

**University Center at Ponca City**  
A Component Unit of the State of Oklahoma

**Financial Statements**  
with Independent Auditors' Report

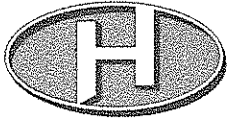
June 30, 2014



**University Center at Ponca City**  
A Component Unit of the State of Oklahoma  
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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, 2014, 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 this financial statement 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 this financial statement based on our audit. 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 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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, based on our audits and the report of other auditors, 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, 2014, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vi 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. The required supplementary information is the responsibility of management. 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014 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* in considering the College's internal control over financial reporting and compliance.

*Hibbs & Company, PC*

Tulsa, Oklahoma  
September 15, 2014



# **University Center at Ponca City Management's Discussion and Analysis For the Year Ended June 30, 2014**

## **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, 2014. 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, 2014.

**University Center at Ponca City  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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

**Financial Highlights (Continued)**

Table 1  
Net Position  
June 30, 2014

	2014	2013	% Inc. (Dec.)
Current assets	\$ 193,853	\$ 116,911	66%
Noncurrent assets			
Capital assets, net of depreciation	113,002	95,845	18%
Total assets	<u>306,855</u>	<u>212,756</u>	44%
Current liabilities	38,821	35,381	10%
Noncurrent liabilities	3,353	8,675	-61%
Total liabilities	<u>42,174</u>	<u>44,056</u>	-4%
Net position			
Net investment in capital assets	113,002	95,845	18%
Unrestricted	151,679	72,855	108%
Total net position	<u>\$ 264,681</u>	<u>\$ 168,700</u>	57%

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

At year ended June 30, 2014 the UCPC ended the year with cash balances of \$184,894, and capital assets recorded net of accumulated depreciation of \$113,002.

The UCPC also incurred \$23,687 of accounts payable and accrued expenses as of year ended June 30, 2014. Accounts payable and accrued expenses are a significant portion of the total liabilities of UCPC.

**University Center at Ponca City  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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

**Financial Highlights (Continued)**

Table 2 is prepared from UCPC's Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2014.

Table 2  
Change in Net Position  
For the Year Ended June 30, 2014

	2014	2013	% Inc. (Dec.)
Operating revenues and expenses			
Tuition and fees	\$ 125,596	\$ 112,743	11%
Less operating expenses	<u>(850,557)</u>	<u>(724,465)</u>	17%
Net operating expenses	<u>(724,961)</u>	<u>(611,722)</u>	19%
Nonoperating revenues (expenses)			
State appropriations	654,570	654,570	0%
On-behalf OTRS contributions	<u>17,000</u>	<u>16,000</u>	6%
Net nonoperating revenues	<u>671,570</u>	<u>670,570</u>	0%
Income before other revenues/expenses	(53,391)	58,848	-191%
Other revenues/expenses	<u>149,372</u>	<u>109,852</u>	36%
Increase (decrease) in net position	<u>\$ 95,981</u>	<u>\$ 168,700</u>	-43%

**Revenues**

The most significant revenue source of UCPC is State appropriations comprising 98% of nonoperation revenues and 82% of total revenues for fiscal year 2014.

Other revenues increased by 36% as a result from reimbursement payments received from the Oklahoma State Regents for Higher Education for purchases of computer related equipment.

**Expenses**

The most significant expenses of UCPC, for fiscal year 2014, are compensation and contractual services.

Compensation expenses comprised 48% of operating expenses; with contractual services comprising 22% of operating expenses for the year.

**University Center at Ponca City  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

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

**Financial Highlights (Continued)**

Table 3 summarizes UCPC's operating expenses for the years ended June 30, 2014.

Table 3  
Operating Expenses for the Year Ended June 30, 2014  
(in thousands)

	2014	2013	% Inc. (Dec.)
Compensation and benefits	\$ 429	\$ 418	3%
Contractual services	197	179	10%
Supplies and materials	100	21	376%
Utilities	27	25	8%
Communications	18	17	6%
Depreciation	53	38	39%
Other	64	26	146%
Total Operating Expenses	<u>\$ 888</u>	<u>\$ 724</u>	23%

**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, 2014.



**University Center at Ponca City  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

**Statement of Cash Flows (Continued)**

**Financial Highlights (Continued)**

Table 4  
Cash Flows  
For the Year Ended June 30, 2014

	2014	2013
Cash provided (used) by:		
Operating activities	\$ (508,707)	\$ (521,009)
Noncapital financing activities	654,570	654,570
Capital and related financing activities	(69,830)	(24,700)
Net increase in cash	76,033	108,861
Cash, beginning of year	108,861	-
Cash, end of year	\$ 184,894	\$ 108,861

**Capital Assets and Debt Administration**

For 2014, UCPC recorded a total of \$204,382 in capital assets and \$91,380 in accumulated depreciation. During the year ended June 30, 2014 UCPC purchased a telecommunications system and instructional television equipment for a total amount of \$69,830, which comprise the additions for the fiscal year.

