget. The authority to establish and amend benefit provisions rests with the Board of Regents. The Plan does not issue a separate financial report, nor is it included in the financial report of another entity.

Funding Policy

The Plan is not funded and benefits do not vest to the participants until their retirement. The College has been funding the benefits on a "pay as you go" basis. Only certain employees are eligible to participate in the Plan and the Plan has been discontinued. During the years ended June 30, 2012 and 2011, the College paid approximately \$19,000 and \$17,000, respectively, to retirees under the Plan.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE F--RETIREMENT PLANS--Continued

Supplemental Retirement Plan--Continued

Annual Pension Cost and Net Pension Obligation

Actuarial valuations of an ongoing plan are required on a biennial basis and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. In the actuarial valuations the projected unit credit method was used. The actuarial assumptions included (a) a discount rate of 5.25 percent per year to determine the present value of future benefit payments; (b) retirement at age 65; (c) a 5.25 percent rate of return on investments; (d) projected salary increases of 3.5 percent per year; and (e) a 6 percent interest rate for post-retirement individual annuity settlement benefits. The Plan is an unfunded plan and, accordingly, no assets have been accumulated, and no investment income is earned. The unfunded actuarial accrued liability is being amortized using the level dollar amortization method on a closed basis over ten (10) years.

The annual pension cost and net pension obligation to the Plan for the years ended June 30, were as follows:

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 15,496	\$ 15,496
Interest on net pension obligation	814	814
Adjustment to annual required contribution	<u>(9,813)</u>	<u>(9,813)</u>
Annual pension cost	6,497	6,497
Contributions made	<u>16,833</u>	<u>16,833</u>
Decrease in net pension obligation	(10,336)	(10,336)
Net pension obligations at beginning of year	<u>73,371</u>	<u>83,707</u>
Net pension obligations at end of year	<u>\$ 63,035</u>	<u>\$ 73,371</u>

Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$ 70,128
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 70,128</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	\$ -
UAAL as a percentage of annual covered payroll	0.00%

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE F--RETIREMENT PLANS--Continued

Supplemental Retirement Plan--Continued

Trend Information:

Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation (asset) is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 6,154	274.0%	\$ 83,707
2011	6,497	259.0%	73,371
2012	6,497	259.0%	63,035

NOTE G--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

Plan Description

The College pays life insurance premiums for individuals who meet the specified criteria to be considered a retiree as of the last day of continuous regular employment. Eligible retirees must (a) be at least 62 years of age and have at least ten continuous regular years of service, (b) have worked for the College for at least 25 years in a continuous regular appointment, regardless of age, or (c) meet the OTRS guidelines. In addition, the individual must also have been enrolled in the College's life insurance program prior to retirement. Each retiree is eligible to receive \$10,000 of life insurance coverage at a cost to the College of \$.29 per \$1,000 of coverage. As of June 30, 2012, there were approximately 207 active employees and 170 retirees covered under the life insurance program. Authority to establish and amend benefit provisions rests with the Board of Regents. The OPEB Plan does not issue a stand-alone financial report.

Funding Policy

Contribution requirements of the College are established and may be amended by the Board of Regents. All contributions are made by the College. Benefits are funded under a "pay as you go" funding method; however, expenses are recorded as benefits accumulate.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE G--OTHER POST-EMPLOYMENT INSURANCE BENEFITS--Continued

Annual Pension Cost and Net Obligation

Actuarial valuations of an ongoing plan are required on a biennial basis and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. In the actuarial valuations the projected unit credit method was used. The actuarial assumption included a 5.25 percent investment rate of return. The assumption also included postretirement benefit increases, which will be funded by the College when granted. The Plan is an unfunded plan and, accordingly, no assets have been accumulated and no investment income is earned.

