

Northeastern Oklahoma A&M College

As of and for the Years Ended
JUNE 30, 2014 AND 2013

Financial Statements and Schedule of Expenditures of Federal Awards
WITH REPORTS OF INDEPENDENT AUDITORS



NORTHEASTERN OKLAHOMA AGRICULTURAL
AND MECHANICAL COLLEGE

June 30, 2014

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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, 2014 and 2013, 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, 2014 and 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 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, 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, 2014 and 2013, 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.

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 also issued our report dated October 30, 2014 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 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2014, 2013, and 2012

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, 2014. Fiscal years 2013 and 2012 are presented for comparative purposes. This analysis is intended to provide 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 \$29,259,419 from \$28,544,481 in 2013 and \$28,340,162 in 2012.
- The College's total revenues increased to \$29,243,676 from \$28,242,924 in 2013 and \$27,373,367 in 2012.
- The College's total expenses increased to \$28,528,738 from \$28,038,605 in 2013. The College's total expenses decreased to \$28,038,605 from \$28,593,758 in 2012.

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. 39, *Determining Whether Certain Organizations are Component Units*, and an amendment of GASB Statement No. 14. Accordingly, the financial statements of the Northeastern Oklahoma A&M 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, 2014, 2013, and 2012

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, all liabilities and deferred inflows of resources of the College utilizing the accrual method of accounting. The Statement of Net Position enables users to assess 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 2014, 2013 and 2012 follow:

	June 30			
	2014	2013	Increase (Decrease)	Percent Change
ASSETS				
Current assets	\$ 8,508,072	\$ 6,332,597	\$ 2,175,475	34.4%
Noncurrent assets	<u>40,722,583</u>	<u>37,935,351</u>	<u>2,787,232</u>	<u>7.3%</u>
TOTAL ASSETS	<u>\$49,230,655</u>	<u>\$44,267,948</u>	<u>\$ 4,962,707</u>	<u>11.2%</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 119,574</u>	<u>\$ 179,361</u>	<u>\$ (59,787)</u>	<u>-33.3%</u>
LIABILITIES				
Current liabilities	\$ 2,541,545	\$ 1,956,074	\$ 585,471	29.9%
Noncurrent liabilities	<u>17,373,944</u>	<u>13,946,754</u>	<u>3,427,190</u>	<u>24.6%</u>
TOTAL LIABILITIES	<u>\$19,915,489</u>	<u>\$15,902,828</u>	<u>\$ 4,012,661</u>	<u>25.2%</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>\$ 175,321</u>	<u>\$ -</u>	<u>\$ 175,321</u>	<u>100.0%</u>
NET POSITION				
Net investment in capital assets	24,904,800	23,416,481	1,488,319	6.4%
Restricted	309,602	682,217	(372,615)	-54.6%
Unrestricted	<u>4,045,017</u>	<u>4,445,783</u>	<u>(400,766)</u>	<u>-9.0%</u>
TOTAL NET POSITION	<u>\$29,259,419</u>	<u>\$28,544,481</u>	<u>\$ 714,938</u>	<u>2.5%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2014, 2013, and 2012

STATEMENT OF NET POSITION--Continued

	June 30			
	2013	2012	Increase (Decrease)	Percent Change
ASSETS				
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>
LIABILITIES				
Current liabilities	\$ 1,956,074	\$ 2,741,520	\$ (785,446)	-28.7%
Noncurrent liabilities	13,946,754	14,808,133	(861,379)	-5.8%
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	4,445,783	4,918,736	(472,953)	-9.6%
TOTAL NET POSITION	<u>\$28,544,481</u>	<u>\$28,340,162</u>	<u>\$ 204,319</u>	<u>0.7%</u>

During fiscal year 2014, the College received proceeds of \$2.4 million from the ODFA Master Lease program. The projects for which these funds were intended were completed in 2013. However, due to legal challenges to the Master Lease program, the funds were not available to be drawn at the completion of the projects. The College received permission from the Board of Regents to use unrestricted reserves to pay for the projects. In fiscal year 2014, all legal challenges were resolved and the College was able to drawdown the funds. These funds are reflected in the increase in current assets.

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, 2014, 2013, and 2012

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 operating 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 2014, 2013, and 2012 follow:

	June 30			
	2014	2013	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Tuition and fees, net	\$ 2,432,117	\$ 2,028,206	\$ 403,911	19.9%
Grants and contracts	2,129,620	1,901,701	227,919	12.0%
Auxiliary, net	6,604,531	6,290,065	314,466	5.0%
Other	119,176	115,915	3,261	2.8%
TOTAL OPERATING REVENUES	<u>11,285,444</u>	<u>10,335,887</u>	<u>949,557</u>	<u>9.2%</u>
Less: Operating expenses	<u>27,779,407</u>	<u>27,480,450</u>	<u>298,957</u>	<u>1.1%</u>
NET OPERATING LOSS	(16,493,963)	(17,144,563)	650,600	-3.8%
NONOPERATING REVENUES				
State appropriations	9,780,819	9,714,281	66,538	0.7%
State grants and contracts	1,163,158	1,199,361	(36,203)	-3.0%
Federal grants and contracts	6,012,656	6,386,920	(374,264)	-5.9%
Investment income	98,564	23,320	75,244	322.7%
Interest expense	(749,331)	(558,155)	(191,176)	34.3%
TOTAL NONOPERATING REVENUES	<u>16,305,866</u>	<u>16,765,727</u>	<u>(459,861)</u>	<u>-2.7%</u>
State appropriations for capital	436,941	462,747	(25,806)	-5.6%
On-behalf payments for OCIA capital leases	<u>466,094</u>	<u>120,408</u>	<u>345,686</u>	<u>287.1%</u>
CHANGE IN NET POSITION	714,938	204,319	510,619	249.9%
NET POSITION AT BEGINNING OF YEAR	<u>28,544,481</u>	<u>28,340,162</u>	<u>204,319</u>	<u>0.7%</u>
NET POSITION AT END OF YEAR	<u>\$ 29,259,419</u>	<u>\$ 28,544,481</u>	<u>\$ 714,938</u>	<u>2.5%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2014, 2013, and 2012

