

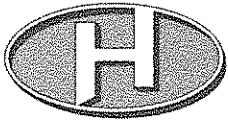
Northern Oklahoma College
Financial Statements
with Independent Auditors' Reports
June 30, 2014



Northern Oklahoma College
Table of Contents
June 30, 2014

Independent Auditors' Report.....	1
Management's Discussion and Analysis	i
Financial Statements	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows.....	5
Notes to Financial Statements	7
Reports Required by <i>Government Auditing Standards</i>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42
Reports Required by OMB Circular A-133	
Independent Auditors' Report on Compliance on Each Major Program and on Internal Control over Compliance required by OMB Circular A-133	44
Schedule of Expenditures and Federal Awards	46
Notes to Schedule of Expenditures of Federal Awards	48
Schedule of Findings and Questioned Costs	50
Summary Schedule of Prior Audit Findings.....	52





**HINKLE &
COMPANY**

PC

Strategic
Business Advisors

Independent Auditors' Report

Board of Regents
Northern Oklahoma College
Tonkawa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Northern Oklahoma College as of and for the year ended June 30, 2014, the related notes to the financial statements, which collectively, comprise the Northern Oklahoma College'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, the financial statement referred to above present fairly, in all material respects, the financial position of the Northern Oklahoma College as of June 30, 2014, and the 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.

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

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 viii 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.

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements of the Northern Oklahoma College taken as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014 on our consideration of the Northern Oklahoma College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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.

Hilsh & Company, PC

Tulsa, Oklahoma
October 17, 2014



**Northern Oklahoma College
Management's Discussion and Analysis
June 30, 2014 and 2013**

The following discussion and analysis of the financial performance of Northern Oklahoma College (the College) provides an overview of the College's financial activities for the fiscal years ended June 30, 2014 and 2013. The analysis is intended to provide you, the reader, with a summary of significant financial activities and information and should be read in conjunction with the College's financial statements.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

The 2014 and 2013 financial statements were prepared in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34) and GASB 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. GASB 34 and 35 provides not only for the presentation of management's discussion and analysis but also provides for the following statements.

Statement of net position: This is a financial statement of the College as a whole. It is prepared on the accrual basis of accounting and presents all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College.

Statement of revenues, expenses and changes in net position: This statement is also prepared on the accrual basis of accounting and presents the overall operations of the College for the years ended June 30, 2014 and 2013.

Statement of cash flows: This statement is presented to provide a summary of how the College generated cash during the current year. This is basically done by taking the statement of revenues, expenses and changes in net position and presenting it on a cash basis. In accordance with GASB 34, the direct method of presentation is used to prepare this statement.

The College is presenting all of its financial statements as a business-type activity and has no "Fund" financial statements, as defined by GASB 34. The statement of net position is similar to a business balance sheet, which presents assets, liabilities and equity. In the College's case, equity is considered net position. The statement of revenues, expenses, and change in net position is equivalent to a business income statement, i.e., the results of operations for the current year. The statement of cash flows is very similar to that being used by businesses, in that it presents the cash activity of the College for the current year.

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2014 and 2013

Statement of Net Position

The Statement of Net Position presents the financial position of the College at the end of the fiscal year. From the data presented, readers of the statement are able to determine the assets available to continue the operations of the College. They also are able to determine how much the College owes vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the net assets (assets minus liabilities and deferred inflows and outflows) and their availability to pay expenses of the College or as one way to measure the College's financial health or financial position.

Over time, increases and decreases in the College's net position are one indicator of whether its financial health is improving or worsening. You will also need to consider non-financial factors, however such as changes in the College's programs and degrees offered and accreditations status, enrollment levels, in addition to the condition of its physical facilities, to fully assess the overall health of the College.

Condensed Statement of Net Position

	2014	2013	(Decrease)	Change
Current assets	\$ 30,082,061	\$ 20,133,582	\$ 9,948,479	49%
Noncurrent assets	29,216,104	28,995,889	220,215	1%
Total Assets	59,298,165	49,129,471	10,168,694	21%
Deferred Outflows of Resources	512,768	769,152	(256,384)	-33%
Liabilities				
Current liabilities	5,155,471	3,536,593	1,618,878	46%
Noncurrent liabilities	26,591,509	19,381,846	7,209,663	37%
Total liabilities	31,746,980	22,918,439	8,828,541	39%
Deferred Inflows of Resources	389,914	-	389,914	
Net assets:				
Investment in capital assets, net of related debt	10,364,594	8,508,785	1,855,809	22%
Restricted for purposes	6,392,963	7,729,677	(1,336,714)	-17%
Unrestricted	10,916,482	10,741,722	174,760	2%
Total net position	\$ 27,674,039	\$ 26,980,184	\$ 693,855	3%

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2014 and 2013

Statement of Net Position (Continued)

During the period July 1, 2013 to June 30, 2014, the College's net position increased by \$693,855. A significant increase in current assets of \$9,948,479 and increase of \$220,215 in noncurrent assets resulted in a total increase of \$10,168,694 in total assets. The increase in the current assets resulted primarily from an increase in other receivables of \$10,371,457 as a result of funding available from ODFA for the construction of new residence halls in Tonkawa and Enid. In addition, current assets were impacted by an increase in cash and cash equivalents of \$711,083, accounts receivable of \$46,472, and inventories of \$53,625 offset with decreases in restricted cash and cash equivalents of \$1,125,129 and federal grants receivable of \$109,029. The increase in the noncurrent assets resulted from acquisitions of capital assets of \$3,724,159, offset by depreciation expense of \$2,662,768 and transfers/retirements of \$1,674. Deferred Outflows of Resources resulted in a decrease in deferred cost on OCIA lease restructure of \$256,384. These transactions resulted primarily from projects in conjunction with the OCIA Bond Issue 2005/2010 capital improvement projects.

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the College's financial results by reporting the major sources and uses of cash. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section reflects cash flows from capital and related financing activities. This section also deals with the cash used for the acquisition and construction of capital and related assets. The fourth reflects the cash flows from investing activities and shows the purchases and proceeds of sales of investments, and interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

The following summarizes the College's cash flow for the year ending June 30:

Condensed Statement of Cash Flows

	<u>2014</u>	<u>2013</u>
Cash provided (used) by:		
Operating activities	\$ (19,495,246)	\$ (19,313,795)
Noncapital financing activities	19,724,717	20,027,225
Capital and related financing activities	(1,625,729)	722,277
Investing activities	<u>657,872</u>	<u>164,056</u>
Net change in cash	(738,386)	1,599,763
Cash, beginning of the year	<u>18,305,694</u>	<u>16,705,931</u>
Cash, end of year	<u>\$ 17,567,308</u>	<u>\$ 18,305,694</u>

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2014 and 2013

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expense incurred during the year. A public college's dependency on state appropriations and gifts will result in operating deficits (losses). The *Governmental Accounting Standards Board* (GASB) requires state appropriations and gifts to be classified as non-operating revenues.

The purpose of this statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent. Operating revenues are generally received for providing goods and services to various customers of the College. Operating expenses are those expenses paid to acquire or produce the foods and services provided in return for the operating revenues, and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. State appropriations are considered neither operating nor non-operating revenues and are reported under "Other Revenues, Expenses, Gains, and Losses."

The following summarizes the College's revenues, expense and changes in net position, for the years ended June 30:

Operating Results

	June 30		Increase	Percent
	2014	2013	(Decrease)	Change
Operating revenues:				
Tuition and fees, net	\$ 8,987,807	\$ 8,282,834	\$ 704,973	9%
Grants and contracts	2,480,407	2,150,834	329,573	15%
Auxiliary	4,601,694	5,114,504	(512,810)	-10%
Other	91,901	57,002	34,899	61%
Total operating revenues	16,161,809	15,605,174	556,635	4%
Less operating expenses	39,235,415	39,749,400	(513,985)	-1%
Net operating income (loss)	\$ (23,073,606)	\$ (24,144,226)	\$ 1,070,620	-4%

During the period July 1, 2013 to June 30, 2014, the College's operating expenses decreased by \$513,985, while the total operating revenues increased \$556,635. The increase in operating revenues is attributable to an increase in tuition and fees rates and resulting revenue of \$704,973; an increase in grants and contracts of \$329,573 and a decrease in auxiliary services of \$512,810. The decrease in operating expenses is primarily attributable to a decrease in financial aid of \$1,469,887, a decrease in contractual services of \$496,493 and other \$133,461, offset by an increase in compensation of \$745,263, and increase in supplies and materials of \$786,889.

