Northeastern Oklahoma Agricultural and Mechanical College

Financial Statements and Independent Auditors' Reports

June 30, 2016

Contents

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Northeastern Oklahoma Agricultural and Mechanical College (the College), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Governmental Auditing Standards.*

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

Except for the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit's Statement of Revenue, Expenses, and Changes in Net Position and Consistency" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Basis for Disclaimer of Opinion on the Discretely Presented Component Unit's Statement of Revenue, Expenses, and Changes in Net Position and Consistency

In accordance with the terms of our engagement, we have not applied audit procedures necessary to obtain sufficient appropriate audit evidence about the classifications and amounts comprising the statement of net position for the discretely presented component unit at June 30, 2015. Significant aspects of the statement of net position at that date, including classifications and amounts, materially affect the determination of the statement of revenue, expenses, and changes in net position for the year ended June 30, 2016, and the consistency of application of accounting principles between 2016 and 2015 for the discretely presented component unit.

Disclaimer of Opinion on the Discretely Presented Component Unit's Statement of Revenue, Expenses, and Changes in Net Position and Consistency

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component unit's statement of revenue, expenses, and changes in net position for the year ended June 30, 2016, or on the consistency of application of accounting principles with the preceding year. Accordingly, we do not express an opinion on the discretely presented component unit's statement of revenue, expenses, and changes in net position for the year ended June 30, 2016, or on its consistency of application of accounting principles with the preceding year.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College's primary government and its discretely presented component unit as of June 30, 2016, in accordance with accounting principles generally accepted in the United States of America. Also in our opinion, the changes in financial position and cash flows of the College's primary government are presented fairly, in all material respects, for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 1 to the financial statements, certain errors resulting in understatement of amounts previously reported for accumulated depreciation on capital assets as of June 30, 2015, were discovered by management of the College during the current year. Accordingly, an adjustment has been made to net position as of June 30, 2014, to correct the error. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2016 the College adopted new accounting guidance, GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, 68, and 73. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of the College are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the Regents that is attributable to the transactions of the College. They do not purport to, and do not present fairly the financial position of the Regents as of June 30, 2016, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the College's primary government as of June 30, 2015, were audited by other auditors whose report dated November 25, 2015, expressed an unmodified opinion on those statements. The financial statements of the discretely presented component unit as of June 30, 2015, are unaudited.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 21, 2016

Introduction

The following discussion and analysis of the financial performance of Northeastern Oklahoma A & M College (the College) provides management's overview of the College's financial activities for the fiscal year ended June 30, 2016. Fiscal years 2015 and 2014 are presented for comparative purposes. This analysis is intended to provide a summary of significant financial activities and information and should be read in conjunction with the College's audited financial statements and footnotes.

Financial Highlights

- The College's net position improved to $14,703,102 in 2016 from $13,276,184 in 2015. The College's net position was $29,259,419 in 2014.

- The College's total revenues decreased to $26,822,654 in 2016 from $28,886,736 in 2015. The College's total revenues were $29,243,676 in 2014.

- The College's total expenses decreased to $25,395,736 in 2016 from $27,826,014 in 2015. The College's total expenses were $28,528,738 in 2014.

Basic Financial Statements

The College's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* and, accordingly, include management's discussion and analysis (as required supplementary information); the statements of cash flows; and explanatory notes to the financial statements. **Please note that prior year amounts have been restated. Please see Note 1 for further explanation.**

Statement of Net Position

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

The College's Condensed Statements of Net Position for fiscal years 2016, 2015 and 2014 follow:

	2016	Restated 2015	Increase (Decrease)	Percent Change
Assets				
Current assets	$ 7,676,551	$ 7,498,292	$ 178,259	2.4%
Noncurrent assets	38,980,632	39,695,218	(714,586)	(1.8%)
Total assets	$ 46,657,183	$ 47,193,510	$ (536,327)	(1.1%)
Deferred outflows of resources	$ 1,615,532	$ 1,061,001	$ 554,531	52.3%
Liabilities				
Current liabilities	$ 2,663,029	$ 2,487,644	$ 175,385	7.1%
Noncurrent liabilities	29,013,521	28,942,114	71,407	0.2%
Total liabilities	$ 31,676,550	$ 31,429,758	$ 246,792	0.8%
Deferred inflows of resources	$ 1,893,063	$ 3,548,569	$ (1,655,506)	(46.7%)
Net Position				
Net investment in capital assets	$ 22,734,156	$ 22,290,601	$ 443,555	2.0%
Restricted	909,588	1,209,362	(299,774)	(24.8%)
Unrestricted	(8,940,642)	(10,223,779)	1,283,137	(12.6%)
Total net position	$ 14,703,102	$ 13,276,184	$ 1,426,918	10.7%

