

**NORTHEASTERN
OKLAHOMA AGRICULTURAL
AND MECHANICAL COLLEGE**

June 30, 2013

NORTHEASTERN OKLAHOMA AGRICULTURAL
AND MECHANICAL COLLEGE

June 30, 2013

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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

Report on the Financial Statements

We have audited the accompanying financial statements of Northeastern Oklahoma Agricultural and Mechanical College (the "College"), a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements. We have also audited the financial statements of the discretely presented component unit, Northeastern Oklahoma A&M College Development Foundation, Inc. (the "Foundation") as of June 30, 2013.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Foundation as of June 30, 2012. Those financial statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Northeastern Oklahoma Agricultural and Mechanical College and its discretely presented component unit, Northeastern Oklahoma A&M College Development Foundation, Inc., as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America..

Emphasis of Matter

As discussed in Note A to the financial statements, in 2013 the College adopted several new accounting pronouncements issued by the Governmental Accounting Standards Board, including GASB Statements No. 63 and 65. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated October 31, 2013 on our consideration of the College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College’s internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2013, 2012, and 2011

INTRODUCTION

The following discussion and analysis of the financial performance of Northeastern Oklahoma A & M College (the "College") provides management's overview of the College's financial activities for the fiscal year ended June 30, 2013. Fiscal years 2012 and 2011 are presented for comparative purposes. This summary 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 audited financial statements and footnotes.

FINANCIAL HIGHLIGHTS

- The College's net position improved to \$28,544,481 at June 30, 2013 from \$28,340,162 in 2012. The College's net position declined to \$28,340,162 at June 30, 2012 from \$28,744,342 in 2011.
- The College's total revenues increased to \$28,242,924 in 2013 from \$28,189,578 in 2012 and \$27,373,367 in 2011.
- The College's total expenses decreased to \$28,038,605 in 2013 from \$28,593,758 in 2012. The College's total expenses increased to \$28,593,758 in 2012 from \$25,920,796 in 2011.

BASIC 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 cash flows; and explanatory notes to the financial statements. The College has implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14. Accordingly, the financial statements of the Northeastern Oklahoma A&M Development Foundation, Inc. (the "Foundation") are presented as a discrete component unit alongside the College's financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2013, 2012, and 2011

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the College at the end of the fiscal year. This statement includes all assets, deferred outflows of resources and liabilities of the College utilizing the accrual method of accounting. Readers of the Statement of Net Position will be able to assess the College's ability to pay expenses. In addition, they will be able to evaluate the financial health of the College. Over time, increases or decreases in the College's net position are one indicator of whether the College's financial health is improving or deteriorating. However, non-financial factors such as changes in the College's programs and degrees offered, accreditation status, and condition of physical facilities must also be considered to accurately assess the health of the College.

The College's Condensed Statements of Net Position for fiscal years 2013, 2012 and 2011 follow.

	June 30			
	2013	2012	Increase (Decrease)	Percent Change
CURRENT ASSETS	\$ 6,332,597	\$ 7,288,994	\$ (956,397)	-13.1%
NONCURRENT ASSETS	37,935,351	38,361,673	(426,322)	-1.1%
TOTAL ASSETS	<u>\$ 44,267,948</u>	<u>\$ 45,650,667</u>	<u>\$ (1,382,719)</u>	<u>-3.0%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 179,361</u>	<u>\$ 239,148</u>	<u>\$ (59,787)</u>	<u>-25.0%</u>
CURRENT LIABILITIES	\$ 1,956,074	\$ 2,741,520	\$ (785,446)	-28.7%
NONCURRENT LIABILITIES	<u>13,946,754</u>	<u>14,808,133</u>	<u>(861,379)</u>	<u>-5.8%</u>
TOTAL LIABILITIES	<u>\$ 15,902,828</u>	<u>\$ 17,549,653</u>	<u>\$ (1,646,825)</u>	<u>-9.4%</u>
NET POSITION				
Net Investment in Capital Assets	23,416,481	22,295,995	1,120,486	5.0%
Restricted	682,217	1,125,431	(443,214)	-39.4%
Unrestricted	<u>4,445,783</u>	<u>4,918,736</u>	<u>(472,953)</u>	<u>-9.6%</u>
TOTAL NET POSITION	<u>\$ 28,544,481</u>	<u>\$ 28,340,162</u>	<u>\$ 204,319</u>	<u>0.7%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2013, 2012, and 2011

STATEMENT OF NET POSITION--Continued

	June 30			
	2012	2011	Increase (Decrease)	Percent Change
CURRENT ASSETS	\$ 7,288,994	\$ 9,522,681	\$ (2,233,687)	-23.5%
NONCURRENT ASSETS	<u>38,361,673</u>	<u>34,940,239</u>	<u>3,421,434</u>	<u>9.8%</u>
TOTAL ASSETS	<u>\$ 45,650,667</u>	<u>\$ 44,462,920</u>	<u>\$ 1,187,747</u>	<u>2.7%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 239,148</u>	<u>\$ -</u>	<u>\$ 239,148</u>	<u>100.0%</u>
CURRENT LIABILITIES	\$ 2,741,520	\$ 3,779,194	\$ (1,037,674)	-27.5%
NONCURRENT LIABILITIES	<u>14,808,133</u>	<u>11,939,384</u>	<u>2,868,749</u>	<u>24.0%</u>
TOTAL LIABILITIES	17,549,653	15,718,578	1,831,075	<u>11.6%</u>
NET POSITION				
Net Investment in Capital Assets	22,295,995	20,505,029	1,790,966	8.7%
Restricted	1,125,431	2,309,747	(1,184,316)	-51.3%
Unrestricted	<u>4,918,736</u>	<u>5,929,566</u>	<u>(1,010,830)</u>	<u>-17.0%</u>
TOTAL NET POSITION	<u>\$ 28,340,162</u>	<u>\$ 28,744,342</u>	<u>\$ (404,180)</u>	<u>-1.4%</u>

There has been a noticeable shift of the College's assets from *current* to *noncurrent*. While the administration is committed to maintaining healthy reserves the administration believes strongly that continuing to let reserves build while failing to address the physical plant needs of the College would adversely affect the College's future. Accordingly the administration has used a combination of reserves, most of which are classified as current, and debt to invest in capital projects around campus. The College has renovated three buildings and constructed two new buildings. The result is the net investment in capital assets has grown from \$22.3 million to \$23.4 million while current assets have fallen from \$7.3 million to \$6.3 million.

The College's Campus Master Plan has identified other capital projects that will be addressed as reserves and appropriate debt vehicles are available.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2013, 2012, and 2011

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Revenues and expenses are classified as either operating or nonoperating. Operating revenues are those earned by providing goods and services to carry out the mission of the College. Operating expenses are those expenses incurred in order to provide goods and services. The Governmental Accounting Standards Board requires state appropriations, federal funds, gifts and investment income as well as interest expense to be classified as nonoperating. A public College's reliance on state appropriations and gifts quite often results in operation losses.

Readers of the College's Statement of Revenues, Expenses and Changes in Net Position will be able to identify the sources of funds and the use of those funds as the College carries out its mission.