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2014 and 2013

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

Non-Operating Results

	June 30		Increase	Percent
	2014	2013	(Decrease)	Change
Non-operating revenues				
(expenses):				
State appropriations	\$ 10,426,637	\$ 10,098,320	\$ 328,317	3%
On-behalf payments				
(teachers' retirements)	969,000	954,000	15,000	2%
Grants and contracts	9,298,080	10,043,045	(744,965)	-7%
Investment income	142,710	166,834	(24,124)	-14%
Interest expense	(1,043,735)	(548,931)	(494,804)	90%
Total non-operating revenues	<u>\$ 19,792,692</u>	<u>\$ 20,713,268</u>	<u>\$ (920,576)</u>	<u>-4%</u>

During the period July 1, 2013 to June 30, 2014, the College's non-operating revenues and expenses decreased by \$920,576. The change is attributable primarily to a decrease in federal and state grants and contracts of \$744,965, an increase of \$328,317 in the State appropriations the College received during 2014, and an increase in on-behalf payments of \$15,000. Investment income decreased by \$24,124. Interest expense increased \$494,804 primarily from the interest payments for the capital leases to Capital One associated with energy performance enhancements and the restructuring of other debt.

Net Position Summary

	2014	2013	(Decrease)	Change
Net increase in net position	\$ 693,855	\$ 59,817	\$ 634,038	1060%
Net position, beginning of year	<u>26,980,184</u>	<u>26,920,367</u>	<u>59,817</u>	<u>0%</u>
Net position, end of year	<u>\$ 27,674,039</u>	<u>\$ 26,980,184</u>	<u>\$ 693,855</u>	<u>3%</u>

Current assets consist primarily of cash and cash equivalents totaling \$17,419,291. Included in cash equivalents are short-term investments that the College makes with the state treasurer. These dollars are invested in short-term repurchase agreements, and the College can use the monies on a daily basis. As such, these are considered cash equivalents.

Also included in current assets is \$822,314 of accounts receivable, 10,492,770 of other receivables for new residence hall construction, and \$693,376 due from federal grants. Inventories of approximately \$506,000, which consists primarily of the bookstore, are also included current assets. Noncurrent assets consist of capital assets (land, buildings, structures, etc.) net of depreciation totaling \$29,216,104. Current liabilities include \$1,803,174 of accounts payable and accrued liabilities, \$164,678 of accrued payroll, \$512,227 of unearned revenue, \$293,160 of deposits

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2014 and 2013

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

Net Position Summary (Continued)

held in custody for others, \$363,840 of accrued compensated absences, and \$2,018,392 of amounts due on principal of bonds and capitalized lease obligations in the next 12 months. Noncurrent liabilities consist entirely of capital lease obligations less the current portion.

Net position totaled \$27,674,039, with \$10,364,594 as investment in capital assets, i.e., this is property and equipment less bonded indebtedness. There is \$2,268,119 restricted for scholarships and \$3,715,519 restricted for capital projects, along with \$148,017 restricted for debt service and \$261,308 restricted for loans. \$10,916,482 of the net position is unrestricted.

Operating revenues consist primarily of tuition and fees and federal grants and contracts. There is also \$4,601,694 included in operating revenues from sales and services of the auxiliary enterprises (i.e., bookstore, dormitories, etc.). Operating expenses are presented in their natural classification, with the largest expense being compensation. Non-operating revenues and expenses consist primarily of state appropriations of approximately \$10,426,637, and on-behalf contributions for OTRS of \$969,000, along with investment income of \$142,710 and interest expense of \$1,043,735. Non-operating revenues also include federal grants and contracts such as Pell and SEOG totaling \$9,298,080. For the year ended June 30, 2014, the College had an increase in net position of \$693,855. Included in the increase in net position are \$704,973 increase in tuition and fees, \$512,810 decrease in auxiliary services, and increase of \$329,573 in federal grants and contracts, and a \$513,985 decrease in operating expenses.

Capital Assets

As of June 30, 2014, the College had a net book value of fixed assets of \$29,216,104 compared to \$28,156,387 at June 30, 2013. In the current year, additions to construction in progress, land, improvements, infrastructure and buildings were \$3,168,573, while purchases of machinery and equipment were \$555,586. Depreciation recorded for 2014 and 2013, was \$2,662,768 and \$2,695,987 respectively.

Capital Financing

The College has eight capital leases outstanding. These obligations include one lease for the purchase of the Enid campus, one lease for the construction of the Wellness Center in Tonkawa, one lease for the Construction of New Residence Halls on the Tonkawa and Enid Campuses, and one lease associated with the performance contract for energy management. The remaining four leases are associated with the OCIA Bond issue for Wilkin Hall – Phase II Renovation, Nursing and Communications Building, Enid Campus Renovations, Vineyard Library/Administration Renovation and Expansion, and New Classroom Building-Stillwater.

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2014 and 2013

Capital Financing (Continued)

On April 24, 2014, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2014C in the amount of \$9,856,000. Total lease payments over the term of the agreement, beginning May 15, 2014 through May 15, 2034, will be \$14,162,748. Payments will be made monthly ranging from \$26,868 to \$29,551. Proceeds from the obligation will be used for the construction of dormitories on the Enid and Tonkawa campuses.

In fiscal year 2006, the Oklahoma Capital Improvement Authority issued State Facilities Revenue Bonds (Higher Education Projects) Series 2005F and 2005G for which the College entered into a lease agreement with OCIA for a portion of these bond proceeds totaling \$14,293,235. The revenue bond projects for Northern Oklahoma College include Wilkin Hall – Phase II Renovation, Nursing and Communications Building, Enid Campus Renovations, Vineyard Library/Administration Renovation and Expansion, and New Classroom Building-Stillwater. In August 2010, the College's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. On April 9, 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$941,724, which approximates the economic savings of the transaction.

During fiscal 2004, the Oklahoma Development Authority (the Authority) issued The Oklahoma Development Finance Authority Public Facilities Financing program Revenue Refunding Bonds, Series 2004 (Northern Oklahoma College) in the amount of \$3,365,000. The bonds were issued to refinance the outstanding series 1999 Revenue Bonds. The revenue bonds (Oklahoma Development Finance Authority Revenue Bond, Series 1999) were issued by the College to purchase the Phillips University Campus in Enid. During fiscal year 2014, the ODFA master lease revenue funding bonds, Series 2013B; refinanced the outstanding revenue bond balance of \$1,600,000. On January 23, 2014, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2013B in the amount of \$1,036,000, to refund the ODFA Series 2004 Revenue Bonds. Total lease payments over the term of the agreement, beginning February 15, 2014 through May 15, 2018, will be \$1,127,151. Payments will be made monthly ranging from \$21,120 to \$23,901. The net present value of the savings for the refunding of the Series 2004 Revenue Bonds is \$240,972.

The capital lease obligation to the Oklahoma Capitol Improvement Authority (OCIA) originated during the year ended June 30, 2000. Proceeds from the OCIA lease were used to construct the Wellness Center. The Oklahoma State legislature appropriates revenues each year to fund the amount of principal and interest due for that year.

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2014 and 2013**

Capital Financing (Continued)

In 2013, the College entered into a capital lease of \$5,153,100 with an interest rate of 2.95% maturing August 2022 to finance the performance contract for energy management improvements on the Tonkawa and Enid campuses.

Additional details concerning the College's capital financing activities can be found in Note 8 to the financial statements.

**DESCRIPTION OF CURRENTLY KNOWN FACTS, DECISIONS, OR
CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT
ON THE FINANCIAL POSITION OR RESULTS OF OPERATIONS**

The operating budget for the year July 1, 2014 to June 30, 2015, has been approved, and the estimated amount of state appropriations to be received is \$10,292,753 which reflects a 3.10% increase in funding for Northern Oklahoma College as compared to the adjusted base for year ended June 30, 2014. The College did implement tuition and mandatory fee increase of 6.9% for the fiscal year ended June 30, 2015 to fund mandatory cost increases and budget priorities. The College continually monitors revenue and expenditures in order to maintain adequate reserve balances to ensure the College's financial viability. The College will continue to monitor the state and national economic conditions as part of our financial decision making process and will strive to develop scenarios to reduce costs and increase operating revenues to protect critical academic programming, while being sensitive to our student needs. Presently, the College does not anticipate any other significant change in operations, nor are there any items pending that could have a significant effect on the financial position or operating results of the College.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the College's finances for all those with an interest. Questions concerning any of the information provided in this report should be addressed to the Vice President of Financial Affairs c/o Northern Oklahoma College, 1220 East Grand, P.O. Box 310, Tonkawa, Oklahoma 74653-0310.