The College's annual life insurance cost and net obligation of the Plan for the year ended June 30, 2012 were as follows:

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 753	\$ 753
Adjustment to annual required contribution	<u>11,688</u>	<u>13,194</u>
Annual life insurance cost	12,441	13,947
Contributions made	<u>6,974</u>	<u>6,974</u>
Increase in net obligation	5,467	6,973
Net obligation at beginning of year	<u>73,298</u>	<u>66,325</u>
Net obligation at end of year	<u><u>\$ 78,765</u></u>	<u><u>\$ 73,298</u></u>

The net obligation at June 30, 2012 is included in accrued pension benefit obligation.

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$ 66,833
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 66,833</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	\$ -
UAAL as a percentage of annual covered payroll	0.00%

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE G--OTHER POST-EMPLOYMENT INSURANCE BENEFITS--Continued

Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 18,639	43.3%	\$ 66,325
2011	13,947	50.0%	73,298
2012	12,441	56.1%	78,765

NOTE H--FUNDS HELD IN TRUST BY OTHERS

Dobson Trust

The College is an income beneficiary of the Dobson Trust (the "Trust"). The fair market values of the Trust's assets at June 30, 2012 and 2011 were \$8,514,621 and \$8,488,205, respectively. The Trustees' bank has sole discretion for the distribution of income. Terms of the Trust restrict the use of the Trust's income to providing student scholarships and for supplementing the income of individuals teaching at the College. The College recognized the Trust's revenues of \$357,089 and \$391,900 for the years ended June 30, 2012 and 2011, respectively. The College distributed scholarships and awards of approximately \$608,000 and \$507,000 during the years ended June 30, 2012 and 2011, respectively.

Oklahoma State Regents Endowment Trust Fund

In connection with the OSRHE Endowment Trust Fund (the "Endowment Program"), the State of Oklahoma has matched contributions received under the Endowment Program. The match amount, plus any retained accumulated earnings, totaled approximately \$153,000 and \$160,000 at June 30, 2012 and 2011, respectively, and is invested by the OSRHE on behalf of the College. Legal title of the match amount is retained by the OSRHE, and, accordingly, such funds have not been reflected in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE I--COMMITMENTS AND CONTINGENCIES

The College participates in a number of federally assisted grant and contract programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time, although it is believed by the College that the amount, if any, would not be significant.

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2012 that management believes would result in a material loss to the College in the event of an adverse outcome.

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; employee health, life and accident benefits; and unemployment. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, workers' compensation and unemployment. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE J--RISK MANAGEMENT

The College, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The College pays an annual premium to the pools for its torts, property, and workers' compensation insurance coverages. The Oklahoma Risk Management Pool's governing agreement specifies that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The College is self-insured for unemployment liabilities. Payments are made to the State Employment Security Commission on a claims paid basis. No reserve for potential liability for unemployment claims has been established. Any such liability would be paid from current operations.

REQUIRED SUPPLEMENTARY
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

June 30, 2012

SCHEDULE OF FUNDING PROGRESS FOR SUPPLEMENTAL RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2009	-	82,655	82,655	0.00%	-	0.00%
6/30/2010	-	74,037	74,037	0.00%	-	0.00%
6/30/2011	-	70,128	70,128	0.00%	-	0.00%

The actuarial accrued liability is based on the projected unit credit method. Beginning with the year ended June 30, 2012 the University has decided to obtain an actuarial valuation every other year as permitted under Governmental Accounting Standards.

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT
LIFE INSURANCE BENEFITS**

Actuarial Valuation Date	Actuarial Accrued of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2010	-	66,325	66,325	0.00%	-	0.00%
6/30/2011	-	66,833	66,833	0.00%	-	0.00%

The actuarial liability is based on the projected unit credit cost method. Beginning with the year ended June 30, 2012 the University has decided to obtain an actuarial valuation every other year as permitted under Governmental Accounting Standards.

DISCRETELY PRESENTED COMPONENT UNIT
NORTHEASTERN OKLAHOMA A&M COLLEGE
DEVELOPMENT FOUNDATION, INC.