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

	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	<u>115,915</u>	<u>224,898</u>	<u>(108,983)</u>	<u>-48.5%</u>
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	<u>(558,155)</u>	<u>(457,962)</u>	<u>(100,193)</u>	<u>21.9%</u>
TOTAL NONOPERATING REVENUES	16,765,727	17,199,235	(433,508)	-2.5%
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>

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 2014, 2013 and 2012. 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, 2014, 2013, and 2012

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

The College continues to work to control operating expenses. However, operating expenses are up approximately \$299,000 from 2013. Factors affecting operating expenses include the following:

- The College reduced compensation and employee benefits by \$413,000 in 2014 by leaving several positions unfilled and by not offering an "across-the-board" salary increase.
- Contractual services expense increased \$507,000. These expenses are driven primarily by our food service contract with Sodexo. The College bills the student and then pays Sodexo. The school experienced a 3% increase in meal plan rates. In addition, the College experienced more students buying meal plans or commuter blocks.
- Supplies and materials expenses and other expenses tend to fluctuate from year to year as budget directors manage the resources made available to them.
- The College continues to effectively utilize co-curricular and athletic scholarships to attract students. While the number of scholarship offered did not increase during the year, the cost of those scholarships increased as tuition and fees, room and board increased.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2014, 2013, and 2012

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 2014, 2013, and 2012 follow:

	Years Ended June 30		Increase (Decrease)	Percent Change
	2014	2013		
CASH PROVIDED BY (USED IN)				
Operating Activities	\$ (14,486,879)	\$ (15,731,362)	\$ 1,244,483	-7.9%
Non-Capital Financing Activities	16,233,633	16,556,562	(322,929)	-2.0%
Capital and Related Financing Activities	404,002	(2,832,716)	3,236,718	-114.3%
Investing Activities	(6,226)	213,900	(220,126)	-102.9%
NET INCREASE (DECREASE) IN CASH	2,144,530	(1,793,616)	3,938,146	-219.6%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,209,860	6,003,476	(1,793,616)	-29.9%
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,354,390</u>	<u>\$ 4,209,860</u>	<u>\$ 2,144,530</u>	<u>50.9%</u>

	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>

The College has maintained strong cash reserves in spite of declining state appropriations. The administration has managed tuition and fees and room and board rates to protect the Colleges cash reserves. These cash reserves are considered critical to the operation of the College.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2014, 2013, and 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

In exchange for lease payments to the College, the Foundation agreed to construct the Multipurpose Athletic Center (the "facility") for the management, use, operation, and benefit of the College. The facility was completed in August 2013, at which time the College began occupancy of the facility. The facility is accounted for as a capital lease and capital asset of the College. The College has only one significant project on-going at year end, which is the arena addition at the Synar Farm. The arena addition includes 45 new horse stalls to house student horses. The project will be completed early fall of 2014.

	Years Ended		Increase (Decrease)	Percent Change
	June 30			
	2014	2013		
Land	\$ 501,111	\$ 501,111	\$ -	0.0%
Construction in-progress	220,828	-	220,828	100.0%
Buildings and improvements	51,334,732	49,701,113	1,633,619	3.3%
Non-structural improvements	261,844	261,844	-	0.0%
Equipment	7,514,742	6,549,945	964,797	14.7%
Library materials	2,438,450	2,361,302	77,148	3.3%
TOTAL	62,271,707	59,375,315	2,896,392	4.9%
Less: accumulated depreciation	(22,899,134)	(21,701,209)	(1,197,925)	5.5%
CAPITAL ASSETS, net	\$ 39,372,573	\$ 37,674,106	\$ 1,698,467	4.5%

	Years Ended		Increase (Decrease)	Percent Change
	June 30			
	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%

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2014, 2013, and 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION--Continued

The College continues to manage its long-term debt effectively. During 2014, the College added \$8,360,885 in new long-term debt and reduced existing long-term debt by \$4,445,945. The College added no new long-term debt in 2013 and reduced its existing long-term debt \$696,356 in 2013. The College added \$3,555,084 in new long-term debt and reduced existing long-term debt \$476,299 in 2012.

LONG-TERM DEBT

	Years Ended June 30		Increase (Decrease)	Percent Change
	2014	2013		
OCIA Series 2005F	\$ 361,224	\$ 3,916,364	\$ (3,555,140)	-984.2%
OCIA Series 1999 A, B, and C	177,107	206,659	(29,552)	-16.7%
OCIA 2010A	1,571,961	1,571,961	-	0.0%
OCIA 2010B	493,355	493,355	-	0.0%
OCIA 2014A	3,208,552	-	3,208,552	100.0%
ODFA Master Lease - Series 2007A	283,250	372,583	(89,333)	-31.5%
ODFA Master Lease - Series 2009A	-	19,250	(19,250)	-100.0%
ODFA Master Lease - Series 2010A	2,999,334	3,147,667	(148,333)	-4.9%
ODFA Master Lease - Series 2010B	1,042,250	1,211,583	(169,333)	-16.2%
ODFA Master Lease - Series 2011A	2,827,084	2,966,417	(139,333)	-4.9%
ODFA Master Lease - Series 2011C	461,084	540,417	(79,333)	-17.2%
ODFA Master Lease - Series 2013A	2,365,250	-	2,365,250	100.0%
ODFA Master Lease - Series 2014A	1,123,154	-	1,123,154	100.0%
NEO Development Foundation- Multipurpose Athletic Center	1,473,996	-	1,473,996	100.0%
Less: Discount on Master Lease Bonds	(26,405)	-	(26,405)	100.0%
TOTAL	\$ 18,361,196	\$ 14,446,256	\$ 3,914,940	27.1%

	Years Ended June 30		Increase (Decrease)	Percent Change
	2013	2012		
OCIA Series 2005F	\$ 3,916,364	\$ 3,916,364	\$ -	0.0%
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	\$ 14,446,256	\$ 15,142,612	\$ (696,356)	-4.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

For the Years ended June 30, 2014, 2013, and 2012

ECONOMIC FACTORS AND THE COLLEGE'S FUTURE

The College has seen several factors affect its financial condition.

