

University Center at Ponca City

**Financial Statements
with Independent Auditors' Report**

June 30, 2013



University Center at Ponca City
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June 30, 2013

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Independent Auditors' Report

Board of Trustees
University Center at Ponca City
Ponca City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the University Center at Ponca City as of and for the year ended June 30, 2013, the related notes to the financial statements, which collectively, comprise the University Center at Ponca City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University Center at Ponca City Foundation, Inc. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University Center at Ponca City Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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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 the University Center at Ponca City as of June 30, 2013, and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vii 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 supplemental 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 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.

The additional comments required by University Center at Ponca City have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 on our consideration of the University Center at Ponca City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hinkle & Company, P.C.

Tulsa, Oklahoma
October 15, 2013



University Center at Ponca City Management's Discussion and Analysis For the Year Ended June 30, 2013

Management's Discussion and Analysis

The discussion and analysis of University Center at Ponca City (UCPC) financial statements provides an overview of UCPC's financial activities for the year ending June 30, 2013. Since this management's discussion and analysis is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with UCPC's financial statements and footnotes.

Using This Report

In June 1999, the Governmental Accounting Standards Board (GASB) released statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Changes in statement No. 34 require a comprehensive one-column look at the entity as a whole and capitalization of assets and depreciation. In November 1999, GASB issued statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies these standards to public colleges and universities.

Financial Highlights

Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report UCPC's net position and how they have changed. Net position is one way to measure UCPC's health. Over time, increases or decreases in UCPC's net position are an indicator of whether or not its financial health is improving. Non-financial factors are also important to consider, including student enrollment and condition of the building.

These statements include all assets, deferred outflows and liabilities using the accrual basis of accounting, which is consistent with the accounting used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Schedule A is prepared from UCPC's Statement of Net Position, and summarizes UCPC's assets, liabilities, and net position at June 30, 2013.

**University Center at Ponca City
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Financial Highlights (Continued)

Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position (Continued)

Table 1
Net Position
June 30, 2013

	<u>2013</u>
Current assets	\$ 116,911
Noncurrent assets	
Capital assets, net of depreciation	<u>95,845</u>
Total assets	<u>212,756</u>
Current liabilities	35,075
Noncurrent liabilities	<u>8,675</u>
Total liabilities	<u>43,750</u>
Net position	
Net investment in capital assets	95,845
Unrestricted	<u>73,161</u>
Total net position	<u>\$ 169,006</u>

Note: Due to the first year of operations for the UCPC is July 1, 2012 to June 30, 2013, a comparison is not included. However, in future years, management plans to include such comparison.

Significant balances for the UCPC in the first year of operations where cash balances and capital assets.

At year ended June 30, 2013 the UCPC ended the year with cash balances of \$108,861, and capital assets recorded net of accumulated depreciation of \$95,845.

The UCPC also incurred \$27,204 of accounts payable and accrued expenses as of year ended June 30, 2013. Accounts payable and accrued expenses are a significant portion of of the total liabilities of UCPC.

**University Center at Ponca City
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Financial Highlights (Continued)

Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position (Continued)

Table 2 is prepared from UCPC's Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2013.

Table 2
Change in Net Position
For the Year Ended June 30, 2013

	2013
Operating revenues and expenses	
Tuition and fees	\$ 112,743
Less operating expenses	(724,159)
Net operating expenses	(611,416)
Nonoperating revenues (expenses)	
State appropriations	654,570
On-behalf OTRS contributions	16,000
Net nonoperating revenues	670,570
Income before other revenues/expenses	59,154
Other revenues/expenses	109,852
Increase (decrease) in net position	\$ 169,006

Revenues

The most significant revenue source of UCPC is State appropriations comprising 98% of nonoperation revenues and 84% of total revenues for fiscal year 2013.

Expenses

The most significant expenses of UCPC, for fiscal year 2013, are compensation and contractual services.

Compensation expenses comprised 58% of operating expenses; with contractual services comprising 25% of operating expenses for the year.

**University Center at Ponca City
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Financial Highlights (Continued)

Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position (Continued)

Table 3 summarizes UCPC's operating expenses for the years ended June 30, 2013.