At June 30, 2014, UCPC had an obligation of \$14,362 for accrued compensated absences accrued by employees.

Table 5  
Capital Assets, Net  
June 30, 2014

	2014
Equipment	204,382
Less accumulated depreciation	(91,380)
Capital assets, net	\$ 113,002

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

**University Center at Ponca City  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014**

**Capital Assets and Debt Administration (Continued)**

**Financial Highlights (Continued)**

Table 6  
Long-Term Liabilities  
June 30, 2014

	2014
Accrued compensated absences	<u>\$ 14,362</u>
Total long-term liabilities	<u>\$ 14,362</u>

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

**Other Financial Information**

**Economic Outlook**

The UC is primarily funded by state appropriations. With 85% of the operational budget coming from state appropriations, the UC needs to consider ways to introduce new revenue streams for its operating funds. With the diversification of funding the UC will be better apt at avoiding devastating financial cuts in times of recession. Students are taking more online classes which are impacting the University Center's overall enrollment. This has a potential to negatively impact the student service fees collected from institutions. For FY 14 – 15 state appropriations have remained flat. The UC is working at developing new partnerships with colleges to expand program offerings at the UC. The UC will begin a new program with OSU in FY 15 to increase enrollment and enhancement of the UC's mission.

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**  
A Component Unit of the State of Oklahoma  
**Statement of Net Position**  
June 30, 2014

	2014	
	University Center At Ponca City	University Center at Ponca City Foundation, Inc.
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 184,894	\$ 226,285
Accounts receivable	8,959	8,018
Prepaid expenses	—	3,623
Investments	—	263,716
Total current assets	193,853	501,642
<b>Noncurrent Assets</b>		
Other assets	—	—
Capital assets, net	113,002	1,443,641
Total noncurrent assets	113,002	1,443,641
<b>Total Assets</b>	<b>306,855</b>	<b>1,945,283</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued	23,687	1,688
Unearned revenue	4,125	—
Current portion of noncurrent liabilities	11,009	—
Total current liabilities	38,821	1,688
<b>Noncurrent Liabilities</b>		
Compensated absences	3,353	—
Capital leases	—	—
Total noncurrent liabilities	3,353	—
<b>Total Liabilities</b>	<b>42,174</b>	<b>1,688</b>
<b>NET POSITION</b>		
Net investment in capital assets	113,002	
Restricted:		
Donor restrictions	—	194,788
Unrestricted		
Board designated	—	163,087
Undesignated	151,679	1,585,720
Total restricted	151,679	1,585,720
<b>Total Net Position</b>	<b>\$ 264,681</b>	<b>\$ 1,943,595</b>



**University Center at Ponca City**  
**A Component Unit of the State of Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2014**

	2014	
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
<b>Operating Revenues</b>		
Tuition and fees	\$ 124,433	\$ —
Other operating revenues	1,163	96,000
Total operating revenues	125,596	96,000
<b>Operating Expenses</b>		
Compensation and employee benefits	429,561	—
Contractual services	197,331	—
Supplies and material	100,240	—
Utilities	26,471	—
Communications	17,805	—
Depreciation	52,673	39,641
Other operating expense	26,476	46,613
General and administrative	—	5,231
Scholarships awarded	—	51,373
Total operating expenses	850,557	142,858
<b>Operating Loss</b>	(724,961)	(46,858)
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	654,570	—
On-behalf OTRS	17,000	—
Other Income		
Investment income	—	1,439
Net unrealized loss on investments	—	(199)
Contributions and other nonoperating income	—	42,739
Interest expense	—	—
Total Expenses	671,570	43,979
<b>Income Before Other Revenues, Expenses, Gains or Losses</b>	(53,391)	(2,879)
Capital contributions	149,372	—
<b>Net Change In Net Assets</b>	95,981	(2,879)
<b>Net Assets, Beginning of Year</b>	168,700	1,946,474
<b>Net Assets, End of Year</b>	\$ 264,681	\$ 1,943,595



**University Center at Ponca City**  
A Component Unit of the State of Oklahoma  
**Statement of Cash Flows**  
Year Ended June 30, 2014