- In spite of increased mandatory costs, the state of Oklahoma has not appropriated new funds for higher education. The College's state appropriations have remained materially unchanged for the last three years.
- After experiencing considerable growth, the College has experienced a leveling off of enrollment. Student head count rose from 1,800 in 2007 to 2,500 in 2013 and has settled at 2,400 currently.
- 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.

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. In fiscal year 2014 the College received:

- \$296,000 - Upward Bound
- \$228,000 - Student Support Services
- \$974,000 - Title III Parts A and F
- \$91,000 - Adult Education and Literacy

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	
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 6,043,282	\$ 3,912,831	\$ 146,353	\$ 214,612
Restricted cash and cash equivalents	311,108	297,029	144,572	174,811
Accounts receivable, net	1,015,011	1,116,098	98,000	102,674
Other receivables	10,119	10,534	12,241	-
Investments	689,144	624,842	-	-
Inventories	439,408	371,263	-	-
TOTAL CURRENT ASSETS	8,508,072	6,332,597	401,166	492,097
NONCURRENT ASSETS				
Receivables restricted for capital projects	1,156,027	101,855	-	-
Investments	193,983	159,390	3,004,139	2,588,558
Other receivables	-	-	1,473,996	-
Other assets	-	-	880,600	2,964,971
Capital assets, net	39,372,573	37,674,106	-	-
TOTAL NONCURRENT ASSETS	40,722,583	37,935,351	5,358,735	5,553,529
TOTAL ASSETS	\$ 49,230,655	\$ 44,267,948	\$ 5,759,901	\$ 6,045,626
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on OCIA lease restructure	\$ 119,574	\$ 179,361	\$ -	\$ -

STATEMENTS OF NET POSITION--Continued

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	University		Component Unit	
	June 30		June 30	
	2014	2013	2014	2013
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 437,043	\$ 466,345	\$ 11,118	\$ 17,164
Accrued payroll and other accrued expenses	217,761	131,288	-	-
Unearned revenues	245,838	218,346	-	-
Student and other deposits	94,224	90,669	166,777	205,312
Current portion of noncurrent liabilities	<u>1,546,679</u>	<u>1,049,426</u>	<u>68,992</u>	<u>107,226</u>
TOTAL CURRENT LIABILITIES	2,541,545	1,956,074	246,887	329,702
NONCURRENT LIABILITIES, net of current portion				
Accrued compensated absences	162,517	141,491	-	-
Accrued pension and other postemployment benefit obligation	112,819	119,637	-	-
Bond premium	108,747	82,379	-	-
Note payable	-	-	1,331,282	1,400,274
Capital lease payable to Foundation	1,397,245	-	-	-
Capital lease obligations payable to state agencies	<u>15,592,616</u>	<u>13,603,247</u>	<u>-</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES	<u>17,373,944</u>	<u>13,946,754</u>	<u>1,331,282</u>	<u>1,400,274</u>
TOTAL LIABILITIES	<u>\$ 19,915,489</u>	<u>\$ 15,902,828</u>	<u>\$ 1,578,169</u>	<u>\$ 1,729,976</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credit on OCIA lease restructure	<u>\$ 175,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 24,904,800	\$ 23,416,481	\$ -	\$ -
Restricted for:				
Nonexpendable	159,390	141,343	1,482,847	1,432,845
Expendable:				
Scholarships, research, instruction and other	-	391,109	1,698,264	1,494,585
Endowed lectureship	70,812	70,812	-	-
Loans	79,400	78,953	-	-
Unrestricted	<u>4,045,017</u>	<u>4,445,783</u>	<u>1,000,621</u>	<u>1,388,220</u>
TOTAL NET POSITION	<u>\$ 29,259,419</u>	<u>\$ 28,544,481</u>	<u>\$ 4,181,732</u>	<u>\$ 4,315,650</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 2014	2013	Year Ended June 30 2014	2013
OPERATING REVENUES				
Tuition and fees, net of scholarship discounts and allowances of \$5,522,000 and \$5,228,000 in 2014 and 2013, respectively	\$ 2,432,117	\$ 2,028,206	\$ -	\$ -
Federal grants and contracts	1,889,159	1,656,650	-	-
State and local grants and contracts	240,461	245,051	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances of \$266,000 and \$252,000 in 2014 and 2013, respectively	1,531,874	1,398,097	-	-
Food services, net of scholarship discounts and allowances of \$466,000 and \$441,000 in 2014 and 2013, respectively	1,984,799	1,748,388	-	-
Bookstore, net of scholarship discounts and allowances of \$399,000 and \$378,000 in 2014 and 2013, respectively	844,855	890,138	-	-
Student Union	676,471	706,930	-	-
Athletics	134,781	144,539	-	-
Other	1,431,751	1,401,974	-	-
Gifts and contributions	-	-	374,619	1,820,128
Other operating revenues	119,176	115,914	7,846	21,024
TOTAL OPERATING REVENUES	11,285,444	10,335,887	382,465	1,841,152
OPERATING EXPENSES				
Compensation and employee benefits	13,624,026	14,036,856	-	-
Contractual services	3,937,094	3,430,437	-	-
Supplies and materials	2,161,658	1,800,797	-	-
Utilities	973,593	874,046	-	-
Communications	133,546	127,559	-	-
Other operating expenses	605,055	1,236,596	811,882	363,598
Scholarships and fellowships	5,096,152	4,916,589	78,070	60,452
Depreciation	1,248,283	1,057,570	-	-
TOTAL OPERATING EXPENSES	27,779,407	27,480,450	889,952	424,050
OPERATING INCOME (LOSS)	(16,493,963)	(17,144,563)	(507,487)	1,417,102
NONOPERATING REVENUES (EXPENSES)				
State appropriations	9,057,819	8,970,281	-	-
On-behalf appropriations for OTRS	723,000	744,000	-	-
Federal grants and contracts	6,012,656	6,386,920	-	-
State grants and contracts	825,143	874,672	-	-
Private gifts and contributions	338,015	324,689	-	-
Investment income	98,564	23,320	412,477	256,483
Interest expense	(749,331)	(558,155)	(38,908)	-
NET NONOPERATING REVENUES (EXPENSES)	16,305,866	16,765,727	373,569	256,483
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	(188,097)	(378,836)	(133,918)	1,673,585
State appropriations restricted for capital purposes	436,941	462,747	-	-
On-behalf payments for OCIA capital leases	466,094	120,408	-	-
CHANGE IN NET POSITION	714,938	204,319	(133,918)	1,673,585
NET POSITION AT BEGINNING OF YEAR	28,544,481	28,340,162	4,315,650	2,642,065
NET POSITION AT END OF YEAR	\$ 29,259,419	\$ 28,544,481	\$ 4,181,732	\$ 4,315,650