Table 3
Operating Expenses for the Year Ended June 30, 2013
(in thousands)

	2013
Compensation and benefits	\$ 418
Contractual services	179
Supplies and materials	21
Utilities	25
Communications	17
Depreciation	38
Other	26
Total Operating Expenses	\$ 724

Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

Table 4 is prepared from UCPC's Statement of Cash Flows, and summarizes UCPC's cash flows for the year ended June 30, 2013.

Table 4
Cash Flows
For the Year Ended June 30, 2013

	2013
Cash provided (used) by:	
Operating activities	\$ (521,009)
Noncapital financing activities	654,570
Capital and related financing activities	(24,700)
Net increase in cash	108,861
Cash, beginning of year	-
Cash, end of year	\$ 108,861

**University Center at Ponca City
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Financial Highlights (Continued)

Capital Assets and Debt Administration

For 2013, UCPC recorded a total of \$134,552 in capital assets and \$38,707 in accumulated depreciation. During the year ended June 30, 2013 UCPC purchased a telecommunications system and instructional television equipment for a total amount of \$14,175 and \$10,525, respectively. UCPC also received capital asset donations primarily related to instructional television equipment in the amount of \$109,852.

At June 30, 2013, UCPC had an obligation of \$12,521 for accrued compensated absences accrued by employees.

Table 5
Capital Assets, Net
June 30, 2013

	2013
Equipment	134,552
Less accumulated depreciation	(38,707)
Capital assets, net	\$ 95,845

Further detailed information can be obtained in the notes to the financial statements (Note 1 & 3)

Table 6
Long-Term Liabilities
June 30, 2013

	2013
Accrued compensated absences	\$ 12,521
Total long-term liabilities	\$ 12,521

Further detailed information can be obtained in the notes to the financial statements (Note 1 & 4)

**University Center at Ponca City
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Financial Highlights (Continued)

Other Financial Information

Economic Outlook

The UC must evaluate its fee model as the UC relies on approximately 85% of its budget off of state appropriations. With the diversification of funding the UC will be better apt at avoiding devastating financial cuts in times of recession. The UC is working with our partner colleges, and their respective regents to revise our fee structure through the current billing process. This new proposed fee process will show a slight increase in fee collections from our partner schools as we shift from billing for collected amounts, to billing for instructed amounts. For FY 13 – 14 state appropriations have remained flat. The UC is working at developing new partnerships with colleges to expand program offerings at the UC. Programs like the Bachelors of Science in nursing partnership with NWOSU, will serve as an example of programs that the UC would like to implement for students.

UCPC management is not aware of any other matters that could significantly affect its financial position at this time.

Contacting the Program's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of UCPC's finances and to show UCPC's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the University Center at Ponca City, 2800 N. 14th Street, Ponca City, OK 74601.

University Center at Ponca City
Statement of Net Position
June 30, 2013

	2013	
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$108,861	\$380,191
Accounts receivable	8,050	63,052
Prepaid	—	1,746
Investments	—	18,203
Total current assets	116,911	463,192
Noncurrent Assets		
Other assets	—	—
Capital assets, net	95,845	1,483,282
Total noncurrent assets	95,845	1,483,282
Total Assets	212,756	1,946,474
 <u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued	27,510	—
Unearned revenue	4,025	—
Current portion of noncurrent liabilities	3,846	—
Total current liabilities	35,381	—
Noncurrent Liabilities		
Compensated absences	8,675	—
Capital leases	—	—
Total noncurrent liabilities	8,675	—
Total Liabilities	44,056	—
 <u>NET POSITION</u>		
Net investment in capital assets	95,845	1,483,282
Restricted:		
Donor restrictions	—	199,232
Unrestricted	72,855	263,960
Total Net Position	\$ 168,700	\$1,946,474