Northern Oklahoma College
Statements of Net Position
June 30, 2014

	Northern Oklahoma College	Northern Oklahoma College Foundation
Assets		
Current Assets		
Cash and cash equivalents	\$ 17,419,291	\$ 150,799
Restricted cash and cash equivalents	148,017	—
Accounts receivable, net of allowance for doubtful accounts	822,314	2,238
Federal grants receivable	693,376	—
Other receivables	10,492,770	—
Inventories	506,293	—
Total Current Assets	<u>30,082,061</u>	<u>153,037</u>
Noncurrent Assets		
Restricted cash and cash equivalents	—	—
Investments	—	8,040,577
Capital assets, net	29,216,104	19,973
Other assets	—	530
Total Noncurrent Assets	<u>29,216,104</u>	<u>8,061,080</u>
Total Assets	<u>59,298,165</u>	<u>8,214,117</u>
Deferred Outflows of Resources		
Deferred cost on OCIA lease restructure	512,768	—
Total Deferred Outflows of Resources	<u>512,768</u>	<u>—</u>
Liabilities		
Current Liabilities		
Accounts payable	1,785,545	—
Unearned revenue	512,227	—
Accrued expenses	182,307	—
Accrued compensated absences	363,840	—
Deposits held in custody	293,160	—
Current portion of OCIA capital leases	1,127,601	—
Current portion of ODFA capital leases	563,212	—
Current portion of Capital One capital lease	327,579	—
Current portion of revenue bonds	—	—
Total Current Liabilities	<u>5,155,471</u>	<u>—</u>
Noncurrent Liabilities, net of current portion		
Capital leases payable to OCIA	11,712,477	—
Capital leases payable to ODFA	10,425,818	—
Capital leases payable to Capital One	4,453,214	—
Total Noncurrent Liabilities	<u>26,591,509</u>	<u>—</u>
Total Liabilities	<u>31,746,980</u>	<u>—</u>
Deferred Inflows of Resources		
Deferred gain on OCIA lease restructure	389,914	—
Total Deferred Inflows of Resources	<u>389,914</u>	<u>—</u>
Net investment in capital assets	10,364,594	—
Restricted for:		
Nonexpendable		
Scholarships and fellowships	—	3,544,102
Expendable		
Debt service	148,017	—
Capital projects	3,715,519	—
Scholarships	2,268,119	3,416,304
Loans	261,308	—
Unrestricted	<u>10,916,482</u>	<u>1,253,711</u>
Total Net Position	<u>\$ 27,674,039</u>	<u>\$ 8,214,117</u>



Northern Oklahoma College
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2014

	Northern Oklahoma College	Northern Oklahoma College Foundation
Operating Revenues		
Tuition and fees, net of scholarship allowances of \$4,631,000	\$ 8,992,807	\$ —
Federal grants and contracts	2,480,407	—
Auxiliary enterprise charges, Net of scholarship allowance of \$2,366,000	4,595,694	—
Other sources	<u>91,901</u>	<u>182,586</u>
Total Operating Revenues	<u>16,160,809</u>	<u>182,586</u>
Operating Expenses		
Compensation	19,394,606	—
Contractual services	321,482	—
Supplies and materials	10,166,496	—
Utilities	1,344,780	—
Communications	304,734	—
Other operating expenses	895,962	293,636
Financial aid	4,143,587	143,408
Depreciation expense	<u>2,662,768</u>	<u>—</u>
Total Operating Expenses	<u>39,234,415</u>	<u>437,044</u>
Operating Loss	<u>(23,073,606)</u>	<u>(254,458)</u>
Non-operating Revenues (Expenses)		
State appropriations	10,426,637	—
On-behalf contributions for Teachers' Retirement System	969,000	—
Federal and state grants	9,298,080	—
Investment income	142,710	1,102,000
Contributions and other nonoperating revenues	—	468,493
Interest expense	<u>(1,043,735)</u>	<u>—</u>
Net Non-operating Revenues	<u>19,792,692</u>	<u>1,570,493</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(3,280,914)</u>	<u>1,316,035</u>
State appropriations restricted for capital purposes	2,939,815	—
OCIA on-behalf appropriations	1,036,628	—
Loss on disposal of capital asset	(1,674)	—
Loss on disposal of asset to University Center	<u>—</u>	<u>—</u>
Change in Net Position	<u>693,855</u>	<u>1,316,035</u>
Net Position, Beginning of Year, as Originally Stated	<u>26,980,184</u>	<u>6,898,082</u>
Net Position, at End of Year	<u>\$ 27,674,039</u>	<u>\$ 8,214,117</u>



Northern Oklahoma College
Statements of Cash Flows
Year Ended June 30, 2014

	Northern Oklahoma College
Cash Flows from Operating Activities	
Tuition and fees	\$ 8,994,361
Federal and state grants and contracts	2,589,436
Contributions	—
Auxiliary enterprises charges	4,600,052
Other operating receipts	91,901
Payments to employees for salaries and benefits, net on-behalf payments	(18,283,892)
Payments for scholarships	
Payments to suppliers	<u>(17,487,104)</u>
Net Cash Used in Operating Activities	<u>(19,495,246)</u>
Cash Flows from Non-capital Financing Activities	
Permanently restricted contributions	—
Federal direct loan program receipts	6,937,346
Federal direct loan program disbursements	(6,937,346)
State appropriations	10,426,637
Other non-operating activity	<u>9,298,080</u>
Net Cash Provided by Noncapital Financing Activities	<u>19,724,717</u>
Cash Flows from Capital and Related Financing Activities	
Cash paid for capital assets	(3,397,882)
Capital appropriations received	2,939,815
Proceeds from issuance of long term debt	1,149,900
Proceeds from sale of capital asset	
Repayments of long term debt	(2,126,102)
Interest paid on capital debt and leases	<u>(191,460)</u>
Net Cash used in capital and related financing activities	<u>(1,625,729)</u>
Cash Flows from Investing Activities	
Purchase of investments	(100)
Proceeds from sales and maturities of investments	515,262
Net change in loans receivable	—
Interest received on investments	<u>142,710</u>
Net Cash Provided by Investing Activities	<u>657,872</u>
Net Decrease in Cash and Cash Equivalents	(738,386)
Cash and Cash Equivalents, Beginning of Year	<u>18,305,694</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,567,308</u>



Northern Oklahoma College
Statements of Cash Flows
Year Ended June 30, 2014

(Continued)

	<u>Northern Oklahoma College</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$(23,073,606)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	2,662,768
Permanently restricted contributions	—
Appreciation on investments	—
State of Oklahoma on-behalf contributions to teachers' retirement system	969,000
Changes in net assets and liabilities:	
Accounts receivables	(308,900)
Other receivables	
Inventories	(53,625)
Beneficial interest in remainder trust	—
Accounts payable and accrued expenses	94,647
Unearned revenue	52,384
Due to student groups and organizations	20,372
Compensated absences	<u>141,714</u>
Net Cash Used in Operating Activities	<u>\$(19,495,246)</u>
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities	
Principal and interest on capital debt paid by state agency on behalf of the College	<u>\$ 1,036,628</u>
Reconciliation of Cash and Cash Equivalents to statement of net Assets	
Current assets	
Cash and cash equivalents	\$17,419,291
Restricted cash and cash equivalents	148,017
Noncurrent assets	
Restricted cash and cash equivalents	<u>\$17,567,308</u>



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Nature of Operations: Northern Oklahoma College (the "College") is a two-year, state supported college operating under the jurisdiction of the Board of Regents of Northern Oklahoma College (the Board of Regents) and the Oklahoma State Regents for Higher Education. The College is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State of Oklahoma. The College has three campuses located in Tonkawa, Enid and Stillwater.

Reporting Entity

The Northern Oklahoma College Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing and amount of receipts from the Foundation, the majority of resources or incomes thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

Although the College is the exclusive beneficiary of the Foundation, the Foundation is independent of the College in all respects. The Foundation is not a subsidiary or affiliate of the College and is not directly or indirectly controlled by the College. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the College. The College is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The College does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the College. Third parties dealing with the College should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Separate financial statements of the Foundation can be requested by contacting the Foundation's controller at 580-628-6237.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

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

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

Cash Equivalents

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

Deposits and Investment

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

Inventories

Inventories consist of books and supplies held for resale at the bookstore, which are valued at the lower of cost (first-in, first-out method) or market.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Other Receivables

Accounts receivable primarily consists of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Oklahoma. Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student loans receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off for financial reporting purposes when deemed uncollectible. Recoveries of student accounts receivable previously written off are recorded when received.