The College's Condensed Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2013, 2012, and 2011 follow:

	June 30			
	2013	2012	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Tuition and fees, net	\$ 2,028,206	\$ 2,088,783	\$ (60,577)	-2.9%
Grants and contracts	1,901,701	1,798,942	102,759	5.7%
Auxiliary, net	6,290,065	5,754,883	535,182	9.3%
Other	115,915	224,898	(108,983)	-48.5%
TOTAL OPERATING REVENUES	<u>10,335,887</u>	<u>9,867,506</u>	<u>468,381</u>	<u>4.7%</u>
Less: Operating expenses	<u>27,480,450</u>	<u>28,135,796</u>	<u>(655,346)</u>	<u>-2.3%</u>
NET OPERATING LOSS	(17,144,563)	(18,268,290)	1,123,727	-6.2%
NONOPERATING REVENUES				
State appropriations	9,714,281	9,593,321	120,960	1.3%
State grants and contracts	1,199,361	864,128	335,233	38.8%
Federal grants and contracts	6,386,920	6,822,415	(435,495)	-6.4%
Private gifts and contributions	-	357,089	(357,089)	-100.0%
Investment income	23,320	20,244	3,076	15.2%
Interest expenses	(558,155)	(457,962)	(100,193)	21.9%
TOTAL NONOPERATING REVENUES	<u>16,765,727</u>	<u>17,199,235</u>	<u>(433,508)</u>	<u>-2.5%</u>
State appropriations for capital	462,747	457,395	5,352	1.2%
On-behalf payments for OCIA capital leases	<u>120,408</u>	<u>207,480</u>	<u>(87,072)</u>	<u>-42.0%</u>
CHANGE IN NET POSITION	204,319	(404,180)	608,499	-150.6%
NET POSITION AT BEGINNING OF YEAR	<u>28,340,162</u>	<u>28,744,342</u>	<u>(404,180)</u>	<u>-1.4%</u>
NET POSITION AT END OF YEAR	<u>\$28,544,481</u>	<u>\$28,340,162</u>	<u>\$ 204,319</u>	<u>0.7%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2013, 2012, and 2011

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION--Continued

	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	(18,268,290)	(16,465,469)	(1,802,821)	10.9%
NONOPERATING REVENUES				
State appropriations	9,593,321	9,483,140	110,181	1.2%
Federal ARRA funds	-	632,753	(632,753)	-100.0%
State grants and contracts	864,128	1,045,573	(181,445)	-17.4%
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	(457,962)	(422,169)	(35,793)	8.5%
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	457,395	527,609	(70,214)	-13.3%
Additions to permanent endowments	-	13,885	(13,885)	-100.0%
On-behalf payments for OCIA capital leases	<u>207,480</u>	-	<u>207,480</u>	<u>100.0%</u>
CHANGE IN NET POSITION	(404,180)	1,452,571	(1,856,751)	-127.8%
NET POSITION AT BEGINNING OF YEAR	<u>28,744,342</u>	<u>27,291,771</u>	<u>1,452,571</u>	<u>5.3%</u>
NET POSITION AT END OF YEAR	<u>\$28,340,162</u>	<u>\$28,744,342</u>	<u>\$ (404,180)</u>	<u>-1.4%</u>

The College's operating revenues have increased steadily over the last three years. Facing higher mandatory costs and stagnant state appropriations the College raised tuition and fees approximately 7% in 2012 and 2013. Even with these increases enrollment remained relatively flat. Students at the College continue to enjoy the seventh lowest tuition and fees of the 27 state institutions of higher education.

The College also enjoyed increases in its Title III awards from the Department of Education. While these grant awards are targeted to expand educational services offered to the Native American students in the area, all students of the College benefit.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2013, 2012, and 2011

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION--Continued

The College has also increased the number and quality of beds available to residential students. The completion of the suite style Student Housing Complex allowed the College to increase housing revenues. The selection of Sodexo, Inc. as the College's food service provider has resulted in a stronger revenue stream.

The College has worked diligently to control operating expenses and in 2013 saw the results of those efforts as operating expenses decreased \$655,000 from the prior year. However, operating expenses are up nearly \$2 million from 2011. This increase is due primarily to increases in payroll and benefit costs, contractual services and *other* expenses:

Currently the College's pay scale lags behind our peer group. The administration is committed to moving the pay scale to the average. Additionally, the cost of benefits continues to rise as salaries rise.

Contractual services expense growth is attributable to several factors. As the number of students living on campus grows, the amount paid to our food service contractor grows. We also utilize a consultant to help garner and maintain federal grants. This consultant is paid a contingency fee based on grants actually awarded.

Other operating expenses include everything from lawn maintenance to general expenses of various clubs on campus.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2013, 2012, and 2011

STATEMENT OF CASH FLOWS

The Statement of Cash Flows is used to report the cash the College generates from operating activities, financing activities and investing activities. Readers of the statement make judgments about the College's ability to pay its bills particularly in the short term.

The College's Condensed Statements of Cash Flows for fiscal years 2013, 2012, and 2011 follow:

	Years Ended June 30		Increase (Decrease)	Percent Change
	2013	2012		
CASH PROVIDED BY (USED IN)				
Operating Activities	\$ (15,731,362)	\$ (16,657,726)	\$ 926,364	-5.6%
Non-Capital Financing Activities	16,556,562	16,577,864	(21,302)	-0.1%
Capital and Related Financing Activities	(2,832,716)	(3,874,970)	1,042,254	-26.9%
Investing Activities	213,900	2,010,327	(1,796,427)	-89.4%
NET DECREASE IN CASH	(1,793,616)	(1,944,505)	150,889	-7.8%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,003,476	7,947,981	(1,944,505)	-24.5%
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,209,860</u>	<u>\$ 6,003,476</u>	<u>\$ (1,793,616)</u>	<u>-29.9%</u>

	Years Ended June 30		Increase (Decrease)	Percent Change
	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	<u>\$ 6,003,476</u>	<u>\$ 7,947,981</u>	<u>\$ (1,944,505)</u>	<u>-24.5%</u>

The College has experienced a decline in cash balances over the last three years. This is attributed to a combination of factors. The College saw significant growth during a time when state appropriation had fallen. In addition, ARRA funding ceased. This combination of events forced the College to operate with a deficit budget. The College was able to do and continues to be able to do so due to its strong reserves. Even so, the administration has worked effectively to reduce the budget deficit in each of the last two years.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2013, 2012, and 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

The College has seen buildings and improvements increase 50% over the last two years. This increase is the combined result of completing three significant renovations (Cunningham Hall, the student union and Kah-Ne-You-Ah Hall) and two new building projects (the lab sciences building and the student housing complex) during that time span. Using a combination of OCIA funds, master lease bond funds, and federal grant funds, the College has significantly improved buildings that contribute to education and to student life on campus.