**Northeastern Oklahoma A&M College
Development Foundation, Inc.**

Financial Statements
and
Report of Independent Certified Public Accountants

June 30, 2012 and 2011

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Report of Independent Certified Public Accountants

To the Board of Directors
Northeastern Oklahoma A&M College Development Foundation, Inc.
Miami, Oklahoma

We have audited the accompanying statements of financial position of Northeastern Oklahoma A&M College Development Foundation, Inc. (the Foundation) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeastern Oklahoma A&M College Development Foundation, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Tulsa, Oklahoma
October 30, 2012

Stanfield O'Dell, P.C.

Northeast Oklahoma A&M College Development Foundation, Inc.

Statements of Financial Position

Years Ended June 30,

	2012	2011
Assets		
Cash	\$ 199,214	\$ 360,993
Cash held for other organizations	133,176	94,324
Investments	2,189,737	1,569,721
Investments held for other organizations	20,000	20,000
Pledges receivable	151,614	272,493
Land	101,500	101,500
	<u>2,795,241</u>	<u>2,419,031</u>
Total assets	<u>\$ 2,795,241</u>	<u>\$ 2,419,031</u>
Liabilities and Net Assets		
Liabilities		
Cash and investments due to other entities	<u>\$ 153,176</u>	<u>\$ 114,324</u>
Net Assets		
Unrestricted	30,020	(17,265)
Temporarily restricted	1,395,021	1,070,945
Permanently restricted	1,217,024	1,251,027
	<u>2,642,065</u>	<u>2,304,707</u>
Total liabilities and net assets	<u>\$ 2,795,241</u>	<u>\$ 2,419,031</u>

The accompanying notes are an integral part of these financial statements.

Northeast Oklahoma A&M College Development Foundation, Inc.

Statements of Activities

Years Ended June 30,

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Contributions	\$ 107,359	\$ 567,750	\$ 21,025	\$ 696,134	\$ 54,733	\$ 510,962	\$ 135,000	\$ 700,695
Investment (loss) income	8,989	8,628	4,093	21,710	(18,024)	262,921	3,445	248,342
Administrative fee income	21,577	-	-	21,577	-	-	-	-
Transfer from (to) endowment	-	4,110	(4,110)	-	-	(111,500)	111,500	-
Satisfaction of program restrictions	256,412	(256,412)	-	-	545,035	(545,035)	-	-
Total Revenue and Support	394,337	324,076	21,008	739,421	581,744	117,348	249,945	949,037
Expenses								
Scholarships awarded	97,243	-	-	97,243	63,885	-	-	63,885
Other NEO programs and activities	290,803	-	-	290,803	481,150	-	-	481,150
Administration and general	5,111	-	-	5,111	76,333	-	-	76,333
Fundraising expenses	8,906	-	-	8,906	15,287	-	-	15,287
Total Expenses	402,063	-	-	402,063	636,655	-	-	636,655
Transfer to NEO A&M College	55,011	-	(55,011)	-	(69,919)	-	-	(69,919)
Change in Net Assets	47,285	324,076	(34,003)	337,358	(124,830)	117,348	249,945	242,463
Net Assets at Beginning of Year	(17,265)	1,070,945	1,251,027	2,304,707	107,565	953,597	1,001,082	2,062,244
Net Assets at End of Year	\$ 30,020	\$ 1,395,021	\$ 1,217,024	\$ 2,642,065	\$ (17,265)	\$ 1,070,945	\$ 1,251,027	\$ 2,304,707

The accompanying notes are an integral part of these financial statements.

Northeast Oklahoma A&M College Development Foundation, Inc.

Statements of Cash Flows

Years Ended June 30,

	2012	2011
Operating Activities		
Increase in net assets	\$ 337,358	\$ 242,463
Realized and unrealized gains on investments	25,719	261,241
Reinvested interest and dividends	(37,283)	(21,814)
Net change in NEO club and organization accounts administered by the Foundation	38,852	19,348
Noncash land contribution	-	(100,000)
Transfer of investment to NEO A&M College	-	69,919
Contributions received for endowments	(21,025)	(135,000)
Investment income restricted for endowment fund growth	(4,093)	(3,445)
Decrease in pledges receivable	120,879	143,572
Net cash provided by operating activities	<u>460,407</u>	<u>476,284</u>
Investing Activities		
Purchases of investments	<u>(608,452)</u>	<u>(578,000)</u>
Financing Activities		
Contributions received for endowments	21,025	135,000
Investment income added to endowment	4,093	3,445
Net cash provided by financing activities	<u>25,118</u>	<u>138,445</u>
Net Change in Cash	(122,927)	36,729
Cash at Beginning of Year	<u>455,317</u>	<u>418,588</u>
Cash at End of Year	<u>\$ 332,390</u>	<u>\$ 455,317</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2012 and 2011