A student account receivable and student loan receivable is considered to be past due if any portion of the receivable balance is outstanding after the end of the semester. Interest and late charges are not generally assessed and, if they are assessed, are not included in income until received.

Other receivables include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Other accounts receivable also include amounts due from the Oklahoma Development Finance Authority ("ODFA") and Oklahoma Capital Improvement Authority ("OCIA") for proceeds from the capital bond improvement program allocated to the College. No allowance for doubtful accounts has been provided for other receivables.

Restricted Cash and Investments

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

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Capital assets

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. 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.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Capital assets (Continued)

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

Leasehold Improvements made pursuant to property with one year lease agreements are capitalized for control purposes and amortized over a one year period.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Compensated Absences

Employees of the College earn accrued vacation or leave at the rate of 8 to 12 hours per month, depending on the length of employment. The liability for and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

Noncurrent Liabilities

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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 these financial statements include the depreciation of capital assets and the allowance for doubtful accounts for accounts receivable.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

The College's net position is classified as follows:

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

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

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

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

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

Income Taxes

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

Classification of Revenues

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



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014.

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Revenues (Continued)

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

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

Scholarship Discounts and Allowances

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

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be returned or the College will not be able to recover collateral securities in the possession of an outside party. Generally, the College deposits its funds with the Office of the State Treasurer (OST) and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the state's name. State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the College deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the College's name.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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

At June 30, 2014 the bank balances of all College deposits with OST were \$17,628,363. Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$9,592,936, in 2014. The difference between the bank balance of deposits and the related carrying amount are due to outstanding checks and deposits-in-transit.

For financial reporting purposes, deposits with the OST that are invested in *OK INVEST* are classified as cash equivalents. The distribution of deposits in *OK INVEST* are as follows:

<u>OK Invest Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. Agency Securities	\$ 4,401,270	\$ 4,392,712
Money Market Mutual Fund	463,164	463,164
End of Day Commercial Paper Sweep	201,874	201,874
Certificates of Deposit	249,018	249,018
Mortgage Backed Agency Securities	3,940,868	4,022,185
Municipal Bonds	147,172	162,992
Foreign Bonds	75,361	75,361
U.S. Treasury Obligations	114,209	141,383
Totals	<u>\$ 9,592,936</u>	<u>\$ 9,708,689</u>

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds' and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the OST website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than two years.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. *Interest rate risk* is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. *Credit/default risk* is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.

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

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

Restricted Cash and Cash Equivalents: Restricted cash includes cash held by a bank trust department in compliance with the College's outstanding bond issue. A summary of the restricted cash as of June 30 is as follows:

	<u>2014</u>
Accounts held by Trustee	
Debt Service:	
Escrow account	\$ 148,016
Earnings account	<u>1</u>
Total restricted cash	<u>\$ 148,017</u>
Restricted cash and cash equivalents per the statement of net position:	
Current	\$ 148,017
	<u>\$ 148,017</u>



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 2: Deposits and Investments (Continued)

Investments: Investment *credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the College's investments are managed by the State Treasurer. In accordance with state statutes the State Treasurer may only purchase and invest in (a) obligations of the United States government, its agencies and instrumentalities; (b) prime banker's acceptances; (c) investment grade obligations of state and local governments; (d) money market funds; (e) collateralized or insured certificates of deposits; (f) negotiable certificates of deposits; (g) prime commercial paper; and (h) repurchase agreements. *Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest changes.

Neither the College nor state statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the OST Investment Policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy. *Concentration of credit risk* is the risk of loss attributed to the magnitude of the College's investment in a single issuer. Neither the College's investment policy nor state statutes place limits on amounts that can be invested in any one issuer; however, the OST Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State's total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities. *Custodial credit risk* for investments is the risk that, in the event of failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2014 none of the College's investments were subject to custodial credit risk.

As of June 30, 2014 none of the College's cash and cash equivalents qualified as investments.

Bond Fund Cash and Investments: Certain non-pooled cash and investments are restricted in purpose by policies incorporated in applicable bond indentures. *Credit risk* policy generally restricts investing to cash, investments fully insured by the FDIC and U.S. government and agency securities or mutual funds investing in these types of securities. There may be some variance among the investments authorized by the specific bond indentures of College bond issues. The OST and/or a trustee bank generally provide the management of restricted, non-pooled investments. *Custodial credit risk* is not addressed by bond indentures. *Interest rate risk* in bond indentures provide that investments mature in no more than six to sixty months depending on the purpose of the funds and the requirements of the account in which the funds are deposited (i.e. construction, reserve, operations and maintenance, etc.) *Concentration of credit risk* is not addressed.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 3: Accounts Receivable

The College's accounts receivable primarily relate to tuition and fee charges to students and to auxiliary enterprise services to students, faculty and staff. Total accounts receivable of approximately \$5,283,000, is shown on the accompanying statement of net position net of related allowances for doubtful accounts of approximately \$4,461,000, resulting in a net carrying amount of approximately \$822,000, at June 30, 2014.

Accounts receivable consist of the following at June 30, 2014:

	2014
Student tuition and fees	\$ 5,283,430
Less: Allowance for doubtful accounts	(4,461,116)
Net accounts receivable	<u>\$ 822,314</u>

Note 4: Other Receivables

Other receivables consist of the following at June 30, 2014:

	2014
Due from State Agencies (ODFA)	\$ 10,000,000
Loans receivable	469,609
Other receivables	23,161
Total other receivables	<u>\$ 10,492,770</u>

Loans Receivables

Student loans made through Federal Perkins Loans Program (the Program) comprise substantially all of the loans receivable at June 30, 2014. There were no federal or institutional contributions to the Program during 2014.

As the College determines loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The College has provided an allowance for uncollectible loans, which in management's opinion, is sufficient to absorb loans, which will ultimately be written off. The allowance for uncollectible loans was approximately \$239,000, at June 30, 2014, which represents 100% of the loan receivable balance, resulting in a net carrying amount of \$-0- at June 30, 2014.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	2014			
	Beginning Balance	Increases	Transfers/ Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,377,541	\$ -	\$ -	\$ 1,377,541
Construction in progress	119,156	1,781,763	(1,111,976)	788,943
Total capital assets not being depreciated	<u>1,496,697</u>	<u>1,781,763</u>	<u>(1,111,976)</u>	<u>2,166,484</u>
Capital assets being depreciated:				
Land improvements	970,927	38,068	-	1,008,995
Infrastructure	2,289,624	71,691	-	2,361,315
Buildings and building improvements	54,397,183	1,277,051	1,111,976	56,786,210
Machinery and equipment	21,226,974	555,586	(6,162,304)	15,620,256
Leasehold Improvements	217,875	-	-	217,875
Total capital assets being depreciated	<u>79,102,583</u>	<u>1,942,396</u>	<u>(5,050,328)</u>	<u>75,994,651</u>
Less accumulated depreciation for:				
Land improvements	763,004	17,013	-	780,017
Infrastructure	1,284,846	125,313	-	1,410,159
Buildings and building improvements	30,340,346	1,933,014	-	32,273,360
Machinery and equipment	19,836,822	587,428	(6,160,630)	14,263,620
Leasehold Improvement	217,875	-	-	217,875
Total accumulated depreciation, net	<u>52,442,893</u>	<u>2,662,768</u>	<u>(6,160,630)</u>	<u>48,945,031</u>
Total capital assets being depreciated, net	<u>26,659,690</u>	<u>(720,372)</u>	<u>1,110,302</u>	<u>27,049,620</u>
Capital assets, net	<u>\$ 28,156,387</u>	<u>\$ 1,061,391</u>	<u>\$ (1,674)</u>	<u>\$ 29,216,104</u>

Construction in progress relates to building renovation projects on the Tonkawa and Enid campuses. The projects are funded through capital project funds.

Note 6: Funds Held in Trust by Others

The College has a beneficial interest in the "Section Thirteen Fund State Educational Institutions" and the "New College Fund," administered by the Commissioners of the Land Office, as trustees for the various educational institutions entitled thereto.

The College has the right to receive annually approximately 3.33% of the distributions of income produced by "Section Thirteen Fund State Education Institutions" assets and 100% of the distributions of income produced by the Northern Oklahoma College "New College Fund."