University Center at Ponca City
Statement of Activities
Year Ended June 30, 2013

	2013	
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
Operating Revenues		
Tuition and fees	\$ 110,822	\$ —
Other operating revenues	<u>1,921</u>	<u>—</u>
Total operating revenues	<u>112,743</u>	<u>—</u>
Operating Expenses		
Compensation and employee benefits	418,321	—
Contractual services	178,615	—
Supplies and material	20,644	—
Utilities	25,049	—
Communications	17,174	—
Depreciation	38,707	38,535
Other operating expense	25,955	169,415
General and administrative	—	1,475
Scholarships awarded	—	12,915
Total operating expenses	<u>724,465</u>	<u>222,340</u>
Operating Loss	(611,722)	
Nonoperating Revenues (Expenses)		
State appropriations	654,570	—
On-behalf OTRS	16,000	—
Other income		275,233
Investment income	—	746
Net unrealized loss on investments	—	—
Interest expense	—	—
Total Expenses	<u>670,570</u>	<u>275,979</u>
Income Before Other Revenues, Expenses, Gains or Losses	58,848	53,639
Capital contributions	<u>109,852</u>	<u>—</u>
Net Change In Net Assets	168,700	53,639
Net Assets, Beginning of Year	<u>—</u>	<u>1,892,835</u>
Net Assets, End of Year	\$ <u>168,700</u>	\$ <u>1,946,474</u>



University Center at Ponca City
Statement of Cash Flows
Year Ended June 30, 2013

	2013
	University Center at Ponca City
Cash Flows From Operating Activities	
Tuition and fees	\$ 106,797
Compensation and benefits	(382,598)
Cash paid to suppliers	(247,129)
Cash paid for scholarships	
Other operating receipts	1,921
Net Cash Used in Operating Activities	(521,009)
Cash Flows From Noncapital Financing Activities	
State Appropriation	654,570
Gifts and contributions	
Other income	—
Net Cash Provided by Noncapital Financial Activities	654,570
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(24,700)
Interest expense	—
Net Cash Provided by (Used in) Capital and Related Financing Activities	(24,700)
Cash Flows From Investing Activities	
Purchases of investments	—
Maturities of investments	—
Interest expense	—
Net Cash Provided by Investing Activities	—
Net Increase in Cash and Cash Equivalents	108,861
Cash and Cash Equivalents, Beginning of Year	—
Cash and Cash Equivalents, End of Year	\$ 108,861



University Center at Ponca City
Statement of Cash Flows
Year Ended June 30, 2013
(Continued)

	2013
	University Center at Ponca City
Reconciliation of Operating Loss to Cash Used in Operating Activities	
Operating Loss	\$ (611,722)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	38,707
OTRS On-behalf	16,000
Changes in assets and liabilities	
Accounts receivable	(8,050)
Accounts payable and accrued expenses	27,510
Unearned revenue	4,025
Other postemployment benefit obligation	
Accrued compensated absences	<u>12,521</u>
Net Cash Used in Operating Activities	<u>\$ (521,009)</u>
Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions	
Interest on capital debt paid by state agency on behalf of the Program	<u> —</u>
Principal on capital debt paid by state agency on behalf of the Program	<u> —</u>
Capital assets received as gifts and contributions	<u>\$ 109,852</u>



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The University Center at Ponca City (the "Center") is located in Ponca City, Oklahoma, and was established in accordance with Title 70, Section 3213.1 et seq. of the Oklahoma Statutes as the University Center at Ponca City. Pursuant to this statute, the Oklahoma State Regents for Higher Education (the "State Regents") has made educational program resources in The Oklahoma State System of Higher Education (the "State System") available to people in the Ponca City area by drawing upon the educational programs of institutions best suited to provide the kinds of educational programs needed.

The primary purpose of the Center is to provide higher education opportunities to the citizens in Northern Oklahoma and the Ponca City community. Students who enroll in higher education courses and programs in the Center can earn residence credit applicable toward academic degrees and certificates at participating institutions in the State System. The University Center partners with Oklahoma Colleges and Universities to bring quality academic programs to Northern Oklahoma. Primarily, the majority of classes are offered through Northern Oklahoma College, and Northwestern Oklahoma State University.

The Center is administered by a Board of Trustees whose responsibilities include administering funds allocated by the State Regents, negotiating agreements with institutions to offer courses and programs and providing the necessary educational facilities.

Financial Statement Presentation

As a component unit of the State, the Center has prepared its financial statements 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*. The financial statement presentation required by GASB Statements No. 34 and 35 provides a comprehensive, entity-wide perspective of the Center's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows.

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. 61, *The Financial Reporting Entity: Omnibus*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Reporting Entity (Continued)

The accompanying financial statements include the accounts and funds of the Center. The Center is a state agency and a non-institution member of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education (the "State Regents"). The Center 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.