See notes to financial statements.

STATEMENTS OF CASH FLOWS

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	Years Ended June 30	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 2,551,163	\$ 2,048,148
Grants and contracts	2,239,611	1,954,783
Auxiliary enterprise charges	6,504,073	6,066,193
Other operating receipts	125,488	114,263
Payments to employees for salaries and benefits	(12,906,223)	(13,324,476)
Payments to suppliers	<u>(13,000,991)</u>	<u>(12,590,273)</u>
NET CASH USED IN OPERATING ACTIVITIES	(14,486,879)	(15,731,362)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	9,057,819	8,970,281
Federal grants and contracts	6,012,656	6,386,920
State and local grants and contracts	825,143	874,672
Private gifts and contributions	338,015	324,689
Federal Direct Student Loans receipts	6,111,542	7,063,340
Federal Direct Student Loans disbursements	<u>(6,111,542)</u>	<u>(7,063,340)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	16,233,633	16,556,562
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	(1,329,479)	(2,371,123)
Capital appropriations received	436,941	462,747
Proceeds from capital debt and leases	2,524,989	64,587
Repayments of capital debt and leases	(861,786)	(668,216)
Interest paid on capital debt and leases	<u>(366,663)</u>	<u>(320,711)</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	404,002	(2,832,716)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments	(98,893)	194,801
Interest received on investments	<u>92,667</u>	<u>19,099</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(6,226)</u>	<u>213,900</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,144,530	(1,793,616)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,209,860</u>	<u>6,003,476</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,354,390</u>	<u>\$ 4,209,860</u>

STATEMENTS OF CASH FLOWS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

	Years Ended June 30	
	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (16,493,963)	\$ (17,144,563)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,248,283	1,057,570
On-behalf contributions to teachers' retirement system	723,000	744,000
Changes in net assets and liabilities:		
Accounts receivable	107,398	(142,199)
Inventories	(68,145)	11,832
Accounts payable and accrued expenses	(12,211)	(222,685)
Unearned revenues	27,492	(10,301)
Compensated absences and accrued pension	(22,288)	(26,106)
Student and other deposits	3,555	1,090
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (14,486,879)</u>	<u>\$ (15,731,362)</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>\$ 466,094</u>	<u>\$ 120,408</u>
Debt issued on-behalf of College with proceeds held by issuing agency	<u>\$ 1,156,027</u>	<u>\$ 101,856</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Current assets:		
Cash and cash equivalents	\$ 6,043,282	\$ 3,912,831
Restricted cash and cash equivalents	<u>311,108</u>	<u>297,029</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 6,354,390</u>	<u>\$ 4,209,860</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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, 2014

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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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

Capital Assets--Continued: 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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

Net Position--Continued:

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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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

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, 2014 and 2013, 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, 2014, the College's deferred inflows of resources were comprised of credits realized on an OCIA lease restructure. At June 30, 2013, the College had no deferred inflows of resources.

New Accounting Pronouncements Adopted in Fiscal Year 2014: The College adopted the following new accounting pronouncement during the 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 adoption of GASB No. 70 did not have an impact on the College's financial position, or changes in financial position or cash flows, or its financial statement presentation.

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the College in the fiscal year ending June 30, 2015. A description of the new accounting pronouncements and the College's consideration of the impact of these pronouncements are described below:

- *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 was 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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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

New Accounting Pronouncements Issued Not Yet Adopted--Continued:

- *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.

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, 2014 and 2013, the carrying amount of the College's deposits with the State Treasurer and other financial institutions was as follows:

	2014	2013
Deposits with the State Treasurer	\$ 6,329,335	\$ 4,192,960
U.S. financial institutions	10,000	10,000
Petty cash and change funds	15,055	6,900
Total Deposits	<u>\$ 6,354,390</u>	<u>\$ 4,209,860</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: 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 \$6,422,574 in 2014 and \$2,410,208 in 2013.

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

At June 30, 2014 and 2013, the distribution of deposits in *OK INVEST* is as follows:

OK INVEST Portfolio	2014		2013	
	Cost	Market Value	Cost	Market Value
U.S. Agency securities	\$ 2,946,697	\$ 2,940,968	\$ 947,412	\$ 943,407
Money market mutual funds	310,093	310,093	226,166	226,166
End of day commercial paper sweep	135,157	135,157	50,658	50,658
Certificates of deposit	166,720	166,720	61,570	61,570
Mortgage backed agency securities	2,638,454	2,692,896	1,035,675	1,040,760
Municipal bonds	98,533	109,125	40,604	44,946
Foreign bonds	50,455	50,455	19,038	19,026
U.S. Treasury Obligations	76,465	94,657	29,085	35,493
TOTAL	<u>\$ 6,422,574</u>	<u>\$ 6,500,071</u>	<u>\$ 2,410,208</u>	<u>\$ 2,422,026</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: 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.