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 6: Funds Held in Trust by Others (Continued)

The College received \$2,939,815, during the year ended June 30, 2014, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as state appropriations restricted for capital purposes. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve (market value) for the College held in the trust by the Commissioners of the Land Office was \$57,720,600, at June 30, 2014.

The College has pledged future revenues from the "Section Thirteen Fund State Educational Institutions" and the "New College Fund" as repayment on the revenue bonds.

Note 7: Long-Term Liabilities

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

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Revenue bonds	\$ 1,600,000	\$ -	\$ (1,600,000)	\$ -	\$ -
2013B ODFA Master Lease	-	1,036,000	(103,333)	932,667	231,833
2014C ODFA Master Lease	-	9,856,000	(50,462)	9,805,538	308,372
2004 OCIA capital lease	206,658	-	(29,552)	177,106	30,980
2005F OCIA capital lease	8,783,249	-	(7,929,841)	853,408	417,041
2010 A OCIA capital lease	3,508,261	-	-	3,508,261	-
2010 B OCIA capital lease	1,165,486	-	-	1,165,486	679,580
2014 A OCIA capital lease	-	7,135,817	-	7,135,817	-
2013 Capital One capital lease	5,153,100	-	(372,307)	4,780,793	327,579
Premiums on bonds/leases	-	257,900	(7,075)	250,825	23,007
Accrued compensated absences	318,431	363,840	(318,431)	363,840	363,840
Total long-term liabilities	\$ 20,735,185	\$ 18,649,557	\$ (10,411,001)	\$ 28,973,741	\$ 2,382,232

Additional information regarding revenue bonds is included at Note 8. Additional information regarding capital lease obligations is included in Note 8.

Revenue Bonds

During fiscal 2004, the Oklahoma Development Finance Authority (the Authority) issued The Oklahoma Development Finance Authority Public Facilities Financing program Revenue Refunding Bonds, Series 2004 (Northern Oklahoma College) in the amount of \$3,365,000. These bonds were issued to refinance the outstanding Series 1999 Revenue Bonds. The bonds were issued to provide funds to the Board of Regents on behalf of the College to refinance the acquisition of Phillips College campus in Enid and to pay certain costs of issuance of the bonds. Unamortized bond issuance costs and the discount on the old bonds were written-off in 2004 and were included in other nonoperating revenues and expenses in the accompanying statement of changes in net position. During fiscal year 2014, the ODFA master lease revenue refunding bonds, Series 2013B; refinanced the outstanding revenue bond balance of \$1,600,000. See Note 8 for additional detail on ODFA Master Lease Refunding Bonds, Series 2013B.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 8: Long-Term Liabilities (Continued)

Lease Commitments

The lease payable consists of bonds issued by the Oklahoma Capital Improvement Authority (OCIA) to build, improve and remodel facilities at various higher education and other institutions in Oklahoma. Funds are received from OCIA as needed to fund construction projects. The College's pro rata share of bonds has been recorded as a lease payable.

Oklahoma Capital Improvement Authority – 2004A

The College's lease agreement with OCIA provides for monthly payments to OCIA of approximately \$3,412 for 20 years through August 31, 2019, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies to the College for the monthly lease payments, which for the year ended June 30, 2014, amounted to \$39,761. During 2014 there was \$29,552, in principal paid on the lease and \$10,209, in related interest paid.

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. The lease agreement no longer secures the 1999A bond issue but now acts as security for the 2004A bond issue over the term of the lease through the year 2020.

The College's property under the OCIA capital lease is summarized as follows:

	<u>Buildings</u>
Cost	\$ 719,514
Less: Accumulated depreciation	<u>(544,814)</u>
	<u>\$ 174,700</u>

The scheduled principal and interest payments related to the lease are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payments</u>
2015	30,980	8,731	39,711
2016	32,469	7,244	39,713
2017	34,063	5,632	39,695
2018	35,769	3,929	39,698
2019	37,523	2,141	39,664
2020	<u>6,302</u>	<u>307</u>	<u>6,609</u>
	<u>\$ 177,106</u>	<u>\$ 27,984</u>	<u>\$ 205,090</u>



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 8: Long-Term Liabilities (Continued)

Lease Commitments (Continued)

Oklahoma Capital Improvement Authority – Series 2005F A and B/2010 A and B

The 2006 legislative session authorized the issuance of OCIA Bond Issue 2005F and 2005G, for which the College entered into a lease agreement with OCIA for a portion of these bond proceeds with varying terms of repayment. The Series 2005 Bonds bear interest payable on July 1 and January 1 of each year, beginning July 1, 2006 and the initial principal payment is July 1, 2007. The Series 2005F provides monthly payments to OCIA for 24 years through July 1, 2030, or until the OCIA bonds and related interest are paid. The Series 2005G provided for monthly payments to OCIA for one year through July 1, 2007. The Oklahoma State Legislature appropriates monies to the College for the monthly lease payments.

In August 2010, the College's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a cost for restructuring that has been recorded as a charge of \$1,538,304 on restructuring as a deferred outflow of resources that is being amortized over a period of 6 years, ending in 2016. As of June 30, 2014, the unamortized cost totaled \$512,768.

On April 9, 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired was a gain on restructuring of \$395,975, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2014, the unamortized gain totaled \$389,914. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 8: Long-Term Liabilities (Continued)

Lease Commitments (Continued)

This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$941,724, which approximates the economic savings of the transaction.

The College's property under the OCIA capital lease is summarized as follows:

Buildings, cost	\$ 14,425,126
Infrastructure, cost	803,516
Equipment, cost	14,500
Less: Accumulated depreciation	<u>(4,652,091)</u>
	<u>\$ 10,591,051</u>

The scheduled principal and interest payments related to the OCIA capital lease are as follows:

Year ending June 30	Principal	Interest	Total Lease Payments
2015	\$ 1,096,621	\$ 272,057	\$ 1,368,678
2016	1,129,330	499,735	1,629,065
2017	1,216,742	476,508	1,693,250
2018	1,267,524	435,911	1,703,435
2019	1,310,245	377,284	1,687,529
2020-2024	1,276,390	1,550,301	2,826,691
2025-2029	3,651,839	953,461	4,605,300
2030-2031	1,714,281	128,155	1,842,436
	<u>\$ 12,662,972</u>	<u>\$ 4,693,412</u>	<u>\$ 17,356,384</u>



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 8: Long-Term Liabilities (Continued)

Lease Commitments (Continued)

Oklahoma Development Finance Authority

On January 23, 2014, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2013B in the amount of \$1,036,000, to refund the ODFA Series 2004 Revenue Bonds. Total lease payments over the term of the agreement, beginning February 15, 2014 through May 15, 2018, will be \$1,127,151. Payments will be made monthly ranging from \$21,120 to \$23,901. The net present value of the savings for the refunding of the Series 2004 Revenue Bonds is \$240,972.

On April 24, 2014, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2014C in the amount of \$9,856,000. Total lease payments over the term of the agreement, beginning May 15, 2014 through May 15, 2034, will be \$14,162,748. Payments will be made monthly ranging from \$26,868 to \$29,551. Proceeds from the obligation will be used for the construction of dormitories on the Enid and Tonkawa campuses.

Future minimum lease payments under the College's obligations to ODFA for the year ended June 30, 2014, are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payments</u>
2015	\$ 540,205	\$ 374,247	\$ 914,452
2016	601,250	355,911	957,161
2017	616,667	341,300	957,967
2018	615,083	323,508	938,591
2019	396,666	308,943	705,609
2020-2024	2,191,834	1,330,549	3,522,383
2025-2029	2,665,334	859,051	3,524,385
2030-2034	3,111,166	354,400	3,465,566
	<u>\$ 10,738,205</u>	<u>\$ 4,247,909</u>	<u>\$ 14,986,114</u>

2013 Capital One – Energy Savings Improvements Capital Lease

The College's lease agreement with Green Campus Partners, LLC is for financing of the performance contract for energy management improvements on the Tonkawa and Enid campuses. The lease was issued in May 2013 for an amount of \$5,153,100 with an interest rate of 2.95% maturing August 2022. The lease was then assigned to Capital One in 2013.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 8: Long-Term Liabilities (Continued)

Lease Commitments (Continued)

The scheduled principal and interest payments related to the capital lease are as follows:

Year ending June 30	Principal	Interest	Total Lease Payments
2015	\$ 327,579	\$ 137,172	\$ 464,751
2016	318,807	127,885	446,692
2017	364,317	118,084	482,401
2018	393,241	106,918	500,159
2019	400,618	95,188	495,806
2020-2024	2,307,243	284,340	2,591,583
2025-2026	668,987	14,909	683,896
	<u>\$ 4,780,792</u>	<u>\$ 884,496</u>	<u>\$ 5,665,288</u>

The College's property under the capital lease is summarized as follows:

Cost	\$ 5,116,919
Less: Accumulated depreciation	<u>(511,692)</u>
	<u>\$ 4,605,227</u>

Operating Lease

In 2011, the College entered into an agreement to lease office space (Fountain Square in Stillwater) for \$6,006 per month. The related rental expense was approximately \$72,000, for the year ended June 30, 2014. Future minimum lease payments are approximately \$72,000, annually for 2015.