	Restated 2015	Restated 2014	Increase (Decrease)	Percent Change
Assets				
Current assets	$ 7,498,292	$ 8,508,072	$ (1,009,780)	(11.9%)
Noncurrent assets	39,695,218	40,047,669	(352,451)	(0.9%)
Total assets	$ 47,193,510	$ 48,555,741	$ (1,362,231)	(2.8%)
Deferred outflows of resources	$ 1,061,001	$ 119,574	$ 941,427	787.3%
Liabilities				
Current liabilities	$ 2,487,644	$ 2,527,412	$ (39,768)	(1.6%)
Noncurrent liabilities	28,942,114	17,388,077	11,554,037	66.4%
Total liabilities	$ 31,429,758	$ 19,915,489	$ 11,514,269	57.8%
Deferred inflows of resources	$ 3,548,569	$ 175,321	$ 3,373,248	100.0%
Net Position				
Net investment in capital assets	$ 22,290,601	$ 24,229,886	$ (1,939,285)	(8.0%)
Restricted	1,209,362	309,602	899,760	290.6%
Unrestricted	(10,223,779)	4,045,017	(14,268,796)	(352.7%)
Total net position	$ 13,276,184	$ 28,584,505	$ (15,308,321)	(53.6%)

The College's net position was significantly reduced in 2015 due to the implementation of GASB Statement 68. This statement required the College to include a share of the unfunded liability of the Oklahoma Teachers Retirement plan. The impact of this implementation can be seen in the increase in deferred outflows of resources, noncurrent liabilities and deferred inflows of resources and in the decrease in unrestricted reserves and net position. Management believes the College remains financially strong and will not be adversely impacted by the implementation. A review of the 2016 statement of net position shows the College is continuing to improve the net position and remains strong.

Statement of Revenues, Expenses, and Changes of Net Position

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

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

The College's Condensed Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2016, 2015 and 2014 follow:

	Year Ended June 30			
	2016	Restated 2015	Increase (Decrease)	Percent Change
Operating revenues:				
Tuition and fees, net	$ 2,438,480	$ 2,657,321	$ (218,841)	(8.2%)
Grants and contracts	1,927,401	2,080,130	(152,729)	(7.3%)
Auxiliary, net	6,576,304	6,332,964	243,340	3.8%
Other	150,891	110,431	40,460	36.6%
Total operating revenues	11,093,076	11,180,846	(87,770)	(0.8%)
Less Operating expenses	24,677,293	27,193,009	(2,515,716)	(9.3%)
Net operating loss	(13,584,217)	(16,012,163)	2,427,946	(15.2%)
Nonoperating revenues:				
State appropriations	8,643,906	9,783,224	(1,139,318)	(11.6%)
State grants and contracts	890,162	1,082,302	(192,140)	(17.8%)
Federal grants and contracts	5,085,894	5,639,033	(553,139)	(9.8%)
Investment income	45,125	133,712	(88,587)	(66.3%)
Gain (Loss) on Investments	(45,331)	-	(45,331)	(100.0%)
Interest expenses	(718,443)	(633,462)	(84,981)	13.4%
Total nonoperating revenue	13,901,313	16,004,809	(2,103,496)	(13.1%)
State appropriations for capital	380,144	436,941	(56,797)	(13.0%)
On-behalf payments for OCIA capital leases	729,678	617,073	112,605	18.2%
Gain on sale of property	-	13,605	(13,605)	100.0%
Changes in net position	1,426,918	1,060,265	366,653	34.6%
Net position, beginning of year, restated	13,276,184	12,215,919	1,060,265	8.7%
Net position, end of year	$ 14,703,102	$ 13,276,184	$ 1,426,918	10.7%