CAPITAL ASSETS, net

	Years Ended June 30		Increase (Decrease)	Percent Change
	2013	2012		
Land	\$ 501,111	\$ 479,337	\$ 21,774	4.5%
Construction in-progress	-	2,387,557	(2,387,557)	-100.0%
Buildings and improvements	49,701,113	46,610,148	3,090,965	6.6%
Non-structural improvements	261,844	861,609	(599,765)	-69.6%
Equipment	6,549,945	5,424,139	1,125,806	20.8%
Library materials	2,361,302	2,279,342	81,960	3.6%
TOTAL	59,375,315	58,042,132	1,333,183	2.3%
Less: accumulated depreciation	(21,701,209)	(21,001,704)	(699,505)	3.3%
CAPITAL ASSETS, net	\$ 37,674,106	\$ 37,040,428	\$ 633,678	1.7%

	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	\$ 37,040,428	\$ 32,169,537	\$ 4,870,891	15.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2013, 2012, and 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION--Continued

The College continues to manage its long term debt effectively. The College added no new long term debt in 2013 and reduced its existing long term debt \$696,356 in 2013. The College added \$3,730,000 in new long term debt and reduced existing long term debt \$651,215 in 2012.

LONG-TERM DEBT

	Years Ended		Increase (Decrease)	Percent Change
	June 30			
	2013	2012		
OCIA Series 2005F	\$ 3,916,364	\$ 3,916,364	\$ -	-
OCIA Series 1999 A, B, and C	206,659	234,799	(28,140)	-13.6%
OCIA 2010A	1,571,961	1,571,961	-	0.0%
OCIA 2010B	493,355	493,355	-	0.0%
ODFA Master Lease - Series 2007A	372,583	458,833	(86,250)	-23.1%
ODFA Master Lease - Series 2008A	-	38,716	(38,716)	-100.0%
ODFA Master Lease - Series 2009A	19,250	40,250	(21,000)	-109.1%
ODFA Master Lease - Series 2010A	3,147,667	3,292,000	(144,333)	-4.6%
ODFA Master Lease - Series 2010B	1,211,583	1,376,083	(164,500)	-13.6%
ODFA Master Lease - Series 2011A	2,966,417	3,100,834	(134,417)	-4.5%
ODFA Master Lease - Series 2011C	540,417	619,417	(79,000)	-14.6%
TOTAL	<u>\$ 14,446,256</u>	<u>\$ 15,142,612</u>	<u>\$ (696,356)</u>	<u>-4.6%</u>

	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	<u>\$ 15,142,612</u>	<u>\$ 12,063,827</u>	<u>\$ 3,078,785</u>	<u>25.5%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2013, 2012, and 2011

ECONOMIC FACTORS AND THE COLLEGE'S FUTURE

The College has seen several factors affect its financial condition.

- The nation-wide economic downturn resulted in lower funding for all public institutions of higher learning in Oklahoma. The state appropriation for the College has fallen from a high of \$9.6 million in 2009 to \$8.9 million in 2013.
- The College experienced significant growth. Student head count rose from 1,800 in 2007 to 2,500 in 2013.
- The Department of Education has added Satisfactory Academic Progress standards students must meet to continue receiving federal financial aid (Pell Grants, Supplemental Education Opportunity Grants, Direct Loans, and Work Study).
- The College faces new student demands on IT infrastructure. The demands include additional on-line classes, unlimited wireless internet access, and everything in between.

The combined effect of these factors is an intensified focus on resource utilization. The College implemented strategies to reduce expenditures:

- Some vacated positions were left unfilled.
- Adjunct faculty were utilized in lieu of full time faculty where practical.
- Many job duties were re-assigned and consolidated.
- Outdated inefficient HVAC and lighting fixtures are being replaced with state of the art high-efficiency fixtures whenever possible.

Because of these cost saving measures, the College has been able to keep increases to tuition and fees to a minimum each of the last three years. Even with these increases, the College continues to have the seventh lowest cost of attendance in the state system of higher education.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2013, 2012, and 2011

ECONOMIC FACTORS AND THE COLLEGE'S FUTURE--Continued

The College continues to pursue significant grant funds. Many schools saw grant funds reduced or outright lost in 2013. The College continues to receive four US Department of Education grants. The College was awarded the following grants:

- \$241,000 - Upward Bound
- \$269,000 - Student Support Services
- \$983,000 - Title III Parts A and F

These grant funds enable the College to support targeted groups of students and enhance their ultimate success in higher education.

STATEMENTS OF NET POSITION

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	University		Component Unit	
	June 30		June 30	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,912,831	\$ 4,476,337	\$ 214,612	\$ 215,471
Restricted cash and cash equivalents	297,029	687,527	174,811	133,176
Accounts receivable, net	1,116,098	975,550	102,674	151,614
Other receivables	10,534	4,662	-	-
Investments	624,842	761,823	-	-
Inventories	371,263	383,095	-	-
TOTAL CURRENT ASSETS	<u>6,332,597</u>	<u>7,288,994</u>	<u>492,097</u>	<u>500,261</u>
NONCURRENT ASSETS				
Restricted cash and cash equivalents	-	839,612	-	-
Receivables restricted for capital projects	101,855	166,442	-	-
Investments	159,390	217,210	2,588,558	2,193,480
Other assets	-	97,981	1,310,000	-
Capital assets, net	37,674,106	37,040,428	1,654,971	101,500
TOTAL NONCURRENT ASSETS	<u>37,935,351</u>	<u>38,361,673</u>	<u>5,553,529</u>	<u>2,294,980</u>
TOTAL ASSETS	<u>\$ 44,267,948</u>	<u>\$ 45,650,667</u>	<u>\$ 6,045,626</u>	<u>\$ 2,795,241</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on OCIA lease restructure	<u>\$ 179,361</u>	<u>\$ 239,148</u>	<u>\$ -</u>	<u>\$ -</u>