Note 9: Retirement Plans

Oklahoma Teachers' Retirement System (OTRS)

Plan Description: The College contributes to the OTRS, a cost-sharing, multiple employer, defined benefit, public employee retirement system administered by a 13-member Board of Trustees appointed by the Oklahoma State Governor. Pension expense is recorded for the amount the College is required to contribute for the year as determined by the OTRS Board of Trustees or Oklahoma State Statute. OTRS issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Oklahoma Teachers' Retirement System at P.O. Box 53524, Oklahoma City, Oklahoma 73152 or calling (405) 521-2387.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 9: Retirement Plans (Continued)

OTRS provides defined retirement benefits based on members' final compensation, age, and term of service for all qualified persons employed by state-supported educational institutions. In addition, OTRS provides for benefits upon disability and to survivors upon death of eligible members. OTRS does not provide for a cost-of-living adjustment. Oklahoma Statute, Title 70 O.S., Section 17-105, defines all retirement benefits under OTRS. The authority to establish or amend benefit provisions rests with the Oklahoma State Legislature.

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 College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate was 9.50% for 2014, 2013, and 2012, respectively, 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, 2013 and 2012, was approximately \$2,237,000, \$2,126,000, and \$2,060,000, respectively, which equaled the required contributions for the year.

The State of Oklahoma is also required to contribute to 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 to OTRS on behalf of participating employers. The College has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. The College's prorated share of these payments for the year ended June 30, 2014 was approximately \$969,000, and is recognized in non-operating revenues and compensation and employee benefit expenses.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 10: Post-Employment Benefits

The College is funding, on a pay-as-you-go basis, health, dental, and term life insurance premiums for six College retirees as of June 30, 2014. Cost of the benefits for 2014 was as follows:

	2014
Health and dental insurance	\$ 54,460
Term life & long term disability insurance	\$ 221

Note 11: Related Party Transactions

In the year ended June 30, 2014, the College entered into an Exchange of Services Agreement with Northern Oklahoma College Foundation, Inc. (the Foundation). The Exchange of Service Agreement defines and memorializes the terms agreed upon by the parties for the exchange of services not otherwise covered by separate, specific contractual agreements between the parties.

For substantially all scholarships awarded by the Foundation, amounts are remitted to the College. Subsequently, the College makes payments directly to the award recipients. Such amounts approximated \$143,000, in 2014.

Note 12: Subsequent Events

The College has evaluated subsequent events through October 17, 2014, which is the date that the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2014 financial statements.

Note 13: Risk Management

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

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



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 14: Commitments and Contingencies

Federal Programs: The College conducts certain programs pursuant to various grants and contracts which are subject to audit by federal and state agencies. Costs questioned as a result of these audits, if any, may result in refunds to these government agencies from various sources of the College.

In July 2010, the College began participating in the Federal Direct Student Loan Program (Direct Lending Program) that replaced the FFEL Program. The Direct Lending Program requires the College to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. Failure to perform such functions may require the College to reimburse the U.S. Department of Education. For the year ended June 30, 2014, approximately \$6,937,000, of Direct Lending Program loans were provided to College students.

Grant from Enid Economic Development Authority: In June 1999, the College received assistance from the Enid Economic Development Authority (the "Authority") to accomplish the purchase of the Phillips College Campus in Enid. The assistance from the Authority is conditional. The College is required to utilize the facilities primarily for higher education to benefit the Enid area and is restricted from selling the campus. If the campus is sold, the College must repay the full amount of the assistance received, \$1,906,250, back to the Authority. A portion of the assets may be sold if proceeds are used for maintenance or improvement of facilities or used to fund academic programs or scholarships.

Note 15: Accounting Standards Issued and Adopted

New Accounting Pronouncements Adopted in Fiscal Year 2014: The College adopted the following accounting pronouncement during the year ended June 30, 2014:

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

GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

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



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 15: Accounting Standards 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 2013, and the College has not yet determined the impact that implementation of GASB No. 68 will have on its net position.

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

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

- **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 College has not yet determined the impact that implementation of GASB No. 71 will have on its net position.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc.

The following are significant disclosures of the Foundation:

Note A: Summary of Significant Accounting Policies

Nature of Activities: Northern Oklahoma College Foundation, Inc. (the Foundation) was established for the benefit of Northern Oklahoma College (the College). The Foundation awards scholarships and makes loans to students of the College and provides other general support to the College.

The Board of Trustees, which governs the Foundation, is separate and distinct from the Board of Regents, the governing body of the College.

Accounting Standards Codification: The Foundation adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The ASC does not alter current accounting principles generally accepted in the United States of America ("U.S. GAAP"), but rather integrates existing accounting standards with other authoritative guidance. The ASC provides a single source of authoritative U.S. GAAP for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance. Adoption of the ASC did not have a significant effect on the Foundation's financial statements.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board and accordingly, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions received from donors with general use restrictions for the College as a whole, or for specific departments within the College, are reflected as unrestricted to the extent that the College, or departments have expended sufficient dollars which meet these general use restrictions.

Income and gains on investments are reported as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment require such amounts be added to permanent endowment principal. Income and gains are reported as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income and/or the income is related to a donor-restricted endowment fund, and as increases in unrestricted net assets in all other cases.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Basis of Presentation--Continued: Generally, losses on investments of endowments reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on the net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets. Subsequent investment gains are applied first to unrestricted net assets to the extent that losses have previously been recognized, and then to temporarily restricted net assets.

Net Asset Classification: The Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") was enacted in the state of Oklahoma effective November 1, 2007 ("OK UPMIFA"). The Foundation's Board of Trustees' (the "Trustees") interpretation of OK UPMIFA and other required endowment disclosures are included in Note F.

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

Unrestricted net assets - Net assets for which no donor has imposed any restrictions that the assets be used for a specific purpose or held for a certain period of time. Contributions received with time and/or purpose restrictions which are fully expended in the same period are classified as unrestricted.

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 statements of activities as net assets released from restrictions.

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 investment for general or specific purposes.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Support and Expenses: Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Loans Receivable: The Foundation grants various students loans as directed by donor-imposed stipulations. The Foundation considers all loans receivable to be fully collectible.

Income Taxes: The Internal Revenue Service has recognized the Foundation as exempt from income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501 (c)(3) of the Code.

Accounting for Uncertain Tax Positions: The Financial Accounting Standards Board issued guidance on the accounting for uncertainty in income taxes. The Foundation adopted this new guidance for the year ended June 30, 2010. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal state or local tax authorities before 2007.

Investments and Investment Return: Investments in marketable equity securities with readily determinable fair values and all debt securities are carried at fair value. Non-marketable securities are stated at fair value or the best estimate of fair value as determined by the investment manager and/or Foundation management. Realized gains and losses are computed on the first-in, first-out basis.

Property and Equipment: Property and equipment are stated at cost or fair value at date of donation. For equipment, the Foundation's capitalization policy includes all items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets: ten years for equipment.

Contributions Receivable: Contributions receivable, which arise primarily from trusts and estates, are carried at present value at the financial statement date. This valuation assumes collection within one year; however, due to the nature of the receivables, the final settlement dates are uncertain. All amounts are expected to be fully collected. There were no contributions receivable at June 30, 2014 and June 30, 2013.

Fair Value Measurements: The Foundation follows the ASC Topic 820, *Fair Value Measurements and Disclosures*. Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 establishes a fair value hierarchy that prioritizes that inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs that are derived principally from or corroborated by observable market data;

Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets and liabilities carried at fair value on a recurring basis include investments, beneficial interest in assets held by others, and custodial funds. The Foundation has no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2014.