	2014	
	University Center At Ponca City	University Center at Ponca City Foundation, Inc.
<b>Cash Flows From Operating Activities</b>		
Tuition and fees	\$ 123,624	\$ —
Contributions	—	42,739
Compensation and benefits	(410,720)	—
Cash paid to suppliers	(372,146)	(52,033)
Cash paid for scholarships	—	(51,373)
Other operating receipts	<u>1,163</u>	<u>151,034</u>
Net Cash Used in Operating Activities	<u>(658,079)</u>	<u>90,367</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
State Appropriation	<u>654,570</u>	<u>—</u>
Net Cash Provided by Noncapital Financial Activities	<u>654,570</u>	<u>—</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchases of capital assets	(69,830)	—
Capital contributions received	<u>149,372</u>	<u>—</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>79,542</u>	<u>—</u>
<b>Cash Flows From Investing Activities</b>		
Decrease in investments	—	(50,449)
Increase in education funds	—	4,987
Interest income	<u>—</u>	<u>421</u>
Net Cash Provided by Investing Activities	<u>—</u>	<u>(45,041)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	76,033	45,326
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>108,861</u>	<u>180,959</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 184,894</u>	<u>\$ 226,285</u>



**University Center at Ponca City**  
**A Component Unit of the State of Oklahoma**  
**Statement of Cash Flows**  
**Year Ended June 30, 2014**

	<b>2014</b>	
	University Center At Ponca City	University Center at Ponca City Foundation, Inc.
<b>Reconciliation of Operating Loss to Cash Used in Operating Activities</b>		
Operating Loss	\$ (724,961)	\$ (2,879)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	52,673	39,641
OTRS On-behalf	17,000	—
Depreciation in investments	—	199
Interest and dividend income	—	(421)
Changes in assets and liabilities		
Accounts receivable and other assets	(909)	53,139
Accounts payable and accrued expenses	(3,823)	1,688
Unearned revenue	100	—
Other postemployment benefit obligation		
Accrued compensated absences	<u>1,841</u>	<u>—</u>
Net Cash Used in Operating Activities	<u>\$ (658,079)</u>	<u>\$ 91,367</u>
<b>Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions</b>		
Interest on capital debt paid by state agency on behalf of the Program	<u>—</u>	<u>—</u>
Principal on capital debt paid by state agency on behalf of the Program	<u>—</u>	<u>—</u>
Capital assets received as gifts and contributions	<u>\$ 149,372</u>	<u>—</u>



**University Center at Ponca City**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**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**  
A Component Unit of the State of Oklahoma  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**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, 2014 the Center did not have any qualifying cash equivalents.





**University Center at Ponca City**  
A Component Unit of the State of Oklahoma  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**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, 2014 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**  
A Component Unit of the State of Oklahoma  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**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**  
A Component Unit of the State of Oklahoma  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**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**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**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, 2014, the carrying amounts of the Center's deposits with the State Treasurer were \$184,894. The Foundation had deposits at a financial institution with carrying amounts of \$226,285 as of June 30, 2014.

**Note 3: Capital Assets**

The following is a summary of the changes in capital assets for the year ended June 30, 2014:

	2014			Balance June 30, 2014
	Balance June 30, 2013	Additions	Retirements	
Capital assets, depreciable				
Equipment	134,552	69,830	-	204,382
Total capital assets	<u>134,552</u>	<u>69,830</u>	<u>-</u>	<u>204,382</u>
Less accumulated depreciation				
Equipment	(38,707)	(52,673)	-	(91,380)
Total accumulated depreciation	<u>(38,707)</u>	<u>(52,673)</u>	<u>-</u>	<u>(91,380)</u>
Other capital assets, net	<u>\$ 95,845</u>	<u>\$ 17,157</u>	<u>\$ -</u>	<u>\$ 113,002</u>
Total cost of capital assets	\$ 134,552	\$ 69,830	\$ -	\$ 204,382
Less accumulated depreciation	(38,707)	(52,673)	-	(91,380)
Capital assets, net	<u>\$ 95,845</u>	<u>\$ 17,157</u>	<u>\$ -</u>	<u>\$ 113,002</u>



**University Center at Ponca City**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**Note 4 : Noncurrent Liabilities**

The following is a summary of noncurrent liability transactions of the Center for the year ended June 30, 2014:

	2014				
	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Current Portion June 30, 2014
Accrued compensated absences	12,521	12,850	(11,009)	14,362	(11,009)
	<u>\$ 12,521</u>	<u>\$ 12,850</u>	<u>\$ (11,009)</u>	<u>\$ 14,362</u>	<u>\$ (11,009)</u>

**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**  
A Component Unit of the State of Oklahoma  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**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, 2014 and 2013 was approximately \$49,000 and \$36,000, respectively; 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 2014, 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, 2014, the total amount contributed to the OTRS by the State of Oklahoma on behalf of the Center was approximately \$17,000. 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**  
A Component Unit of the State of Oklahoma  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**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 2014.

**Note 9: Accounting Standards Issued Not Yet Adopted**

*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 University Center 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.