STATEMENTS OF NET POSITION--Continued

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	University		Component Unit	
	June 30		June 30	
	2013	2012	2013	2012
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 466,345	\$ 1,363,391	\$ 17,164	\$ -
Accrued payroll and other accrued expenses	131,288	136,802	-	-
Unearned revenues	218,346	228,647	-	-
Student and other deposits	90,669	89,579	205,312	153,176
Current portion of noncurrent liabilities	<u>1,049,426</u>	<u>923,101</u>	<u>107,226</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>1,956,074</u>	<u>2,741,520</u>	<u>329,702</u>	<u>153,176</u>
NONCURRENT LIABILITIES, net of current portion				
Accrued compensated absences	141,490	127,858	-	-
Accrued pension and other postemployment benefit obligation	119,637	141,800	-	-
Bond premium	82,379	92,003	-	-
Note payable	-	-	1,400,274	-
Capital lease obligations payable to state agencies	<u>13,603,248</u>	<u>14,446,472</u>	<u>-</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES	<u>13,946,754</u>	<u>14,808,133</u>	<u>1,400,274</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 15,902,828</u>	<u>\$ 17,549,653</u>	<u>\$ 1,729,976</u>	<u>\$ 153,176</u>
NET POSITION				
Net investment in capital assets	\$ 23,416,481	\$ 22,295,995	\$ -	\$ -
Restricted for:				
Nonexpendable	141,343	139,116	1,432,845	1,217,024
Expendable:				
Scholarships, research, instruction and other	391,109	836,766	1,494,585	1,395,021
Endowed lectureship	70,812	70,812	-	-
Loans	78,953	78,737	-	-
Unrestricted	<u>4,445,783</u>	<u>4,918,736</u>	<u>1,388,220</u>	<u>30,020</u>
TOTAL NET POSITION	<u>\$ 28,544,481</u>	<u>\$ 28,340,162</u>	<u>\$ 4,315,650</u>	<u>\$ 2,642,065</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	University		Component Unit	
	Year Ended June 30 2013	2012	Year Ended June 30 2013	2012
OPERATING REVENUES				
Tuition and fees, net of scholarship discounts and allowances of \$5,228,000 and \$5,107,000 in 2013 and 2012, respectively	\$ 2,028,206	\$ 2,088,783	\$ -	\$ -
Federal grants and contracts	1,656,650	1,682,752	-	-
State and local grants and contracts	245,051	116,190	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances of \$252,000 and \$246,000 in 2013 and 2012, respectively	1,398,097	1,040,049	-	-
Food services, net of scholarship discounts and allowances of \$441,000 and \$431,000 in 2013 and 2012, respectively	1,748,388	1,563,028	-	-
Bookstore, net of scholarship discounts and allowances of \$378,000 and \$369,000 in 2013 and 2012, respectively	890,138	1,006,530	-	-
Student Union	706,930	726,611	-	-
Athletics	144,539	114,833	-	-
Other	1,401,974	1,303,832	-	-
Gifts and contributions	-	-	1,820,128	696,134
Other operating revenues	115,914	224,898	21,024	21,577
TOTAL OPERATING REVENUES	<u>10,335,887</u>	<u>9,867,506</u>	<u>1,841,152</u>	<u>717,711</u>
OPERATING EXPENSES				
Compensation and employee benefits	14,036,856	13,754,852	-	-
Contractual services	3,430,437	2,994,331	-	-
Supplies and materials	1,800,797	2,114,555	-	-
Utilities	874,046	970,149	-	-
Communications	127,559	134,866	-	-
Other operating expenses	1,236,596	1,181,972	424,050	402,063
Scholarships and fellowships	4,916,589	5,764,038	-	-
Depreciation	1,057,570	1,221,033	-	-
TOTAL OPERATING EXPENSES	<u>27,480,450</u>	<u>28,135,796</u>	<u>424,050</u>	<u>402,063</u>
OPERATING INCOME (LOSS)	(17,144,563)	(18,268,290)	1,417,102	315,648
NONOPERATING REVENUES (EXPENSES)				
State appropriations	8,970,281	8,891,321	-	-
On-behalf appropriations for OTRS	744,000	702,000	-	-
Federal grants and contracts	6,386,920	6,822,415	-	-
State grants and contracts	874,672	864,128	-	-
Private gifts and contributions	324,689	357,089	-	-
Investment income	23,320	20,244	256,483	21,710
Interest expense	(558,155)	(457,962)	-	-
NET NONOPERATING REVENUES (EXPENSES)	<u>16,765,727</u>	<u>17,199,235</u>	<u>256,483</u>	<u>21,710</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	(378,836)	(1,069,055)	1,673,585	337,358
State appropriations restricted for capital purposes	462,747	457,395	-	-
On-behalf payments for OCIA capital leases	120,408	207,480	-	-
CHANGE IN NET POSITION	204,319	(404,180)	1,673,585	337,358
NET POSITION AT BEGINNING OF YEAR	<u>28,340,162</u>	<u>28,744,342</u>	<u>2,642,065</u>	<u>2,304,707</u>
NET POSITION AT END OF YEAR	<u>\$ 28,544,481</u>	<u>\$ 28,340,162</u>	<u>\$ 4,315,650</u>	<u>\$ 2,642,065</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	Years Ended June 30	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 2,048,148	\$ 2,082,655
Grants and contracts	1,954,783	1,791,540
Auxiliary enterprise charges	6,066,193	5,700,858
Other operating receipts	114,263	222,853
Payments to employees for salaries and benefits	(13,324,476)	(12,997,782)
Payments to suppliers	<u>(12,590,273)</u>	<u>(13,457,850)</u>
NET CASH USED IN OPERATING ACTIVITIES	(15,731,362)	(16,657,726)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	8,970,281	8,891,321
Federal grants and contracts	6,386,920	6,822,415
State and local grants and contracts	874,672	864,128
Private gifts and contributions	324,689	-
Federal Direct Student Loans receipts	7,063,340	7,048,001
Federal Direct Student Loans disbursements	<u>(7,063,340)</u>	<u>(7,048,001)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	16,556,562	16,577,864
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	(2,371,123)	(7,162,144)
Capital appropriations received	462,747	457,395
Proceeds from capital debt and leases	64,587	3,773,146
Repayments of capital debt and leases	(668,216)	(622,493)
Interest paid on capital debt and leases	<u>(320,711)</u>	<u>(320,874)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(2,832,716)	(3,874,970)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	194,801	1,968,642
Interest received on investments	<u>19,099</u>	<u>41,685</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	213,900	2,010,327
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,793,616)	(1,944,505)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,003,476</u>	<u>7,947,981</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,209,860</u>	<u>\$ 6,003,476</u>

STATEMENTS OF CASH FLOWS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	Years Ended June 30	
	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (17,144,563)	\$ (18,268,290)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,057,570	1,221,033
On-behalf contributions to teachers' retirement system	744,000	702,000
Changes in net assets and liabilities:		
Accounts receivable	(142,199)	(68,875)
Inventories	11,832	(68,581)
Accounts payable and accrued expenses	(222,685)	(255,517)
Unearned revenues	(10,301)	31,740
Compensated absences and accrued pension	(26,106)	29,524
Student and other deposits	<u>1,090</u>	<u>19,240</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (15,731,362)</u>	<u>\$ (16,657,726)</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>\$ 120,408</u>	<u>\$ 207,480</u>
Debt issued on-behalf of College with proceeds held by issuing agency	<u>\$ 101,856</u>	<u>\$ 165,807</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Current assets:		
Cash and cash equivalents	\$ 3,912,831	\$ 4,476,337
Restricted cash and cash equivalents	297,029	687,527
Noncurrent assets:		
Restricted cash and cash equivalents	<u>-</u>	<u>839,612</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 4,209,860</u>	<u>\$ 6,003,476</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, 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.

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.

Discretely Presented 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 discretely presented in the College's financial statements.

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 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 position classified between current and noncurrent assets and liabilities and deferred outflows and inflows, a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperating revenues and expenses and a statement of cash flows using the direct method.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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

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.

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 position.

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 position.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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

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.

Unearned Revenues: Unearned 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. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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 position, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net position.

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 Position: The College's net position is classified as follows:

Net Investment in Capital Assets: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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

Net Position--Continued:

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

Restricted Net Position - Nonexpendable: Nonexpendable restricted net position consists 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 Position: Unrestricted net position represents 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.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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

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 position. 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.

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. At June 30, 2013 and 2012, the College's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2013 and 2012, the College has no deferred inflows of resources.