The FASB continues to clarify and improve disclosures related to Topic 820 and as a result, the Foundation has implemented the following:

- For the year ended June 30, 2014, the Foundation implemented *Improving Disclosures about Fair Value Measurements* (ASU 2010-06) which requires additional disclosures about transfers in and out of Levels 1 and 2 and disaggregation within the reconciliation for fair value measurements using significant unobservable inputs. The update also clarifies existing disclosures regarding disaggregation by class and disclosures about inputs and valuation techniques. Implementation of these new requirements did not have a significant impact on the Foundation's financial statements.
- For the year ended June 30, 2014, the Foundation implemented *Improving Disclosures about Fair Value Measurements* (ASU 2010-06) which requires additional disclosures about transfers in and out of Levels 1 and 2 and disaggregation within the reconciliation for fair value measurements using significant unobservable inputs. The update also clarifies existing disclosures regarding disaggregation by class and disclosures about inputs and valuation techniques. Implementation of these new requirements did not have a significant impact on the Foundation's financial statements.

Recent Accounting Pronouncements: The FASB has issued additional clarification related to Topic 820, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04) that are effective for periods beginning after December 15, 2011. Early adoption of this update for the year ended June 30, 2012 was not permitted. However, the Foundation applied the provisions of this update beginning with the year ending June 30, 2013. The Foundation's adoption of this new guidance didn't appear to have a significant impact on the financial statements for the years ended June 30, 2014 and 2013, respectively.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk: The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents.

In 2014, approximately 11% of total contribution revenue was received from one donor. In 2013, approximately 8% of total contribution revenue was received from one donor.

Subsequent Events: The Foundation has evaluated subsequent events through September 19, 2014, which is the date that the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2014 financial statements.

Note B: Investments

The fair value of investments by type is summarized as follows:

	June 30	
	2014	2013
Cash and cash equivalents	\$ 88,130	\$ 41,325
Certificates of deposit	42,939	245,370
Common stock - domestic	1,267,205	1,120,450
Common stock - fixed income	838,527	785,773
Government/Agency Securities	-	-
Unit Trusts	-	-
Mutual funds	34,442	29,455
Pooled funds - equities	3,698,252	2,721,430
Pooled funds - fixed income	1,985,643	1,674,976
Private pool investments	85,439	86,552
	<u>\$ 8,040,577</u>	<u>\$ 6,705,331</u>



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note C: Property and Equipment

Property and equipment by category is summarized as follows:

	June 30	
	2014	2013
Land	\$ -	\$ -
Equipment	106,203	106,203
	106,203	106,203
Less accumulated depreciation	(86,230)	(75,609)
Net property and equipment	<u>\$ 19,973</u>	<u>\$ 30,594</u>

Note D: Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes:

	June 30	
	2014	2013
Scholarships	\$ 3,333,107	\$ 2,314,841
Loans	83,196	102,122
	<u>\$ 3,416,303</u>	<u>\$ 2,416,963</u>

Permanently restricted net assets are restricted for the following purposes:

	June 30	
	2014	2013
Scholarships	\$ 3,280,095	\$ 3,130,095
Loans	164,007	139,007
Lectureship	100,000	100,000
	<u>\$ 3,544,102</u>	<u>\$ 3,369,102</u>



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note E: Related-Party Transactions

Based upon an exchange of service agreement, the College provides the Foundation with the necessary staffing and office space at no cost to the Foundation. Thus, the Foundation has no employees. In exchange, the College receives scholarships, funds for capital improvement, and other services from the Foundation. The value of services provided by the College is not reasonably estimated; therefore the Foundation has not recorded any amounts as contributions or expenses.

During the years ended June 30, 2014 and 2013, the Foundation awarded scholarships totaling approximately \$143,000 and \$97,000, respectively, to students of the College.

Note F: Endowment Disclosures

The Foundation's endowment consists of 41 individual donor-restricted funds and 3 other funds which are managed and controlled by the Foundation. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Other endowment funds consist of contributions which were not restricted by the donor for scholarships but have been endowed by the Foundation's Board of Trustees to provide scholarships for future periods rather than fully expending such amounts in the current year. All of the endowment funds held by the Foundation are managed and controlled by the Foundation in accordance with the following policies.

The State of Oklahoma adopted UPMIFA effective November 1, 2007 ("OK UPMIFA"). The Board of Trustees of the Foundation has interpreted OK UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note F: Endowment Disclosures (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (33,137)	\$ 1,550,989	\$ 3,481,485	\$ 4,999,337
Board-designated endowment funds	513,225	-	-	513,225
Total Funds Invested	<u>\$ 480,088</u>	<u>\$ 1,550,989</u>	<u>\$ 3,481,485</u>	<u>\$ 5,512,562</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (44,324)	\$ 949,004	\$ 3,305,509	\$ 4,210,189
Board-designated endowment funds	442,654	-	-	442,654
Total Funds Invested	<u>\$ 398,330</u>	<u>\$ 949,004</u>	<u>\$ 3,305,509</u>	<u>\$ 4,652,843</u>



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note F: Endowment Disclosures (Continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2014:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year - reclassified	\$ 398,330	\$ 949,004	\$ 3,305,509	\$ 4,652,843
Investment return:				
Investment income	7,637	99,273	976	107,886
Net investment return (realized and unrealized)	<u>67,875</u>	<u>552,616</u>	<u>-</u>	<u>620,491</u>
Net investment return	75,512	651,889	976	728,377
Contributions	-	26,078	175,000	201,078
Transferred to recover Underwater funds	11,187	19,790	-	30,977
Appropriation of endowment assets for expenditure	<u>(4,941)</u>	<u>(95,772)</u>	<u>-</u>	<u>(100,713)</u>
Endowment Net Assets	<u>\$ 480,088</u>	<u>\$ 1,550,989</u>	<u>\$ 3,481,485</u>	<u>\$ 5,512,562</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2013:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year - reclassified	\$ 290,531	\$ 592,884	\$ 3,334,102	\$ 4,217,517
Investment return:				
Investment income	2,551	81,972	704	85,227
Net investment return (realized and unrealized)	<u>72,353</u>	<u>304,115</u>	<u>-</u>	<u>376,468</u>
Net investment return	74,904	386,087	704	461,695
Contributions	-	25,970	36,000	61,970
Transferred to recover Underwater funds	33,820	(17,734)	(55,000)	(38,913)
Appropriation of endowment assets for expenditure	<u>(925)</u>	<u>(38,203)</u>	<u>(10,297)</u>	<u>(49,425)</u>
Endowment Net Assets	<u>\$ 398,330</u>	<u>\$ 949,004</u>	<u>\$ 3,305,509</u>	<u>\$ 4,652,844</u>



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note F: Endowment Disclosures (Continued)

Description of amounts classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) at June 30, 2014:

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by OK UPMIFA	\$ 3,481,485
Total endowment funds classified as permanently restricted net assets	<u>\$ 3,481,485</u>

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to time restriction under OK UPMIFA with purpose restrictions	\$ 1,550,990
Total endowment funds classified as temporarily restricted net assets	<u>\$ 1,550,990</u>

Description of amounts classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) at June 30, 2013:

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by OK UPMIFA	\$ 3,305,509
Total endowment funds classified as permanently restricted net assets	<u>\$ 3,305,509</u>

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to time restriction under OK UPMIFA with purpose restrictions	\$ 949,004
Total endowment funds classified as temporarily restricted net assets	<u>\$ 949,004</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were approximately \$33,137 and \$44,324 for years ending June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the Foundation.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note F: Endowment Disclosures (Continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). The Foundation's investment objective for the Endowment Fund (the "Fund") is "Growth and Income". The intent of the objective is to provide both current income and future growth of the Fund sufficient to offset reasonable spending plus nominal inflation; thereby, preserving the dollar value and purchasing power of the endowment for future generations. Investment performance will be judged over a five-year horizon or market cycle. The goal for equity investment performance is to exceed the price and yield results of Standard and Poor's 500 Common Stock Index while maintaining a risk level similar to that of the benchmark. The goal for fixed income investment performance is to exceed returns of the broad U.S. bond market, while maintaining a risk level similar to that of the benchmark.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an equal emphasis on equity and fixed income based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year amounts up to, but not to exceed actual investment performance for that year, as well as prior year accumulations. Since the Foundation has a policy of designating unrestricted funds each year for investment, it feels that this policy protects the purchasing power of the endowments as well as the original corpus of the donor-restricted investment. In light of current market fluctuations and the future needs of the Foundation, it will evaluate the spending policy to ensure that it remains in accordance with the long-term objectives of the Foundation.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note G: Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of assets and liabilities in the financial statements.