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, 2014 and 2013, the College had the following investments:

	2014	2013
U.S. Treasury securities	\$ 765,544	\$ 352,712
Bank certificates of deposit	18,749	320,675
Mortgage-backed securities	28,021	40,032
	812,314	713,419
OSRHE endowment holdings	70,813	70,813
Total Investments	\$ 883,127	\$ 784,232

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Investment maturities were as follows at June 30, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One</u>	<u>One to Five</u>	<u>Six to Ten</u>	<u>More Than Ten</u>
U.S. Treasury securities	\$ 765,544	\$ 599,583	\$ 165,961	\$ -	\$ -
Bank certificates of deposit	18,749	18,749	-	-	-
Mortgage-backed securities	28,021	-	5,191	7,139	15,691
	<u>\$ 812,314</u>	<u>\$ 618,332</u>	<u>\$ 171,152</u>	<u>\$ 7,139</u>	<u>\$ 15,691</u>

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:

	<u>2014</u>	<u>2013</u>
Student tuition and fees	\$ 1,015,932	\$ 852,363
Auxiliary enterprises and other student activities	677,288	568,242
Federal and state agencies	<u>322,944</u>	<u>432,935</u>
	2,016,164	1,853,540
Less: allowance for doubtful accounts	<u>(1,001,153)</u>	<u>(737,442)</u>
Accounts receivable, net	<u>\$ 1,015,011</u>	<u>\$ 1,116,098</u>

The College also has \$1,156,027 and \$101,855 of receivables restricted for capital projects as of June 30, 2014 and 2013, 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, 2014

NOTE D--CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2014:

	Balance at June 30, 2013	Additions	Transfers	Retirements	Balance at June 30, 2014
Capital assets not being depreciated:					
Land	\$ 501,111	\$ -	\$ -	\$ -	\$ 501,111
Construction in-progress	-	220,828	-	-	220,828
Total not being depreciated	501,111	220,828	-	-	721,939
Other capital assets:					
Buildings and improvements	49,701,113	1,633,619	-	-	51,334,732
Nonstructural improvements	261,844	-	-	-	261,844
Infrastructure	680,110	75,608	-	-	755,718
Equipment	5,869,835	939,547	-	(50,358)	6,759,024
Library materials	2,361,302	77,148	-	-	2,438,450
Total other capital assets	58,874,204	2,725,922	-	(50,358)	61,549,768
Accumulated depreciation:					
Buildings and improvements	(13,719,472)	(725,549)	-	-	(14,445,021)
Nonstructural improvements	(231,928)	(3,064)	-	-	(234,992)
Infrastructure	(443,910)	(40,564)	-	-	(484,474)
Equipment	(5,063,071)	(400,980)	-	50,358	(5,413,693)
Library materials	(2,242,828)	(78,126)	-	-	(2,320,954)
Total accumulated depreciation	(21,701,209)	(1,248,283)	-	50,358	(22,899,134)
Capital assets, net	\$ 37,674,106	\$ 1,698,467	\$ -	\$ -	\$ 39,372,573
Capital assets summary:					
Capital assets not being depreciated	\$ 501,111	\$ 220,828	\$ -	\$ -	\$ 721,939
Other capital assets, at cost	58,874,204	2,725,922	-	(50,358)	61,549,768
Total cost of capital assets	59,375,315	2,946,750	-	(50,358)	62,271,707
Less: accumulated depreciation	(21,701,209)	(1,248,283)	-	50,358	(22,899,134)
Capital assets, net	\$ 37,674,106	\$ 1,698,467	\$ -	\$ -	\$ 39,372,573

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 \$32,968,205 and \$28,223,761 as of June 30, 2014 and 2013, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

NOTE D--CAPITAL ASSETS--Continued

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>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

NOTE E--LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2014 was as follows:

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Amounts Due Within One Year
Capital lease obligations:					
OCIA Series 1999 A, B, and C	\$ 206,659	\$ -	\$ (29,552)	\$ 177,107	\$ 30,980
OCIA Series 2005F	3,916,364	-	(3,555,140)	361,224	176,596
OCIA Series 2010A	1,571,961	-	-	1,571,961	-
OCIA Series 2010B	493,355	-	-	493,355	287,768
OCIA Series 2014A	-	3,208,552	-	3,208,552	-
ODFA Master Lease, Series 2007A	372,583	-	(89,333)	283,250	93,333
ODFA Master Lease, Series 2009A	19,250	-	(19,250)	-	-
ODFA Master Lease, Series 2010A	3,147,667	-	(148,333)	2,999,334	152,250
ODFA Master Lease, Series 2010B	1,211,583	-	(169,333)	1,042,250	175,083
ODFA Master Lease, Series 2011A	2,966,417	-	(139,333)	2,827,084	143,417
ODFA Master Lease, Series 2011C	540,417	-	(79,333)	461,084	83,333
ODFA Master Lease, Series 2013A	-	2,433,000	(67,750)	2,365,250	117,083
ODFA Master Lease, Series 2014C	-	1,129,000	(5,846)	1,123,154	35,654
NEO Development Foundation- Multipurpose Athletic Center	-	1,617,271	(143,275)	1,473,996	76,751
Less: discount on master lease bonds	-	(26,938)	533	(26,405)	(913)
Total bonds and capital leases	<u>14,446,256</u>	<u>8,360,885</u>	<u>(4,445,945)</u>	<u>18,361,196</u>	<u>1,371,335</u>
Other liabilities:					
Accrued pensions and other post-retirement benefit obligations	\$ 119,637	\$ -	\$ (6,818)	\$ 112,819	\$ -
Bond premium	92,002	44,099	(12,308)	123,793	15,046
Accrued compensated absences	338,285	160,298	(175,768)	322,815	160,298
Total other liabilities	<u>549,924</u>	<u>204,397</u>	<u>(194,894)</u>	<u>559,427</u>	<u>175,344</u>
Total long-term liabilities	<u>\$ 14,996,180</u>	<u>\$ 8,565,282</u>	<u>\$ (4,640,839)</u>	<u>\$ 18,920,623</u>	<u>\$ 1,546,679</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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	<u>15,142,612</u>	<u>-</u>	<u>(696,356)</u>	<u>14,446,256</u>	<u>843,009</u>
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	<u>588,622</u>	<u>196,794</u>	<u>(235,492)</u>	<u>549,924</u>	<u>206,417</u>
Total long-term liabilities	<u>\$ 15,731,234</u>	<u>\$ 196,794</u>	<u>\$ (931,848)</u>	<u>\$ 14,996,180</u>	<u>\$ 1,049,426</u>

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 \$39,761 and \$39,756 during the years ended June 30, 2014 and 2013, respectively, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses and changes in net position.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

NOTE E--LONG-TERM LIABILITIES--Continued

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

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 had 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, 2014 and 2013, the unamortized cost totaled \$119,574 and \$179,361, respectively.