University Center at Ponca City Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the Center. The Foundation is organized for the purpose of receiving and administering gifts intended for the Center. Although the Center 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 Center by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Center or the Center's students, the Foundation is considered a component unit of the Center and is discretely presented in the Center's financial statements.

The Foundation is a private nonprofit organization but does not issue separate audited financial statements. As such, the Foundation has elected to apply GASB pronouncements regarding revenue recognition and presentation features rather than the corresponding pronouncements of the Financial Accounting Standards Board ("FASB")

Basis of Accounting

For financial reporting purposes, the Center is considered a special-purpose government engaged only in business-type activities. Accordingly, the Center'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 Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The cash equivalents are required to be fully collateralized by obligations of the United States government or its agencies at 102% or insured by federal deposit insurance. For year ended June 30, 2013 the Center did not have any qualifying cash equivalents.



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Investments

The Center accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of return on investments in the statements of revenues, expenses, and changes in net position. . For year ended June 30, 2013 the Center did not have any qualifying Investments.

Accounts Receivable

The Center's accounts receivable primarily consists of amounts due from other state agencies. These amounts consist of a per credit hour charge to the participating Colleges and Universities for classes taken at the Center. Current agreements, by the Center with participating Colleges and Universities, only allow collection by the center for actual collections made by the participating Colleges and Universities. Based on current agreements there are no indication of un-collectability for those amounts collected by the participating Colleges & Universities.

Capital Assets

Capital assets are recorded at cost on the date of the acquisition or fair value if acquired by gift. 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; any renovations that are leasehold improvements useful life will be the shorter of the remaining term of the lease or estimated useful life. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the College:

Land improvements	5-20 years
Buildings and improvements	up to 40 years
Furniture, fixtures and equipment	5-10 years
Infrastructure	5-20 years

Noncurrent Liabilities

Noncurrent liabilities include estimated amounts for accrued compensated absences that will not be paid or used within the next fiscal year.



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Compensated Absences

Employees' compensated absences are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded as accrued compensated absences in the statements of net positions, and as an expense in the statements of revenues, expenses, and changes in net position. Full-time employees shall accrue annual leave at the rates prescribed by 74 O.S. 1999, § 840-2.20 as shown in the following tables. Annual leave is intended to be used for vacations, personal business, and any other time an employee is absent from work during his or her assigned work schedule unless otherwise provided in the policy. Annual leave may not be taken before it is earned. Any unused, annual leave will be reimbursed upon termination of employment up to 60 days.

Years of Service	Accrual Rate	Accumulation Limits
Less than 5 years of service	15 days per year	30 days
5 but less than 10 years of service	18 days per year	60 days
10 but less than 20 years of service	20 days per year	60 days
20 years and over	25 days per year	60 days

Net Position

The Center's net position is classified as follows:

Net Investment in Capital Assets – This represents the Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets, if any. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investments in capital assets.

Unrestricted – Unrestricted net position represents resources derived from student tuition and fees and state appropriations. These resources are used for transactions relating to the educational and general operations of the Center, and may be used at the discretion of the governing board to meet current expenses for any purpose.

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



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Classifications of Revenues

The Center 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 student tuition and fees.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, 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 state appropriations and investment income as defined by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Tax Status

The Center, as a political subdivision of the State of Oklahoma, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code. The Internal Revenue Service has determined that the Foundation qualifies as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates used in the preparation of these financial statements include the depreciation of capital assets and on-behalf Teachers' Retirement System contributions made by the State of Oklahoma.



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 2: Cash and Cash Equivalents

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Center's deposits may not be returned or the Center will not be able to recover collateral securities in the possession of an outside party. Generally, the Center deposits its funds with the Office of the State Treasurer (OST). Oklahoma Statutes require OST 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 Center'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 Center has not adopted a separate policy addressing custodial credit risk.

At June 30, 2013, the carrying amounts of the Center's deposits with the State Treasurer were \$108,862. The Foundation had deposits at a financial institution with carrying amounts of \$380,191 as of June 30, 2013.