	Year Ended June 30			
	Restated 2015	Restated 2014	Increase (Decrease)	Percent Change
Operating revenues:				
Tuition and fees, net	$ 2,657,321	$ 2,432,117	$ 225,204	9.3%
Grants and contracts	2,080,130	2,129,620	(49,490)	(2.3%)
Auxiliary, net	6,332,964	6,604,531	(271,567)	(4.1%)
Other	110,431	119,176	(8,745)	(7.3%)
Total operating revenues	11,180,846	11,285,444	(104,598)	(0.9%)
Less Operating expenses	27,193,009	28,116,864	(923,855)	(3.3%)
Net operating loss	(16,012,163)	(16,831,420)	819,257	(4.9%)
Nonoperating revenues:				
State appropriations	9,783,224	9,780,819	2,405	0.0%
State grants and contracts	1,082,302	1,163,158	(80,856)	(7.0%)
Federal grants and contracts	5,639,033	6,012,656	(373,623)	(6.2%)
Investment income	133,712	98,564	35,148	35.7%
Interest expenses	(633,462)	(749,331)	115,869	(15.5%)
Total nonoperating revenue	16,004,809	16,305,866	(301,057)	(1.8%)
State appropriations for capital	436,941	436,941	-	- %
On-behalf payments for OCIA capital leases	617,073	466,094	150,979	32.4%
Gain on sale of property	13,605	-	13,605	100.0%
Changes in net position	1,060,265	377,481	669,179	177.3%
Net position, beginning of year, restated	12,215,919	28,207,024	(15,991,105)	
Net position, end of year	$ 13,276,184	$ 28,584,505	$ (15,321,926)	(53.6%)

The College's operating revenues have decreased slightly the last two years. The College raised tuition and fees 7% in 2014, 6.5% in 2015, and 5% in 2016. However, the College also experienced a decline in credit hours billed during this time. In spite of these increases, the students at the College enjoy the seventh lowest tuition and fees of the 27 state institutions of higher education in Oklahoma. This decline is attributed to a decline in the number of high school graduates in the College's tri-county service area.

The College experienced a one year drop in residential students in 2015. That decline resulted in a 4.1% decline in auxiliary revenues. Significant recruiting efforts reversed the decline in 2016 and the College saw auxiliary revenues recover.

The College has reduced operating expenses nearly $3.5 million over the last two years. Reductions in state appropriations and enrollment have forced the College to reduce spending.

- The College reduced compensation and employee benefits by $1.9 million since 2014 by reducing full-time faculty positions, by leaving several positions unfilled and by freezing employee wages.

- Budget directors were asked to restrict the purchases of supplies and materials resulting in a $545,000, or 25%, reduction in supplies and materials expense.

- Lower enrollments have resulted in a reduction in scholarship and fellowship expense of nearly $1.1 million.

Statement of Cash Flows

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

The College's Condensed Statements of Cash Flows for fiscal years 2016, 2015 and 2014 follow:

	Year Ended June 30 2016	Year Ended June 30 2015	Increase (Decrease)	Percent Change
Cash provided by (used in)				
Operating Activities	$ (12,161,511)	$ (14,661,379)	$ 2,499,868	(17.1%)
Non-Capital Financing Activities	13,878,047	15,787,532	(1,909,485)	(12.1%)
Capital and Related Financing Activities	(1,730,126)	(2,074,235)	344,109	(16.6%)
Investing Activities	274,386	341,801	(67,415)	(19.7%)
Net increase (decrease) in cash	260,796	(606,281)	867,077	(143.0%)
Cash and cash equivalents, beginning of year	5,748,109	6,354,390	(606,281)	(9.5%)
Cash and cash equivalents, end of year	$ 6,008,905	$ 5,748,109	$ 260,796	4.5%

	Year Ended June 30 2015	Year Ended June 30 2014	Increase (Decrease)	Percent Change
Cash provided by (used in)				
Operating Activities	$ (14,661,379)	$ (14,486,879)	$ (174,500)	1.2%
Non-Capital Financing Activities	15,787,532	16,233,633	(446,101)	(2.7%)
Capital and Related Financing Activities	(2,074,235)	404,002	(2,478,237)	(613.4%)
Investing Activities	341,801	(6,226)	348,027	(5,589.9%)
Net increase (decrease) in cash	(606,281)	2,144,530	(2,750,811)	(128.3%)
Cash and cash equivalents, beginning of year	6,354,390	4,209,860	2,144,530	50.9%
Cash and cash equivalents, end of year	$ 5,748,109	$ 6,354,390	$ (606,281)	(9.5%)

The College has maintained strong cash reserves in spite of declining state appropriations. The administration works to balance increases in student costs against cuts to the services offered to students. Further, the administration works to balance cuts in salary and benefits against the retention of quality employees. Given the uncertainty of state funding, the administration believes that a significant balance of unrestricted cash is necessary.