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 \$80,827 and \$80,652 during the years ended June 30, 2014 and 2013, 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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

NOTE E--LONG-TERM LIABILITIES--Continued

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

On April 9, 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired was a credit on restructuring of \$178,047, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2014, the unamortized credit totaled \$175,321. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$419,355, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA, totaling \$345,506 during the year ended June 30, 2014, 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 were 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 were made monthly ranging from \$1,804 to \$2,110. Proceeds from the obligation were used for the purchase of recruitment software.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

NOTE E--LONG-TERM LIABILITIES--Continued

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

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

On May 1, 2010, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2010A in the amount of \$3,500,000. Total lease payments over the term of the agreement, beginning July 14, 2011 through May 15, 2031 will be \$4,579,321. Payments will be made monthly ranging from \$19,165 to \$21,124. Proceeds from the obligation were used for the Student Union Renovation Project. Through June 30, 2012, the College 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. In October 2012, the lighting upgrade project was completed and placed in service. Through June 30, 2014, the College has drawn all but \$7,900 of its total allotment.

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 were 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 had 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, 2014

NOTE E--LONG-TERM LIABILITIES--Continued

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

On December 5, 2013, the College entered into a capital lease obligation for the ODFA Master Equipment and Real Property Lease Revenue Bonds, Series 2013A in the amount of \$2,433,000. Total lease payments over the term of the agreement, beginning December 15, 2013 through May 15, 2043, will be \$4,104,857. Payments will be made monthly ranging from \$10,300 to \$17,967. Proceeds from the obligation were used for reimbursing 2013 expenditures for the Kah-Ne Hall renovation, campus vehicles, and classroom furniture. Through June 30, 2014, the College has drawn its total allotment for reimbursing expenditures incurred in connection with the projects.

On April 24, 2014, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2014C in the amount of \$1,145,000. Total lease payments over the term of the agreement, beginning May 15, 2014 through May 15, 2034, will be \$1,614,149. Payments will be made monthly ranging from \$6,229 to \$6,838. Proceeds from the obligation will be used for improvements to the Synar Farm. Through June 30, 2014, the College still has its total allotment available to be drawn.

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>
2015	1,295,497	540,475	1,835,972
2016	1,328,206	610,355	1,938,561
2017	1,394,243	580,289	1,974,532
2018	1,246,032	534,528	1,780,560
2019	1,071,746	489,100	1,560,846
2020-2024	2,982,553	2,046,416	5,028,969
2025-2029	4,495,014	1,293,996	5,789,010
2030-2034	2,206,976	400,126	2,607,102
2035-2039	452,083	170,505	622,588
2040-2043	441,255	52,844	494,099
	<u>\$ 16,913,605</u>	<u>\$ 6,718,634</u>	<u>\$ 23,632,239</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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.

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 2014, 2013, and 2012, 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 2014, 2013, and 2012, respectively. These contributions were made directly by the College for 2014, 2013, and 2012.

The College's contributions to OTRS for the years ended June 30, 2014, 2013, and 2012, were approximately \$1,635,000, \$1,626,000 and \$1,568,000, respectively, equal to the required contributions for each year. These contributions included the College's statutory contribution and the share of the employee's contribution paid directly by the College.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

NOTE F--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System--Continued

Funding Policy--Continued: The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2014 and 2013, 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, 2014 and 2013, the total amounts contributed to OTRS by the State of Oklahoma on behalf of the College were approximately \$723,000 and \$744,000, 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, 2014 and 2013, the College paid approximately \$14,000 to retirees under the Plan.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

NOTE F--RETIREMENT PLANS--Continued

Supplemental Retirement Plan--Continued

Annual Pension Cost and Net Pension Obligation--Continued: The annual pension cost and net pension obligation to the Plan for the years ended June 30, were as follows:

	2014	2013
Annual required contribution	\$ 11,601	\$ 11,601
Interest on net pension obligation	754	754
Adjustment to annual required contribution	<u>(6,073)</u>	<u>(6,073)</u>
Annual pension cost	6,282	6,282
Contributions made	<u>14,232</u>	<u>14,232</u>
Decrease in net pension obligation	(7,950)	(7,950)
Net pension obligation at beginning of year	<u>55,085</u>	<u>63,035</u>
Net pension obligation at end of year	<u><u>\$ 47,135</u></u>	<u><u>\$ 55,085</u></u>

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2014 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.

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 is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 6,497	259.1%	\$ 63,035
2013	6,282	226.6%	55,085
2014	6,282	226.6%	47,135

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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, 2014, 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.