New Accounting Pronouncements Adopted in Fiscal Year 2013: The College adopted several new accounting pronouncements during the year ended June 30, 2013 as follows:

- *Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements*
GASB 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 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 No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The adoption of GASB No. 61 did not have an impact on the College's financial statement presentation.
- *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
GASB 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 adoption of GASB No. 62 did not have an impact on the College's financial position, changes in financial position, cash flows, or its financial statement presentation.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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

New Accounting Pronouncements Adopted in Fiscal Year 2013--Continued:

- *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB 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 has required the College to make changes in its financial statement presentation, and required certain financial statement elements previously reported as assets to be reported as deferred outflows of resources.

- *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 chosen to early adopt GASB Statement No. 65 in 2013. Financial statement elements previously classified as assets at June 30, 2012 and totaling \$239,148 were reclassified to deferred outflows of resources.

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also 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, 2014

- *Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*

GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The College has not yet evaluated the effects that GASB No. 70 will have on its financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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

New Accounting Pronouncements Issued Not Yet Adopted--Continued:

Fiscal Year Ended June 30, 2015

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

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB 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 No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance is expected to be issued in November 2013. Although the College has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

- *Statement No. 69, Government Combinations and Disposals of Government Operations*

GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

Reclassifications: Certain amounts in the 2012 financial statements have been reclassified to conform to the current year presentation.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS

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.

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, 2013 and 2012, the carrying amount of the College's deposits with the State Treasurer and other financial institutions was as follows:

	2013	2012
Deposits with the State Treasurer	\$ 4,192,960	\$ 5,985,021
U.S. financial institutions	10,000	10,000
Petty cash and change funds	6,900	8,455
Total Deposits	<u>\$ 4,209,860</u>	<u>\$ 6,003,476</u>

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the State Treasurer; (e) collateralized certificates of deposits; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

In 2013, the College began participation in *OK INVEST*. Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* total \$2,410,208 at June 30, 2013.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS

Deposits--Continued: At June 30, 2013, the distribution of deposits in *OK INVEST* was as follows:

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	\$ 947,412	\$ 943,407
Money market mutual funds	226,166	226,166
End of day commercial paper sweep	50,658	50,658
Certificates of deposit	61,570	61,570
Mortgage backed agency securities	1,035,675	1,040,760
Municipal bonds	40,604	44,946
Foreign bonds	19,038	19,026
U.S. Treasury Obligations	29,085	35,493
TOTAL	\$ 2,410,208	\$ 2,422,026

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. *OK INVEST* maintains an overall weighted average maturity of no more than four years.

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher.

Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons.

U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC or any other government agency.

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

At June 30, 2013 and 2012, the College had the following investments:

	2013	2012
U.S. Treasury securities	\$ 352,712	\$ 178,254
Bank certificates of deposit	320,675	677,461
Mortgage-backed securities	40,032	52,505
	713,419	908,220
OSRHE endowment holdings	70,813	70,813
Total Investments	<u>\$ 784,232</u>	<u>\$ 979,033</u>

Investment maturities were as follows at June 30, 2013:

Investment Type	Fair Value	Less Than One	One to Five	Six to Ten	More Than Ten
U.S. Treasury securities	\$ 352,712	\$ 233,354	\$ 119,357	\$ -	\$ -
Bank certificates of deposit	320,675	320,675	-	-	-
Mortgage-backed securities	40,032	-	-	11,515	28,517
	<u>\$ 713,419</u>	<u>\$ 554,029</u>	<u>\$ 119,357</u>	<u>\$ 11,515</u>	<u>\$ 28,517</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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:

	2013	2012
Student tuition and fees	\$ 852,363	\$ 516,343
Auxiliary enterprises and other student activities	568,242	344,229
Federal and state agencies	432,935	486,016
	1,853,540	1,346,588
Less: allowance for doubtful accounts	(737,442)	(371,038)
Accounts receivable, net	<u>\$ 1,116,098</u>	<u>\$ 975,550</u>

The College also has \$101,855 and \$166,442 of receivables restricted for capital projects as of June 30, 2013 and 2012, 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 position as they are restricted for long-term purposes.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE D--CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance at June 30, 2012	Additions	Transfers	Retirements	Balance at June 30, 2013
Capital assets not being depreciated:					
Land	\$ 479,337	\$ 21,774	\$ -	\$ -	\$ 501,111
Construction in-progress	2,387,557	765,833	(3,153,390)	-	-
Total not being depreciated	2,866,894	787,607	(3,153,390)	-	501,111
Other capital assets:					
Buildings and improvements	46,610,148	162,904	2,928,061	-	49,701,113
Nonstructural improvements	261,844	-	-	-	261,844
Infrastructure	599,765	-	80,345	-	680,110
Equipment	5,424,139	658,777	144,984	(358,065)	5,869,835
Library materials	2,279,342	81,960	-	-	2,361,302
Total other capital assets	55,175,238	903,641	3,153,390	(358,065)	58,874,204
Accumulated depreciation:					
Buildings and improvements	(13,061,065)	(658,407)	-	-	(13,719,472)
Nonstructural improvements	(228,836)	(3,092)	-	-	(231,928)
Infrastructure	(414,787)	(29,123)	-	-	(443,910)
Equipment	(5,138,526)	(282,610)	-	358,065	(5,063,071)
Library materials	(2,158,490)	(84,338)	-	-	(2,242,828)
Total accumulated depreciation	(21,001,704)	(1,057,570)	-	358,065	(21,701,209)
Capital assets, net	<u>\$ 37,040,428</u>	<u>\$ 633,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,674,106</u>
Capital assets summary:					
Capital assets not being depreciated	\$ 2,866,894	\$ 787,607	\$ (3,153,390)	\$ -	\$ 501,111
Other capital assets, at cost	55,175,238	903,641	3,153,390	(358,065)	58,874,204
Total cost of capital assets	58,042,132	1,691,248	-	(358,065)	59,375,315
Less: accumulated depreciation	(21,001,704)	(1,057,570)	-	358,065	(21,701,209)
Capital assets, net	<u>\$ 37,040,428</u>	<u>\$ 633,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,674,106</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 \$28,223,761 and \$25,207,422 as of June 30, 2013 and 2012, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE D--CAPITAL ASSETS--Continued

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	9,895,652	5,990,189	(13,498,284)	-	2,387,557
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	2,210,257	69,085	-	-	2,279,342
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	(2,065,560)	(92,930)	-	-	(2,158,490)
Total accumulated depreciation	(19,839,913)	(1,221,033)	-	59,242	(21,001,704)
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	41,634,461	101,735	13,498,284	(59,242)	55,175,238
Total cost of capital assets	52,009,450	6,091,924	-	(59,242)	58,042,132
Less: accumulated depreciation	(19,839,913)	(1,221,033)	-	59,242	(21,001,704)
Capital assets, net	<u>\$ 32,169,537</u>	<u>\$ 4,870,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,040,428</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE E--LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2013 was as follows:

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Amounts Due Within One Year
Capital lease obligations:					
OCIA Series 1999 A, B, and C	\$ 234,799	\$ -	\$ (28,140)	\$ 206,659	\$ 29,552
OCIA Series 2005F	3,916,364	-	-	3,916,364	168,542
OCIA Series 2010A	1,571,961	-	-	1,571,961	-
OCIA Series 2010B	493,355	-	-	493,355	-
ODFA Master Lease, Series 2007A	458,833	-	(86,250)	372,583	89,333
ODFA Master Lease, Series 2008A	38,716	-	(38,716)	-	-
ODFA Master Lease, Series 2009A	40,250	-	(21,000)	19,250	19,250
ODFA Master Lease, Series 2010A	3,292,000	-	(144,333)	3,147,667	148,333
ODFA Master Lease, Series 2010B	1,376,083	-	(164,500)	1,211,583	169,333
ODFA Master Lease, Series 2011A	3,100,834	-	(134,417)	2,966,417	139,333
ODFA Master Lease, Series 2011C	619,417	-	(79,000)	540,417	79,333
Total bonds and capital leases	15,142,612	-	(696,356)	14,446,256	843,009
Other liabilities:					
Accrued pensions and other post-retirement benefit obligations	\$ 141,800	\$ -	\$ (22,163)	\$ 119,637	\$ -
Bond premium	104,595	-	(12,593)	92,002	9,623
Accrued compensated absences	342,227	196,794	(200,736)	338,285	196,794
Total other liabilities	588,622	196,794	(235,492)	549,924	206,417
Total long-term liabilities	\$ 15,731,234	\$ 196,794	\$ (931,848)	\$ 14,996,180	\$ 1,049,426

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

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Amounts Due Within One Year
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	12,063,827	3,730,000	(651,215)	15,142,612	696,140
Other liabilities:					
Accrued pensions and other post-retirement benefit obligations	\$ 145,916	\$ -	\$ (4,116)	\$ 141,800	\$ -
Bond premium	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	565,688	318,901	(295,967)	588,622	226,961
Total long-term liabilities	\$ 12,629,515	\$ 4,048,901	\$ (947,182)	\$ 15,731,234	\$ 923,101

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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 \$39,756 and \$41,680 during the years ended June 30, 2013 and 2012, 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 position.

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 was 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 outflow of resources that will be amortized over a period of six years. As of June 30, 2013 and 2012, the unamortized cost totaled \$179,361 and \$239,148, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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 \$80,652 and \$68,620 during the years ended June 30, 2013 and 2012, respectively, 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 position.

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.

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 had drawn its total allotment for expenditures incurred in connection with the project.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE E--LONG-TERM LIABILITIES--Continued

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

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 had 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 had 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, 2013, the College had drawn \$104,863 of its allotment. The College has recorded a receivable totaling \$83,571 at June 30, 2013. In October 2012, the lighting upgrade project was completed and placed in service.

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, 2013, the College has drawn its total allotment for expenditures incurred in connection with the project. In October 2012, the VOIP project was completed and placed in service. The Student Housing Complex was completed and placed into service in January 2012.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE E--LONG-TERM LIABILITIES--Continued

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

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>
2014	\$ 843,009	\$ 568,381	\$ 1,411,390
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	1,082,199	430,748	1,512,947
2019-2023	2,750,596	1,706,448	4,457,044
2024-2028	3,829,884	1,081,288	4,911,172
2029-2033	2,404,740	213,948	2,618,688
	<u>\$ 14,446,256</u>	<u>\$ 5,517,104</u>	<u>\$ 19,963,360</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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE F--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System--Continued

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 2013, 2012, and 2011, 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 2013, 2012, and 2011, respectively. These contributions were made directly by the College for 2013, 2012, and 2011.

The College's contributions to OTRS for the years ended June 30, 2013, 2012, and 2011, were approximately \$1,626,000, \$1,568,000 and \$1,302,000, 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.

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2013 and 2012, 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, 2013 and 2012, the total amounts contributed to OTRS by the State of Oklahoma on behalf of the College were approximately \$744,000 and \$702,000, 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 position.

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, 2013 and 2012, the College paid approximately \$14,000 and \$17,000, respectively, to retirees under the Plan.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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:

	2013	2012
Annual required contribution	\$ 11,601	\$ 15,496
Interest on net pension obligation	754	814
Adjustment to annual required contribution	<u>(6,073)</u>	<u>(9,813)</u>
Annual pension cost	6,282	6,497
Contributions made	<u>14,232</u>	<u>16,833</u>
Decrease in net pension obligation	(7,950)	(10,336)
Net pension obligations at beginning of year	<u>63,035</u>	<u>73,371</u>
Net pension obligations at end of year	<u><u>\$ 55,085</u></u>	<u><u>\$ 63,035</u></u>

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 58,601
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 58,601</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%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, as available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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
2011	\$ 6,497	259.1%	\$ 73,371
2012	6,497	259.1%	63,035
2013	6,282	226.6%	55,085

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, 2013, there were approximately 206 active employees and 145 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.

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% 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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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

Annual Pension Cost and Net Obligation--Continued: The College's annual life insurance cost and net obligation of the Plan for the years ended June 30, were as follows:

	2013	2012
Annual required contribution	\$ 8,889	\$ 6,974
Interest on OPEB obligation	4,141	3,415
Adjustment to annual required contribution	<u>(21,414)</u>	<u>739</u>
Annual life insurance cost	(8,384)	11,128
Contributions made	<u>5,829</u>	<u>5,661</u>
Increase (decrease) in net obligation	(14,213)	5,467
Net OPEB obligation at beginning of year	<u>78,765</u>	<u>73,298</u>
Net OPEB obligation at end of year	<u><u>\$ 64,552</u></u>	<u><u>\$ 78,765</u></u>

The net OPEB obligation at June 30, 2013 and 2012 is included in accrued pension and other postemployment benefit obligation in the statements of net position.

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 62,039
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 62,039</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	\$ 9,873,269
UAAL as a percentage of annual covered payroll	0.63%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, as available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Trend Information:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 13,947	50.1%	\$ 73,298
2012	12,441	56.1%	78,765
2013	6,668	87.4%	64,552

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

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, 2013 and 2012 were \$8,745,820 and \$8,514,621, 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 \$324,689 and \$357,089 for the years ended June 30, 2013 and 2012, respectively. The College distributed scholarships and awards of approximately \$517,000 and \$608,000 during the years ended June 30, 2013 and 2012, 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 \$154,000 and \$153,000 at June 30, 2013 and 2012, 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.

NOTE I--RELATED PARTY TRANSACTIONS

In November 2012, the College entered into a ground lease agreement with the Foundation for the purpose of constructing an indoor athletic facility to be known as the Multipurpose Athletic Center (the "facility"). In exchange for lease payments to the College, the Foundation agreed to construct the facility for the management, use, operation, and benefit of the College. Upon completion of the facility, the College agreed to lease the facility from the Foundation.

The facility was completed in August 2013, at which time the College began occupancy of the facility. The term of this lease agreement is 180 months, beginning on November 1, 2012, and ending on October 31, 2027. The annual rental payment amount is \$146,133, with the first payment due July 15, 2013, and the final payment occurring on July 15, 2027. At the conclusion of the annual rental payments, the College will own the facility and all improvements thereof.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE J--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, 2013 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 K--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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE L--NORTHEASTERN OKLAHOMA A&M COLLEGE
DEVELOPMENT FOUNDATION, INC.