Note 3: Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2013:

	2013			Balance June 30, 2013
	Balance June 30, 2012	Additions	Retirements	
Capital assets, depreciable				
Equipment	-	134,552	-	134,552
Total capital assets	-	134,552	-	134,552
Less accumulated depreciation				
Equipment	-	(38,707)	-	(38,707)
Total accumulated depreciation	-	(38,707)	-	(38,707)
Other capital assets, net	\$ -	\$ 95,845	\$ -	\$ 95,845
Total cost of capital assets	\$ -	\$ 134,552	\$ -	\$ 134,552
Less accumulated depreciation	-	(38,707)	-	(38,707)
Capital assets, net	\$ -	\$ 95,845	\$ -	\$ 95,845



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 4 : Noncurrent Liabilities

The following is a summary of noncurrent liability transactions of the Center for the year ended June 30, 2013:

	2013				
	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013	Current Portion June 30, 2013
Accrued compensated absences	-	16,385	(3,864)	12,521	(3,864)
	<u>\$ -</u>	<u>\$ 16,385</u>	<u>\$ (3,864)</u>	<u>\$ 12,521</u>	<u>\$ (3,864)</u>

During fiscal year 2013, the Center assumed all carryover accrued compensated balances the Center's employees accrued before July 1, 2012 and where considered employees of Northern Oklahoma College.

Note 5: Employee Retirement Benefits

The Center's academic and professional personnel who work at least half-time are required to participate in the Oklahoma Teachers Retirement System ("OTRS"); classified personnel participation is voluntary. OTRS was established by the state of Oklahoma and is a component unit of the state's financial reporting entity, reported as pension fund trust. The Center does not maintain the accounting records, hold the investments for, or administer OTRS.

Oklahoma Teachers' Retirement System

Plan Description – The Center 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. OTRS does not provide for a cost-of-living adjustment. Title 70, of the Oklahoma Statutes, Sections 17-101 through 17-120 assigns the authority for management and operations of the plan to the Board of Trustees of OTRS. The authority to establish and amend benefit provisions rests with the State Legislature. The 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, PO Box 53524, Oklahoma City, Oklahoma 73152, or by calling (405) 521-2387.



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 5: Employee Retirement Benefits (Continued)

Funding Policy – The authority to define or amend employer contribution rates is given to the OTRS Board of Trustees by Oklahoma Statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma State Legislature. OTRS members are required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The Center is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate was 9.50% for 2013, and was applied to annual compensation, and is determined by state statute. The College's contribution to OTRS for the years ended June 30, 2013, was approximately \$36,000; which equaled the required contributions for the year. These contributions included the Center's statutory contribution and the share of the employee's contribution paid directly by the Center.

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2013, the State of Oklahoma contributed 5% of State revenues from sales and use taxes and individual income taxes. The Center has estimated the amounts contributed to the OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2013, the total amount contributed to the OTRS by the State of Oklahoma on behalf of the Center was approximately \$16,000. These on-behalf payments have been recorded as both revenues and expenses in the statements of revenues, expenses, and changes in net position.

Other Post-employment Benefits-Health:

When an eligible employee retired from a participating Oklahoma State Retirement system, his or her coverage under the health plan for active employees will terminate. The retired employee is eligible to continue coverage as an inactive employee under 74 O.S. 1991, §1316.3. For the Center's retired employees, they can elect to participate in the Oklahoma State & Education Employees Group Insurance Plan. Since retirees are required to pay all monthly premiums, there is no liability to the Center; accordingly, no post-employment health care liability has been recorded in the accompanying statements of net position.

Note 6: Related Party Transactions

The Center and Foundation have a lease agreement for the University Center building; see Note 8 for additional information regarding the lease agreement.



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 7: Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, and property loss and general liability insurance coverage. The Center purchases commercial employee life insurance. The Center, as a state agency, participates in the Oklahoma State and Education Employees' Group Insurance Board (the Plan), a public entity risk pool. The Center pays an annual premium to the Plan for its employee health insurance coverage. The Plan is self-insured and self-sustaining through member premiums. The Center carried insurance with the State Insurance Fund for other risks of loss, including workers' compensation and employee accident insurance. Settlement claims resulting from these risks have not exceeded insurance coverage in the past three years.