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

	2014	2013
Annual required contribution	\$ 8,889	\$ 8,889
Interest on OPEB obligation	4,196	4,141
Adjustment to annual required contribution	<u>(6,446)</u>	<u>(21,414)</u>
Annual life insurance cost	6,639	(8,384)
Contributions made	<u>5,507</u>	<u>5,829</u>
Increase (decrease) in net obligation	1,132	(14,213)
Net OPEB obligation at beginning of year	<u>64,552</u>	<u>78,765</u>
Net OPEB obligation at end of year	<u>\$ 65,684</u>	<u>\$ 64,552</u>

The net OPEB obligation at June 30, 2014 and 2013 is included in accrued pension and other postemployment benefit obligation in the statements of net position.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2014 was as follows:

Actuarial accrued liability (AAL)	\$ 62,039
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 62,039</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	\$ 9,910,563
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 OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 12,441	56.1%	\$ 78,765
2013	6,668	87.4%	64,552
2014	6,639	82.3%	65,684

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, 2014 and 2013 were \$10,345,369 and \$8,745,820, 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 \$338,015 and \$324,689 for the years ended June 30, 2014 and 2013, respectively. The College distributed scholarships and awards of approximately \$239,000 and \$517,000 during the years ended June 30, 2014 and 2013, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

NOTE H--FUNDS HELD IN TRUST BY OTHERS--Continued

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 \$168,000 and \$154,000 at June 30, 2014 and 2013, 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 \$146,134, with the first payment being made on 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. The facility is accounted for as a capital lease and capital asset of the College in the statements of net position.

Future minimum lease payments under the College's obligation to the Foundation are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	76,751	69,383	146,134
2016	80,364	65,770	146,134
2017	84,147	61,987	146,134
2018	88,107	58,027	146,134
2019	92,255	53,879	146,134
2020-2024	530,646	200,020	730,666
2025-2028	521,726	62,807	584,533
	<u>\$ 1,473,996</u>	<u>\$ 571,873</u>	<u>\$ 2,045,869</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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, 2014 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, 2014

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

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

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, 2014 and 2013, the Foundation has other assets held for sale which are carried at fair value on a non-recurring basis. There are no liabilities carried at fair value on a non-recurring basis at June 30, 2014 or 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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.

Contributions 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 Held for Sale: The asset's carrying amount is based on the fair value of the assets at the time of donation or purchase (i.e., cost basis) and reduced for impairments to their net realizable value based on facts and circumstances at the time of the determination. Property investments are not held for long-term investment purposes; therefore, management believes the carrying amount approximates fair value.

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, 2014

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, 2014			
	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	\$ 139,647	\$ -	\$ -	\$ 139,647
Certificates of deposit	-	50,608	-	50,608
Common Stock	715	-	-	715
Equity mutual funds	1,515,063	-	-	1,515,063
Fixed income mutual funds	670,846	-	-	670,846
Index funds	376,012	-	-	376,012
Open end blend mutual funds	239,870	-	-	239,870
REIT mutual funds	11,378	-	-	11,378
Total investments	2,953,531	50,608	-	3,004,139
<i>Assets recorded at fair value on a nonrecurring basis:</i>				
Other assets held for sale	-	-	719,100	719,100
Total assets carried at fair value	\$ 2,953,531	\$ 50,608	\$ 719,100	\$ 3,723,239
LIABILITIES				
Funds held for others	\$ -	\$ 166,777	\$ -	\$ 166,777
Total liabilities carried at fair value	\$ -	\$ 166,777	\$ -	\$ 166,777

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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

FAIR VALUE MEASUREMENTS--Continued

	<u>As of June 30, 2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
Common Stock	-	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 nonrecurring basis:</i>				
Other assets held for sale	<u>-</u>	<u>-</u>	<u>1,250,000</u>	<u>1,250,000</u>
Total assets carried at fair value	<u>\$ 2,522,950</u>	<u>\$ 65,608</u>	<u>\$ 1,250,000</u>	<u>\$ 3,838,558</u>
LIABILITIES				
Funds held for others	<u>\$ -</u>	<u>\$ 205,312</u>	<u>\$ -</u>	<u>\$ 205,312</u>
Total liabilities carried at fair value	<u>\$ -</u>	<u>\$ 205,312</u>	<u>\$ -</u>	<u>\$ 205,312</u>

NET ASSETS

Unrestricted net assets consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Scholarships	\$ 24,811	\$ 18,625
Foundation operations	975,810	1,489,172
General College support	<u>-</u>	<u>(119,577)</u>
Total Unrestricted Net Assets	<u>\$ 1,000,621</u>	<u>\$ 1,388,220</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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

NET ASSETS--Continued

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

	<u>2014</u>	<u>2013</u>
Temporarily Restricted:		
Scholarships	\$ 529,399	\$ 538,316
Foundation operations	821,998	560,503
General College support	150,535	338,681
Athletic support	<u>196,332</u>	<u>57,085</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,698,264</u>	<u>\$ 1,494,585</u>

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

	<u>2014</u>	<u>2013</u>
Permanently Restricted:		
Scholarships	\$ 1,482,847	\$ 1,432,845
Total Permanently Restricted Net Assets	<u>\$ 1,482,847</u>	<u>\$ 1,432,845</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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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

ENDOWMENT DISCLOSURES--Continued

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.

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 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.

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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

ENDOWMENT DISCLOSURES--Continued

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).

Endowment net asset composition as of June 30, 2014 is as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 629,581	\$ 1,482,847	\$2,112,428
Board-designated endowment funds	<u>86,390</u>	<u>777,578</u>	<u>-</u>	<u>863,968</u>
Total endowment funds	<u>\$ 86,390</u>	<u>\$ 1,407,159</u>	<u>\$ 1,482,847</u>	<u>\$2,976,396</u>

Changes in endowment net assets during 2014 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 75,236	\$ 1,065,576	\$ 1,432,845	\$2,573,657
Investment return:				
Interest and dividends	7,124	34,578	451	42,153
Net realized and unrealized gains (losses)	<u>-</u>	<u>370,324</u>	<u>-</u>	<u>370,324</u>
Total investment return	7,124	404,902	451	412,477
Contributions	56,376	159,744	41,395	257,515
Reclassification - donor directed	-	(8,156)	8,156	-
Appropriation of endowment assets for expenditure	<u>(52,346)</u>	<u>(214,907)</u>	<u>-</u>	<u>(267,253)</u>
Endowment net assets, end of year	<u>\$ 86,390</u>	<u>\$ 1,407,159</u>	<u>\$ 1,482,847</u>	<u>\$2,976,396</u>

NOTES TO FINANCIAL STATEMENTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