The following are significant disclosures of Northeastern Oklahoma A&M College Development Foundation, Inc.:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FAIR VALUE MEASUREMENTS

The Foundation follows ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period.

Financial assets and liabilities carried at fair value on a recurring basis include investments and funds held for others. At June 30, 2012, the Foundation has other assets which are carried at fair value on a non-recurring basis. The Foundation has no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2012.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE L--NORTHEASTERN OKLAHOMA A&M COLLEGE
DEVELOPMENT FOUNDATION, INC.--Continued

FAIR VALUE MEASUREMENTS--Continued

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy for financial instruments carried at fair value, are as follows:

Cash and cash equivalents: The assets' carrying amounts approximate fair value due to their short maturities.

Investments: Investments are carried at fair value and are based on quoted market prices, when available. Generally, quoted market prices are available for cash, common and preferred stocks, and exchange traded index and mutual funds and as such are classified as Level 1 in the fair value hierarchy. The fair values of certificates of deposit are determined using the income approach. The key inputs include interest rates, maturity dates, and yield curves and as such are classified as Level 1 or Level 2 depending on the maturity date.

Pledges receivable: The asset is carried at cost. Fair value is the price a market participant would pay to acquire the right to receive the cash flows inherent in the promise to pay the Foundation and due to inclusion of a discount to net present value and allowance for uncollectible accounts the carrying value approximates fair value.

Other Assets: The Foundation's other assets are carried at fair value at June 30, 2013. The fair value is determined using the income approach and is based on the expected future cash flows from sale of the property in an open market.

Accounts payable: The liability's carrying amount approximates fair value due to its short maturity.

Funds held for others: The liability is carried at fair value which is based on the fair value of the cash and investment assets held by the Foundation for the benefit of the agency. The specific assets held for the benefit of the agency have been classified within the hierarchy for investments (as discussed above). The related and associated liability is classified as Level 2 in the hierarchy as the principal inputs (i.e., fair value of the cash and investments) are corroborated by observable market data. (The assets related to this liability are held in a separate investment account and are not a part of the Foundation's investment pool.)

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE L--NORTHEASTERN OKLAHOMA A&M COLLEGE
DEVELOPMENT FOUNDATION, INC.--Continued

FAIR VALUE MEASUREMENTS--Continued

Assets and liabilities measured at fair value are classified within the fair value hierarchy as follows:

	As of June 30, 2013			
	Level 1	Level 2	Level 3	Total
ASSETS				
<i>Assets recorded at fair value on a recurring basis</i>				
Investments:				
Cash and cash equivalent funds	\$ 123,582	\$ -	\$ -	\$ 123,582
Certificates of deposit	-	50,608	-	50,608
Treasury note	-	15,000	-	15,000
Equity mutual funds	1,206,674	-	-	1,206,674
Fixed income mutual funds	629,626	-	-	629,626
Index funds	393,095	-	-	393,095
Open end blend mutual funds	159,752	-	-	159,752
REIT mutual funds	10,221	-	-	10,221
Total investments	<u>\$ 2,522,950</u>	<u>\$ 65,608</u>	<u>\$ -</u>	<u>\$ 2,588,558</u>
<i>Assets recorded at fair value on a non-recurring basis</i>				
Other assets	-	-	1,310,000	1,310,000
Total assets carried at fair value	<u>\$ 2,522,950</u>	<u>\$ 65,608</u>	<u>\$ 1,310,000</u>	<u>\$ 3,898,558</u>
LIABILITIES				
Funds held for others	\$ -	\$ 205,312	\$ -	\$ 205,312
Total liabilities carried at fair value	<u>\$ -</u>	<u>\$ 205,312</u>	<u>\$ -</u>	<u>\$ 205,312</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE L--NORTHEASTERN OKLAHOMA A&M COLLEGE
DEVELOPMENT FOUNDATION, INC.--Continued

FAIR VALUE MEASUREMENTS--Continued

	As of June 30, 2012			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investments:				
Cash and cash equivalent funds	\$ 49,558	\$ -	\$ -	\$ 49,558
Certificates of deposit	-	50,608	-	50,608
Treasury note	-	15,000	-	15,000
Equity mutual funds	944,747	-	-	944,747
Fixed income mutual funds	623,555	-	-	623,555
Index funds	358,747	-	-	358,747
Open end blend mutual funds	142,504	-	-	142,504
REIT mutual funds	8,761	-	-	8,761
Total assets carried at fair value	<u>\$ 2,127,872</u>	<u>\$ 65,608</u>	<u>\$ -</u>	<u>\$ 2,193,480</u>
LIABILITIES				
Funds held for others	\$ -	\$ 153,176	\$ -	\$ 153,176
Total liabilities carried at fair value	<u>\$ -</u>	<u>\$ 153,176</u>	<u>\$ -</u>	<u>\$ 153,176</u>

NET ASSETS

Unrestricted net assets consist of the following at June 30:

	2013	2012
Scholarship	\$ 18,625	\$ 3,448
Foundation operations	1,489,172	117,391
General College support	(119,577)	(90,819)
Total Unrestricted Net Assets	<u>\$ 1,388,220</u>	<u>\$ 30,020</u>

Temporarily restricted net assets are restricted for the following purposes at June 30:

	2013	2012
Temporarily Restricted:		
Scholarship	\$ 538,316	\$ 518,716
Foundation operations	560,503	368,454
General College support	338,681	373,589
Athletic support	57,085	134,262
Total Temporarily Restricted Net Assets	<u>\$ 1,494,585</u>	<u>\$ 1,395,021</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE L--NORTHEASTERN OKLAHOMA A&M COLLEGE
DEVELOPMENT FOUNDATION, INC.--Continued

NET ASSETS--Continued

Permanently restricted net assets are restricted for the following purposes at June 30:

	<u>2013</u>	<u>2012</u>
Permanently Restricted:		
Scholarship	\$ 1,432,845	\$ 1,217,024
Total Permanently Restricted Net Assets	<u>\$ 1,432,845</u>	<u>\$ 1,217,024</u>

ENDOWMENT DISCLOSURES

The Foundation's endowment consists of approximately 40 endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation have chosen to preserve 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 of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund 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 OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE L--NORTHEASTERN OKLAHOMA A&M COLLEGE
DEVELOPMENT FOUNDATION, INC.--Continued

ENDOWMENT DISCLOSURES--Continued

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets to provide for growth and a predictable level of funding to the College to enable it to maintain, improve and expand its facilities and programs. It is recognized that these objectives require a long term investment horizon. Investment risk is measured in terms of the total portfolio and is managed to ensure that the asset allocation does not expose the portfolio to unacceptable levels of risk but at the same time achieves the best possible returns over time. The asset allocation policies reflect and are consistent with the investment objectives and risk tolerances expressed through the Foundation's investment policy. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

Strategies for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's investment policy as approved by the Board of Directors on January 18, 2013 relating to its investment in Bank of Oklahoma allocates its assets through a diversification that includes a mix of (1) no greater than 30% in fixed income (2) no more than 65% in equities and (3) no more than 5% in cash and cash equivalents. The Board further approved investments in Vanguard benchmark account at 70% equities, 28% fixed income and 2% cash and cash equivalents.