Note A – Summary of Significant Accounting Policies

1. *Organization*

The Northeastern Oklahoma A&M College Development Foundation, Inc. (the Foundation) was established for the benefit of Northeastern Oklahoma A&M College (“NEO” or the “College”). The Foundation awards scholarships to students and pays for goods and services on behalf of the College. In addition, the Foundation maintains and services the funds for the various student clubs and organizations of the College.

2. *Basis of Accounting*

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned rather than when received, and expenses are recognized when incurred rather than when the obligation is paid.

3. *Basis of Presentation*

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- Unrestricted – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
- Permanently restricted – Net assets subject to donor-imposed stipulations that require they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Investment income restricted for specific purposes is reported in temporarily restricted net assets if the restriction is not met in the same year the income is earned. If the restriction is met in the same year as the income is earned, the investment income is reported as a net release of assets.

4. *Contributions*

The Foundation reports gifts of cash and other assets as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as permanently restricted. When donor restrictions expire, such as when the Foundation expends the funds in accordance with the

Notes to Financial Statements

June 30, 2012 and 2011

Note A – Summary of Significant Accounting Policies - Continued

4. Contributions - Continued

donor's wishes, temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

5. Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Clubs and Organizations

The Foundation maintains custody and services the funds of various student clubs and organizations of the College. The funds of the clubs and organizations are maintained in a single bank account. Although these funds are administered by the Foundation, the Foundation does not exercise control over the funds. Accordingly, these amounts are presented as liabilities in the accompanying financial statements.

7. Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. None of the Foundation's investments are considered to be cash equivalents.

8. Investments

The majority of the Foundation's investments consist of certificates of deposit and U.S. Treasury notes maintained at local banks and mutual funds maintained with a brokerage company, all Level 1 investments. The Foundation uses the market approach to value marketable securities with readily determinable fair values based on quoted prices in active markets.

Restricted endowment investment income and losses are recorded as temporarily restricted revenues unless the terms of the gift require that they be added to the principal of a permanent or term endowment fund. If the funds are temporarily restricted, any expenditure is subject to the intended use of the funds as indicated in the gift instrument.

Notes to Financial Statements

June 30, 2012 and 2011

Note A – Summary of Significant Accounting Policies - Continued

9. Pledges Receivable

Pledges receivable are recorded at fair value. Pledges receivable not restricted by donor are included in unrestricted net assets. Pledges receivable that are received with donor stipulations that limit the use of the donated asset are recorded as temporarily or permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations and changes in net assets as net assets released from restrictions.

10. Endowment Funds

Permanent endowment funds are subject to the restriction of gift instruments requiring that the principal be invested in perpetuity and only the earnings, or portions thereof, be utilized. Term endowment funds are similar to such funds except that, upon the passage of a stated period of time or the occurrence of a particular event, all or a part of the principal may be expended.

The Foundation's endowment consists of approximately 40 individual funds established primarily for scholarship and academic program support. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has adopted investment and spending policies for endowment assets that attempt to protect and/or preserve the Foundation's assets while maintaining a satisfactory return. To satisfy the Foundation's risk and return objectives, the majority of the Foundation's funds are invested in certificates of deposit and U.S. Treasury notes; hence, the Foundation's investment return is achieved through current yields (interest and dividends) and capital preservation.