June 30, 2014

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	75,236	499,903	-	575,139
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)	-	208,912	-	208,912
Total investment return	12,766	235,938	7,779	256,483
Contributions	18,728	217,980	191,723	428,431
Other income	33,603	-	-	33,603
Reclassification - donor directed	-	(16,319)	16,319	-
Appropriation of endowment assets for expenditure	(48,173)	(226,754)	-	(274,927)
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>

NOTE F--NOTE PAYABLE

On February 15, 2013, the Foundation signed a loan agreement with a bank with an initial principal of \$1,507,500 for the construction of a building. The note calls for 15 regular annual principal and interest payments of \$146,133. The note bears interest at a rate 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, 2014 are as follows:

2015	\$ 68,992
2016	72,793
2017	76,613
2018	81,024
2019	85,487
Thereafter	1,015,364
	<u>\$ 1,400,274</u>

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

June 30, 2014

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%
6/30/2014	-	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 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	\$ -	\$ 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%
6/30/2014	-	62,039	62,039	0.00%	9,910,563	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, 2014, 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 30, 2014. 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 30, 2014

**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, 2014. 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, 2014.



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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2014-01 that we consider to be a significant deficiency.

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2014, and have issued our report thereon dated October 30, 2014, 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 30, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

June 30, 2014

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Student Financial Aid - Cluster:		
U.S. Department of Education:		
Direct Programs:		
Office of Student Financial Assistance:		
Federal Pell Grant Program	84.063	\$ 5,805,178
Federal Supplemental Educational Opportunity Grants	84.007	118,750
Federal Direct Student Loans	84.268	6,111,542
Federal Work-Study Program	84.033	151,549
Total Student Financial Aid - Cluster		<u>12,187,019</u>
U.S. Department of Education:		
Direct Programs:		
Office of Postsecondary Education:		
TRIO:		
Upward Bound	84.047	296,240
Student Support Services	84.042	228,033
Total TRIO Cluster		<u>524,273</u>
U.S. Department of Education:		
Direct Programs:		
Title III	84.382	974,306
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	29,710
Pass-Through Programs:		
U.S. Department of Education:		
Oklahoma State Department of Education:		
Basic Grant to States - Adult Education and Literacy Program	84.002	90,638
Office of Vocational and Adult Education		
Career and Technical Education - Grants to Native Americans and Alaska	84.101	885
Total Pass-Through U.S. Department of Education		<u>91,523</u>
Pass-Through Programs:		
Administration for Children and Families, Department of Health and Human Services:		
Oklahoma State Regents for Higher Education:		
Temporary Assistance for Needy Families - Allied Jobs Program	93.558	202,809
Child Care Development Block Grant - Scholars for Excellence Program	93.575	71,675
Total Pass-Through Department of Health and Human Services		<u>274,484</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURE AND MECHANICAL COLLEGE

June 30, 2014

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Pass-Through Programs:		
Food and Nutrition Service, Department of Agriculture:		
Oklahoma State Department of Education - Child Nutrition Program	10.559	51,708
Pass-Through Programs:		
U.S. Department of Labor:		
Oklahoma City Community College		
Trade Adjustment Assistance Community College and Career Training	17.282	<u>157,687</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 14,290,710</u>

See notes to financial statements.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

Year Ended June 30, 2014

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, 2014, 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, 2014

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	*
Trade Adjustment Assistance Community College and Career Training	17.282

* 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

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

None to report for the June 30, 2014 period.

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

See Finding 2014-01.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

Year Ended June 30, 2014

FINDING 2014-01

Criteria: The College is responsible for preparing the Schedule of Expenditures of Federal Awards ("SEFA"), based upon the grant information obtained from the financial accounting records and other information provided by each department.

OMB Circular A-133, subpart .300 Auditee Responsibilities, states in part: The auditee shall: (a) Identify, in all accounts, all Federal awards received and expended and the Federal Programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. (b) Maintain internal control over Federal programs that provides reasonable assurance..." Reasonable assurance is the understanding that there is a remote likelihood that material compliance requirements will not be detected or attested to on a timely basis.

OMB Circular A-133, subpart .310 Financial Statements, states in part: (b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements... At a minimum, the schedule shall:

1. List all Federal programs by Federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Condition: The College omitted from its fiscal year 2013 SEFA a Federal expenditure in the amount of \$103,147 related to the Trade Adjustment Assistance Community College and Career Training program, CFDA number 17.282. In addition, the College omitted from its initially prepared fiscal year 2014 SEFA multiple Federal programs with expenditures totaling \$295,236. Finally, the College included \$15,194 in expenditures related to the Adult Education and Literacy Program, CFDA number 84.002, in fiscal year 2014 that were not Federal expenditures.

Cause: Lack of effective detailed review and controls over preparation of the SEFA.

Effect or Potential Effect: Total expenditures of Federal awards as reported on the SEFA were understated in the fiscal year 2013 by \$103,147 and in fiscal year 2014 by a net amount of \$280,042. It is noted that these amounts would be considered significant as they are over the type B program threshold. As a result the auditee is not fulfilling its responsibility to ensure that the required audits are being properly performed in accordance with OMB Circular A-133 section .300(e).

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

Year Ended June 30, 2014

FINDING 2014-01--Continued

Recommendation: We recommend that management of the College perform a detail review of the Statement of Revenues, Expenses, and Changes in Net Position to ensure that all amounts expended in relation to Federal awards are identified and properly reported on the SEFA. In addition, when grants and contracts are received, management should make appropriate inquiries of the grantor to determine if the amounts are to be reported in accordance with OMB Circular A-133 and that all appropriate individuals are informed as to the existence of the Federal award.

Views of a Responsible Official: Management has reviewed the current procedures for preparing the SEFA and identified potential areas of concern. Management will work with the Information Technology department to design better reports to be used in preparing the SEFA. In addition, management will begin collecting the data for the SEFA on a quarterly basis. Finally, management has established an annual review process for all federal grants to ensure proper reporting on the SEFA.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE

Year Ended June 30, 2014

No matters are reportable.