**University Center at Ponca City**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

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

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

GASB No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The University Center has not yet determined the impact that implementation of GASB No. 71 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**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The University Center at Ponca City Foundation is a not-for-profit organization incorporated under the laws of the State of Oklahoma. 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 to as deemed appropriate by the Board of Directors. The Foundation is a component unit of the University Center at Ponca City. The financial activities of the University Center at Ponca City are not included in the financial statements of the Foundation.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

**Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The amount of donor-imposed stipulations at December 31, 2013 totaled \$194,788. These are education funds that are to be used for scholarships over a specified period of time as required by the donor.





**University Center at Ponca City**  
A Component Unit of the State of Oklahoma  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**Note 10: University Center at Ponca City Foundation** *(Continued)*

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. The Foundation does not currently have any permanently restricted net assets.

**Cash and Cash Equivalents**

All bank deposits and savings accounts are held at various financial institutions and are carried at cost. For purposes of the statement of cash flows, the Foundation's cash and cash equivalents are considered to be demand deposits, money markets, and certificates of deposit with original maturities of three months or less from the date of acquisition.

**Concentration of Credit Risk**

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and certificates of deposits. The Foundation maintains cash accounts with banks located in Oklahoma that are insured by the Federal Deposit Insurance Corporation. The cash accounts are over the \$250,000 limit of the FDIC, and the Foundation is taking measures to collateralize the amounts exceeding FDIC limits.

**Property, Plant and Equipment**

Property and equipment are recorded at cost if purchased or at fair market value if donated and are depreciated using the straight-line method over the estimated useful lives of the respective assets. All buildings and improvements are capitalized. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

**Income Taxes**

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation has not recognized any unrelated business taxable income. As a result, no provision for federal or state income taxes is recognized in the accompanying financial statements. The organization evaluates and accounts for uncertain tax positions in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 740, Income Taxes*. This standard requires certain disclosures about uncertain income tax positions. When tax returns are filed, it is probable that most tax positions would be sustained upon examination by taxing authorities. However, it is also possible that some positions might be subject to uncertainty.



**University Center at Ponca City**  
A Component Unit of the State of Oklahoma  
**Notes to Financial Statements**  
Year Ended June 30, 2014

**Note 10: University Center at Ponca City Foundation** *(Continued)*

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

The Foundation evaluates any uncertain tax positions using the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Interest and penalties, if any, resulting from any uncertain tax positions required to be recorded by the organization would be presented in other expenses in the statement of activities. The Foundation does not believe that it has engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. The Foundation has filed all applicable Federal and state income tax returns. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Foundation has no open examination with either the Internal Revenue Service or state taxing authorities.

**Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect certain 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.

**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 been 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.

**Fair Value of Financial Instruments and Investments**

The financial instruments of the Foundation include cash and cash equivalents, investments, accounts receivable, and accounts payable. The Foundation's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial condition. The carrying amount of these financial instruments approximates fair value because of their short maturity.



**University Center at Ponca City**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**Note 10: University Center at Ponca City Foundation** *(Continued)*

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

*FASB Accounting Standards Codification (ASC) 820-10 (Formerly SFAS No. 157), Fair Value Measurements* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The basis of fair value measurement of investments is as follows:

- Level 1      Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2      Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3      Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All of the entity's investments are determined to be Level 1.

**NOTE B: INVESTMENTS**

Investments consist of mutual funds and certificates of deposit with maturities greater than three months when purchased. All investments are reported at fair values in the statement of financial position. Unrealized gains and losses are reflected in the statement of activities.

**NOTE C: CONTRACTS AND LEASES**

The Foundation has entered into a lease agreement with the University Center at Ponca City to lease the building and facilities for the operation of a learning center. The lease payments are \$8,000 a month, made in arrears. A receivable has been recorded for December's lease payment.

**NOTE D: SCHOLARSHIPS AWARDED BUT NOT DISBURSED**

The Foundation awards scholarships to college students for Spring, Summer, and Fall semesters. In 2013, the Board has approved scholarship distributions of \$17,400 for the Spring 2014 semester.

**NOTE E: OTHER INFORMATION**

In 2013, the Foundation agreed to contribute to the Bachelor of Science Nursing Program at the University Center. The funding of the BSN Program is \$10,000 for 2014, \$20,000 for 2015, and \$10,000 for 2016.



**University Center at Ponca City**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**Note 10: University Center at Ponca City Foundation** *(Continued)*

**NOTE F: 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 G: SUBSEQUENT EVENTS**

Subsequent events were reviewed up to the date of the audit report, which is the date the audited financial statements were available to be issued.





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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 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, 2014, 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 September 15, 2014.

**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.

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### **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.

*Hill & Company, PC*

Tulsa, Oklahoma  
September 15, 2014