11. Net Assets

In August 2008, the Financial Accounting Standards Board issued Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Assets Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FAS 117-1). This statement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

Notes to Financial Statements

June 30, 2012 and 2011

Note A – Summary of Significant Accounting Policies - Continued

11. Net Assets - Continued

The Foundation has interpreted UPMIFA, as passed by the State of Oklahoma, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets the following:

- Original value of gifts donated to the permanent endowment,
- Original value of subsequent gifts to the permanent endowment,
- Accumulations to the permanent endowment made with explicit direction from donor gift instrument.

The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

12. Income Taxes

The Internal Revenue Service has determined that the Foundation qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

13. Subsequent Events

The Foundation has evaluated subsequent events through October 30, 2012, the date on which the financial statements were available to issue.

Note B – Related Party Transactions

During the years ended June 30, 2012 and 2011, the Foundation awarded scholarships totaling \$97,243 and \$63,885, respectively, to students of the College.

The College employs the director of the Foundation. This individual spends 100 percent of their time supporting Foundation activities. The College pays the total salary and benefits for this individual.

Notes to Financial Statements

June 30, 2012 and 2011

Note C – Investments

Investments consist of the following at June 30:

	2012	2011
Certificates of deposit	\$ 66,865	\$ 66,734
U.S. Treasury securities	15,000	15,000
Mutual fund investments	2,127,872	1,507,987
	<u>2,209,737</u>	<u>1,589,721</u>
Less: Investments held for other organizations	20,000	20,000
	<u>\$ 2,189,737</u>	<u>\$ 1,569,721</u>

Investment income presented on the income statement is comprised of the following: dividend and interest income of approximately \$37,000 and \$24,000, realized gain of approximately \$37,000 and \$49,000, and unrealized gain (loss) of approximately \$(52,000) and \$175,000 for the years ended June 30, 2012 and 2011, respectively.

Expenses relating to investment income, including investment advisory fees, amount to approximately \$10,100 and \$9,300 for the years ended June 30, 2012 and 2011, respectively.

Note D – Net Assets

During the years ended June 30, 2012 and 2011, net assets released from restrictions were as follows:

	2012	2011
Scholarships to NEO students	\$ 97,243	\$ 63,885
Other support to NEO	159,169	481,150
	<u>\$ 256,412</u>	<u>\$ 545,035</u>

Temporarily restricted net assets are available for the support of NEO. Substantially all restrictions can be met upon actions of the Foundation in accordance with donor's stipulation. Permanently restricted net assets consist primarily of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Foundation's general activities.

Notes to Financial Statements

June 30, 2012 and 2011

Note D – Net Assets - Continued

Reconciliation of the change in permanently restricted net assets for the years ended June 30, 2012 and 2011:

	Beginning Endowment Balances	Contributions (Transfers)	Ending Endowment Balances	Unappropriated Earnings on Temporarily Restricted
<u>June 30, 2012</u>				
Scholarships	\$ 643,155	\$ 17,529	\$ 660,684	\$ 106,088
Academic programs	30,000	-	30,000	2,361
Town of Picher	522,861	3,479	526,340	9,395
	1,196,016	21,008	1,217,024	\$ 117,844
Endowments held by others	55,011	(55,011)	-	
	<u>\$ 1,251,027</u>	<u>\$ (34,003)</u>	<u>\$ 1,217,024</u>	
<u>June 30, 2011</u>				
Scholarships	\$ 395,871	\$ 247,284	\$ 643,155	\$ 89,895
Academic programs	30,000	-	30,000	3,653
Town of Picher	520,200	2,661	522,861	33,978
	946,071	249,945	1,196,016	\$ 127,526
Endowments held by others	55,011	-	55,011	
	<u>\$ 1,001,082</u>	<u>\$ 249,945</u>	<u>\$ 1,251,027</u>	

Note E – Pledges Receivable

As of June 30, 2012 and 2011, the Foundation had unconditional pledges totaling \$150,000 and \$266,600, respectively, on which management has not recorded a discount to reduce to present value. Unconditional pledges are unrestricted or temporarily restricted for benefit of the College and are due as follows: \$50,000 is due in less than one year and \$100,000 is due in one to two years.