Cash and Cash Equivalents: The carrying amount of the asset approximates fair value due to the short maturity of such amounts.

Investments: Investments are stated at fair value, and are based on quoted market prices, when available, or the best estimate of fair value as determined by the fund and/or investment manager. Generally, quoted market prices are available for common and preferred stocks, and mutual funds and as such are classified as Level 1 in the fair value hierarchy. Fair values of certificates of deposit are based on yield curves, interest rates, and other relevant factors and are classified as Level 2. Private pool, and pooled equity and fixed income funds for which a quoted market price is not available are carried at net asset value ("NAV") as determined by the fund manager and are classified as Level 2. The pooled investments are classified as Level 2 due to their ability to be redeemed within 30 days of redemption request.

Contributions Receivable: The note is carried at cost and fair value is determined by calculating the present value of the expected future cash flows using a discount rate equal to the rate of return earned on the Foundation's investment portfolio.

Interest and Other Receivables: The carrying amount approximates fair value due to the short maturity of such amounts.



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note G: Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis are classified within the fair value hierarchy is as follows:

	As of June 30, 2014			
	Level 1	Level 2	Level 3	Total
ASSETS				
Cash and cash equivalents	\$ 88,130	\$ -	\$ -	\$ 88,130
Certificates of deposit	-	42,939	-	42,939
Common stock	1,267,205	-	-	1,267,205
Government agency securities	-	-	-	-
Mutual fund-fixed income	838,527	-	-	838,527
Mutual fund-equity	34,442	-	-	34,442
Pooled fund - fixed income	-	1,985,643	-	1,985,643
Pooled fund - equities	-	3,698,252	-	3,698,252
Private pool	-	85,439	-	85,439
	<u>\$ 2,228,304</u>	<u>\$ 5,812,273</u>	<u>\$ -</u>	<u>\$ 8,040,577</u>

	As of June 30, 2013			
	Level 1	Level 2	Level 3	Total
ASSETS				
Cash and cash equivalents	\$ 41,325	\$ -	\$ -	\$ 41,325
Certificates of deposit	-	245,370	-	245,370
Common stock	1,120,450	-	-	1,120,450
Government agency securities	-	-	-	-
Mutual fund-fixed income	785,773	-	-	785,773
Mutual fund-equity	29,455	-	-	29,455
Pooled fund - fixed income	-	2,721,430	-	2,721,430
Pooled fund - equities	-	1,674,976	-	1,674,976
Private pool	-	86,552	-	86,552
	<u>\$ 1,977,003</u>	<u>\$ 4,728,328</u>	<u>\$ -</u>	<u>\$ 6,705,331</u>



Northern Oklahoma College
Notes to Financial Statements
June 30, 2014

Note 16: Northern Oklahoma College Educational Foundation, Inc. (Continued)

Note G: Fair Value Measurements (Continued)

The Foundation's investments in certain entities that calculate net asset value ("NAV") per share for which there is not a readily determinable fair market value include the following:

Pooled fund – Fixed income: This pooled fund is invested in a multi-strategy bond program, and will generally be invested in investment grade bonds and other fixed income securities in an attempt to outperform the broad U.S. bond market. Investment in the multi-strategy bond fund can be redeemed at net asset value per share on the last business day of each month with five days prior written notice. If the redemption is for 90% or more of the member's total interest, then 10% will be held back until after the final NAV on the redemption date is determined.

Pooled fund – Equities: The fund is a multi-strategy equity program, and is primarily invested in investment grade common and preferred stock of domestic companies, and includes diversification through a portion of assets allocated to common stock and equity securities of foreign companies in developed and emerging markets. A portion of the fund is also allocated to marketable alternative investments in domestic and foreign markets. Investment in the multi-strategy equity fund can be redeemed at net asset value per share on the last business day of each month with five days prior written notice. If the redemption is for 90% or more of the member's total interest, then 10% will be held back until after the final NAV on the redemption date is determined.

Private pool investment: The fund is primarily invested in domestic and foreign bond fund programs. The private pool includes diversification through a portion of assets allocated to common stock and equity index funds, and a portion is also allocated to marketable alternative investments. Investment in the private pool can be redeemed at net asset value per unit share with 30 days' notice.





**HINKLE &
COMPANY**

PC
Strategic
Business Advisors

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

Board of Regents
Northern Oklahoma College
Tonkawa, 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 Northern Oklahoma College, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Northern Oklahoma College's basic financial statements, and have issued our report thereon dated October 17, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern Oklahoma College'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.

Hibel & Company

Tulsa, Oklahoma
October 17, 2014





**HINKLE &
COMPANY**
PC

Strategic
Business Advisors

**Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control over Compliance Required
By OMB Circular A-133**

Board of Regents
Northern Oklahoma College
Tonkawa, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Northern Oklahoma College compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a material effect on each of the Northern Oklahoma College's major federal award programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the Northern Oklahoma College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

Report on Internal Control Over Compliance

Management of the Northern Oklahoma College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Northern Oklahoma College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the Northern Oklahoma College as of and for the year ended June 30, 2014, and have issued our report thereon dated October 17, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hibb & Company, PC

Tulsa, Oklahoma
October 17, 2014



Northern Oklahoma College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education		
<i>Student Financial Aid Cluster</i>		
Office of Postsecondary Education		
Federal Pell Grant Program	84.063	\$ 7,870,133
Federal Direct Loan Programs	84.268	6,937,345
Federal Supplemental Education Opportunity	84.007	76,401
Federal Work Study Program	84.033	<u>48,264</u>
Total Student Financial Aid Cluster		<u>14,932,143</u>
Office of Postsecondary Education		
Upward Bound	84.047	<u>239,411</u>
Gaining Early Awareness and Readiness For Undergraduate Program	84.334	<u>44,631</u>
Vocational Education National Centers For Career and Technical Education	84.051	<u>71,170</u>
Total U.S. Department of Education		<u>15,287,355</u>
U.S. Department of Health and Human Services		
Temporary Assistance for Needy Families (TANF)	93.558	295,675
Oklahoma State Regents for Higher Education Child Care Development Block Grant		
Refugee & Entrant Assistance	93.576	<u>168,100</u>
Total U. S. Department of Health and Human Services		<u>463,775</u>



**Northern Oklahoma College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

(Continued)

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
National Science Foundation		
Education and Human Resources	47.076	<u>173,932</u>
U.S. Department of Labor		
Subcontract from OKCCC/TAACCCT		
Prime contract #DOL-TC-22541-11-60-A-40	17.282	<u>157,050</u>
U.S. Department of Homeland Security		
Pass-through Oklahoma Department of Emergency Management FEMA-4064-DR-OK	97.036	<u>997</u>
 Total Expenditures of Federal Awards		 <u>\$ 16,083,109</u>



Northern Oklahoma College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Note A: Summary of Significant Accounting Policies

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

Note B: Federal Direct Loan Program

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

Note C: Subrecipients

The College provided no federal awards to subrecipients



Northern Oklahoma College
Schedule of Expenditures of State Awards
Year Ended June 30, 2014

State Grantor/Program Title	<u>Contract Number</u>	<u>Contract Period</u>	<u>State Expenditures</u>
Oklahoma Higher Learning Access Program (OHLAP) now called Oklahoma's Promise	N/A	7/1/13 - 6/30/14	\$730,901
State Regents Academic Scholarships	N/A	7/1/13 - 6/30/14	\$7,731
Indian Gaming Curriculum	N/A	7/1/13 - 6/30/14	\$5,297
Oklahoma Tuition Aid Grant Program (OTAG)	N/A	7/1/13 - 6/30/14	\$502,408
Quality Initiative Grant, Institute for Tribal Leadership	N/A	7/1/13 - 6/30/14	\$32,926
Teacher Compensation and Helps (TEACH)	N/A	7/1/13 - 6/30/14	<u>\$28,355</u>
Total State Expenditures			\$1,307,618



Northern Oklahoma College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed
2. The independent accountants' report on internal control over financial reporting described:
Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No
Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No
3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No
4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No
Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No
5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed
6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ☒ No



Northern Oklahoma College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Summary of Auditors' Results (Continued)

7. The College's major program was:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Supplemental Education Opportunity Grants	84.007
Federal Direct Loan Program	84.268
Federal Work Study	84.033
Federal Pell Grant	84.063

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The College qualified as a low-risk auditee as that term is defined in OMB Circular A-133. ☒ Yes ☐ No

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

No matters are reportable.



Northern Oklahoma College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

No Items Reportable.