Spending Policy

The Foundation's spending policy is the mechanism in which calculated amounts from endowments participating in the pooled investment fund are made available for the donor-restricted purpose, if any. The Foundation's spending policy allows for the use of a share of investment returns that will provide a full measure of current income consistent with the achievement of full long-term preservation of purchasing power of the endowment as a minimum goal. To achieve this, spending policy is expressed as a percentage, not to exceed 5%, of a three-year moving market value average (calculated as of the prior three fiscal year-ends) of its investable assets in funds functioning as endowment. The computation will be based on total return (capital appreciation and income).

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE L--NORTHEASTERN OKLAHOMA A&M COLLEGE
DEVELOPMENT FOUNDATION, INC.--Continued

ENDOWMENT DISCLOSURES--Continued

Endowment net asset composition as of June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 565,673	\$ 1,432,845	\$ 1,998,518
Board-designated endowment funds	<u>75,236</u>	<u>499,903</u>	<u>-</u>	<u>575,139</u>
Total endowment funds	<u>\$ 75,236</u>	<u>\$ 1,065,576</u>	<u>\$ 1,432,845</u>	<u>\$ 2,573,657</u>

Changes in endowment net assets during 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 58,312	\$ 854,731	\$ 1,217,024	\$ 2,130,067
Investment return:				
Interest and dividends	12,766	27,026	7,779	47,571
Net realized and unrealized gains (losses)	<u>-</u>	<u>208,912</u>	<u>-</u>	<u>208,912</u>
Total investment return	12,766	235,938	7,779	256,483
Contributions	18,728	217,980	191,723	428,431
Other income	33,603	3,432	-	37,035
Reclassification - donor directed	11,052	(114,402)	16,319	(87,031)
Appropriation of endowment assets for expenditure	<u>(59,225)</u>	<u>(132,103)</u>	<u>-</u>	<u>(191,328)</u>
Endowment net assets, end of year	<u>\$ 75,236</u>	<u>\$ 1,065,576</u>	<u>\$ 1,432,845</u>	<u>\$ 2,573,657</u>

Endowment net asset composition as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 93	\$ 546,181	\$ 1,217,024	\$ 1,763,298
Board-designated endowment funds	<u>58,219</u>	<u>308,550</u>	<u>-</u>	<u>366,769</u>
Total endowment funds	<u>\$ 58,312</u>	<u>\$ 854,731</u>	<u>\$ 1,217,024</u>	<u>\$ 2,130,067</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2013

NOTE L--NORTHEASTERN OKLAHOMA A&M COLLEGE
DEVELOPMENT FOUNDATION, INC.--Continued

ENDOWMENT DISCLOSURES--Continued

Changes in endowment net assets during 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 89,062	\$ 483,424	\$ 1,175,995	\$ 1,748,481
Investment return:				
Interest and dividends	4,747	48,537	4,094	57,378
Net realized and unrealized gains (losses)	-	(35,667)	-	(35,667)
Total investment return	4,747	12,870	4,094	21,711
Contributions	52,583	529,440	21,025	603,048
Other income	40,214	3,135	-	43,349
Reclassification - donor directed	(24,299)	(28,738)	15,910	(37,127)
Appropriation of endowment assets for expenditure	(103,995)	(145,400)	-	(249,395)
Endowment net assets, end of year	<u>\$ 58,312</u>	<u>\$ 854,731</u>	<u>\$ 1,217,024</u>	<u>\$ 2,130,067</u>

NOTE PAYABLE

On February 15, 2013, the Foundation signed a loan agreement with a bank with an initial principal amount of \$1,507,500 for the construction of a building. The note calls for 15 regular annual principal and interest payments of approximately \$146,133. The note bears interest of 5.5% and matures on July 15, 2027. The note is secured by the building.

Maturities of long-term debt for the years subsequent to June 30, 2013 are as follows:

2014	\$ 107,226
2015	68,992
2016	72,793
2017	76,613
2018	81,024
Thereafter	<u>1,100,852</u>
	<u>\$ 1,507,500</u>

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

June 30, 2013

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)
6/30/2011	\$ -	\$ 70,128	\$ 70,128	0.00%	\$ -	0.00%
6/30/2012	-	70,128	70,128	0.00%	-	0.00%
6/30/2013	-	58,601	58,601	0.00%	-	0.00%

The actuarial accrued liability is based on the projected unit credit method.

The College obtains actuarial valuations biannually in accordance with the provisions of GASB No. 27.

**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)
6/30/2011	\$ -	\$ 66,833	\$ 66,833	0.00%	\$ 9,232,140	0.72%
6/30/2012	-	66,833	66,833	0.00%	9,535,463	0.70%
6/30/2013	-	62,039	62,039	0.00%	9,873,269	0.63%

The actuarial liability is based on the projected unit credit cost method.

The College obtains actuarial valuations biannually in accordance with the provisions of GASB No. 45.

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northeastern Oklahoma Agricultural and Mechanical College (the "College"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2013. The financial statements of Northeastern Oklahoma A&M College Development Foundation, Inc. (the "Foundation") were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

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

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

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

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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 31, 2013

Independent Auditors' Report
on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Northeastern Oklahoma Agricultural and Mechanical College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the College as of and for the year ended June 30, 2013, and have issued our report thereon dated October 31, 2013, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 31, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

June 30, 2013

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Pass-Through Programs From:		
Food and Nutrition Service, Department of Agriculture:		
Oklahoma State Department of Education - Child Nutrition Program	10.559	\$ 42,283
Student Financial Aid - Cluster:		
U.S. Department of Education:		
Direct Programs:		
Office of Student Financial Assistance:		
Federal Pell Grant Program	84.063	6,247,871
Federal Supplemental Educational Opportunity Grants	84.007	109,814
Federal Direct Student Loans	84.268	7,063,340
Federal Work-Study Program	84.033	<u>141,197</u>
Total Student Financial Aid - Cluster		13,562,222
U.S. Department of Education:		
Direct Programs:		
Office of Postsecondary Education:		
TRIO:		
Upward Bound	84.047	248,694
Student Support Services	84.042	<u>268,715</u>
Total TRIO Cluster		517,409
U.S. Department of Education:		
Direct Programs:		
Title III	84.382	989,064
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	16,158
Pass-Through Programs:		
U.S. Department of Education:		
Oklahoma State Department of Education:		
Basic Grant to States - Adult Education and Literacy Program	84.002	87,108
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	185,660
Temporary Assistance for Needy Families - Allied Jobs Program - Carryover	93.558	34,412
Child Care Development Block Grant - Scholars for Excellence Program	93.575	<u>73,014</u>
Total Department of Health and Human Services		<u>293,086</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 15,507,329</u>

See notes to financial statements.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

Year Ended June 30, 2013

NOTE A--BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards (the "Schedule") 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, 2013, 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, 2013

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Program/Cluster</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
Temporary Assistance for Needy Families	93.558

* See the 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? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

Year Ended June 30, 2013

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

None to report for the June 30, 2013 period.

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

None to report for the June 30, 2013 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

Year Ended June 30, 2013

No matters are reportable.