The allowance for doubtful accounts was determined by selecting accounts that were deemed to be at a high risk of being uncollectible, and then by applying a percentage to all other receivables. There was no allowance as of June 30, 2012.

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

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 Regents for the Oklahoma Agricultural and Mechanical Colleges
Northeastern Oklahoma Agricultural and Mechanical College
Oklahoma City, Oklahoma

We have audited the financial statements of Northeastern Oklahoma Agricultural and Mechanical College (the "College"), a component unit of the State of Oklahoma, as of June 30, 2012, and for the year then ended, and have issued our report thereon dated October 31, 2012. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Other auditors audited the financial statements of Northeastern Oklahoma A&M College Development Foundation, Inc. (the "Foundation"), the College's separately presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of 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*.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 31, 2012

Independent Auditors' Report on Compliance
With Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control Over Compliance in Accordance
With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

Board of Regents for the Oklahoma
Agricultural and Mechanical Colleges
Northeastern Oklahoma Agricultural and Mechanical College
Oklahoma City, Oklahoma

Compliance

We have audited the compliance of Northeastern Oklahoma Agricultural and Mechanical College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2012. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the College as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 31, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

June 30, 2012

	Federal CFDA Number	Federal Expenditures
Pass-Through Programs From:		
Food and Nutrition Service, Department of Agriculture:		
Oklahoma State Department of Education - Child Nutrition Program	10.559	\$ 42,924
Pass-Through Programs From:		
National Science Foundation:		
Oklahoma State University - EPSCoR	47.081	8,518
Student Financial Aid - Cluster:		
U.S. Department of Education:		
Direct Programs:		
Office of Student Financial Assistance:		
Federal Pell Grant Program	84.063	6,753,093
Federal Supplemental Educational Opportunity Grants	84.007	99,116
Federal Direct Student Loans	84.268	7,048,001
Federal Work-Study Program	84.033	161,759
Academic Competitiveness Grant	84.375	47,190
Total Student Financial Aid - Cluster		<u>14,109,159</u>
U.S. Department of Education:		
Direct Programs:		
Office of Postsecondary Education:		
TRIO:		
Upward Bound	84.047	300,962
Student Support Services	84.042	239,913
Total TRIO Cluster		<u>540,875</u>
U.S. Department of Education:		
Direct Programs:		
Title III	84.382	630,335
Pass-Through Programs:		
Office of Assistant Secretary for Vocational and Adult Education:		
Oklahoma Department of Career and Technology Education:		
Vocational Education:		
Basic Grants to States - Carl D. Perkins	84.048	50,194
Pass-Through Programs:		
U.S. Department of Education:		
Oklahoma State Department of Education:		
Basic Grant to States - Adult Education and Literacy Program	84.002	88,281
Pass-Through Programs:		
Administration for Children and Families, Department of Health and Human Services:		
Oklahoma State Regents for Higher Education:		
Temporary Assistance for Needy Families - Allied Jobs Program	93.558	202,398
Child Care Development Block Grant - Scholars for Excellence Program	93.575	69,330
Total Department of Health and Human Services		<u>271,728</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 15,742,014</u>

See notes to financial statements.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2012

NOTE A--BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal awards activity of Northeastern Oklahoma Agricultural and Mechanical College (the "College") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The College began participation in the Direct Loan Program on July 1, 2010. The College administers the origination and disbursement of the loans to eligible students or parents. The College is not responsible for the collection of these loans.

NOTE C--SUBRECIPIENTS

During the year ended June 30, 2012, the College did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

Year Ended June 30, 2012

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

Program	CFDA Number
Student Financial Aid Cluster	*
TRIO Cluster	*
Title III	84.382

* See Schedule of Expenditures of Federal Awards for identification of CFDA numbers applicable to the major programs.

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

Auditee qualified as low-risk auditee? X yes _____ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

Year Ended June 30, 2012

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

None to report for the June 30, 2012 period.

Section III--Findings Required to be Reported in Accordance with OMB Circular A-133:

None to report for the June 30, 2012 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

Year Ended June 30, 2012

No matters are reportable.