Note 8: Lease Commitments

The Center, as lessee, leases an educational facility from the University Center at Ponca City Foundation Inc. The lease is on a year-to-year basis. Rental expense was approximately \$96,000 for fiscal year 2013.

Note 9: Accounting Standards Issued Not Yet Adopted

Fiscal Year Ended June 30, 2014

- In March 2012, The GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*.

The provisions of this statement are intended to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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

The provisions of Statement 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. GASB No. 68 was issued in January 2013, and the College has not yet determined the impact that implementation of GASB No. 69 will have on its net position.



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 9: Accounting Standards Issued Not Yet Adopted (Continued)

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

The provisions of Statement 70 addresses the accounting treatment for those governments that have extends or receives non-exchange financial guarantees. GASB No. 70 was issued in April 2013, and the College has not yet determined the impact that implementation of GASB No. 70 will have on its net position.

Fiscal Year Ended June 30, 2015

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

GASB 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 the College has not yet determined the impact that implementation of GASB No. 68 will have on its net position.

Management is currently evaluating the effects that the above GASB Pronouncements will have on its financial statements.

Note 10: University Center at Ponca City Foundation, Inc.

The following are significant disclosures of the Foundation:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

The University Center at Ponca City Foundation, Inc. is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation. The Foundation was created in 2000 to provide a facility for the University Center at Ponca City; to provide financial assistance to students through loans or scholarships and to provide other forms of financial assistance deemed appropriate by the Board of Directors.



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 10: University Center at Ponca City Foundation, Inc. (Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The University Center at Ponca City Foundation, Inc. prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

NOTE B – NET ASSETS:

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of donor restrictions. The three classes of net assets are as follows:

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Foundation's unspent contributions are classified in this class if the donor limited their use and the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

Permanently Restricted Net Assets

Permanently restricted net assets are resources whose use by the Foundation is limited by donor imposed restrictions that neither expires nor by the passage of time.



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 10: University Center at Ponca City Foundation, Inc. (Continued)

NOTE C - CASH AND CASH EQUIVALENTS:

The Foundation considers all checking accounts and the certificates of deposit with a maturity of three months or less to be cash equivalents.

NOTE D - ACCOUNTS RECEIVABLE:

Accounts receivable consists of a tax refund of \$3,252 and a lease receivable of \$8,000, which the Foundation has deemed are fully collectible.

NOTE E - CONTRIBUTIONS:

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contribution is specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received.

NOTE F - EDUCATION FUNDS:

Education funds consist of contributions that have been received with donor restrictions. These funds are to be used for scholarships over a specified period of time as required by the donor.

NOTE G - CONTRACTS AND LEASES:

The Foundation has entered into a lease agreement with the University Center of Ponca City to lease the building and facilities for the operation of a learning center. The monthly lease payments are \$8,000.



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 10: University Center at Ponca City Foundation, Inc. (Continued)

NOTE H - BUILDING AND IMPROVEMENTS:

Buildings and improvements are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All buildings and improvements are capitalized. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight line method over the estimated useful lives of the assets.

Buildings & improvements	\$1,546,001
Accumulated depreciation	<u>(62,719)</u>
Net	<u>\$1,483,282</u>

NOTE I - FAIR VALUE OF FINANCIAL INSTRUMENTS:

The Foundation's financial statements include cash and cash equivalents, investments, receivables and payables. The Foundation's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE J - 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE K - CONTINGENCIES:

As of December 31, 2012 the Foundation did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.



University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2013

Note 10: University Center at Ponca City Foundation, Inc. (Continued)

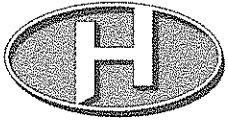
NOTE L - RISK MANAGEMENT:

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Foundation purchases commercial insurance for these and other risks of loss.

NOTE M - EVALUATION OF SUBSEQUENT EVENTS:

The Foundation has evaluated subsequent events through November 7, 2013, the date which the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.





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**Independent Auditors' Report on Compliance and on Internal
Control over Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing
Standards**

Board of Trustees
University Center at Ponca City
Ponca 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 the University Center at Ponca City, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise University Center at Ponca City's basic financial statements, and have issued our report thereon dated October 15, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University Center at Ponca City 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hick & Company, PC

Tulsa, Oklahoma
October 15, 2013