Capital Assets and Debt Administration

The College has effectively utilized a varied source of funds to maintain and improve the campus buildings and infrastructure. The administration aggressively pursues grant opportunities that include capital expenditure funds. The College currently has one awarded grant and one pending grant that include significant capital improvement funds. The College also participates in the state's ODFA Master Lease Program. This program allows the College to borrow money at competitive rates with lower origination costs. Current capital projects include the on-going improvements to Synar Farm and the implementation of an ERP System. The College expects to begin construction of a new 87 bed dormitory in the late fall.

	Year Ended June 30			
	2016	Restated 2015	Increase (Decrease)	Percent Change
Land	$ 500,716	$ 500,716	$ -	- %
Construction in-progress	49,160	511,744	(462,584)	(90.4%)
Buildings and improvements	52,525,811	52,286,188	239,623	0.5%
Non-structural improvements	432,364	309,740	122,624	39.6%
Equipment and infrastructure	8,713,153	7,769,893	943,260	12.1%
Library materials	2,544,755	2,509,990	34,765	1.4%
Total	64,765,959	63,888,271	877,688	1.4%
Less accumulated depreciation	(26,771,013)	(25,195,690)	(1,575,323)	6.3%
Capital assets, net	$ 37,994,946	$ 38,692,581	$ (697,635)	(1.8%)

	Year Ended June 30			
	Restated 2015	Restated 2014	Increase (Decrease)	Percent Change
Land	$ 500,716	$ 501,111	$ (395)	(0.1%)
Construction in-progress	511,744	220,828	290,916	100.0%
Buildings and improvements	52,286,188	51,334,732	951,456	1.9%
Non-structural improvements	309,740	261,844	47,896	18.3%
Equipment and infrastructure	7,769,893	7,514,742	255,151	3.4%
Library materials	2,509,990	2,438,450	71,540	2.9%
Total	63,888,271	62,271,707	1,616,564	2.6%
Less accumulated depreciation	(25,195,690)	(23,574,048)	(1,621,642)	6.9%
Capital assets, net	$ 38,692,581	$ 38,697,659	$ (5,078)	(0.0%)

Long-Term Debt

The College's long-term debt falls into three categories: OCIA debt, ODFA debt, and other.

The OCIA debt is managed by the Oklahoma Stater Regents for Higher Education (OSRHE). All activities including refunding, repayment, extensions, etc. are under the direct control of the OSRHE.

ODFA Master Lease debt is issued through the OSRHE while managed by the College. In 2016, the College added one Master Lease debt instrument to fund the purchase of a new campus-wide telephone system. Even with that addition, the total long term debt of the College decreased $2.6 million, 14%, over the last two years.

	Year Ended June 30		Increase	Percent
	2016	2015	(Decrease)	Change
OCIA Series 2005F	$ -	$ 184,628	$ (184,628)	(100.0%)
OCIA Series 2010A	1,484,355	1,571,961	(87,606)	(5.6%)
OCIA Series 2010B	-	205,587	(205,587)	(100.0%)
OCIA Series 2014A	3,208,552	3,208,552	-	- %
OCIA Series 2014B	101,391	132,950	(31,559)	(23.7%)
ODFA Master Lease, Series 2007A	92,584	189,917	(97,333)	100.0%
ODFA Master Lease, Series 2010A	2,691,751	2,847,084	(155,333)	(5.5%)
ODFA Master Lease, Series 2010B	696,750	867,167	(170,417)	(19.7%)
ODFA Master Lease, Series 2011A	2,535,417	2,683,667	(148,250)	(5.5%)
ODFA Master Lease, Series 2011C	291,751	377,751	(86,000)	(22.8%)
ODFA Master Lease, Series 2013A	2,129,750	2,248,167	(118,417)	(5.3%)
ODFA Master Lease, Series 2014C	1,045,333	1,087,500	(42,167)	(3.9%)
ODFA Master Lease, Series 2015C	177,417	-	177,417	
Premiums on master leases	101,771	108,747	(6,976)	(6.4%)
Discount on master leases	(24,579)	(25,492)	913	(3.6%)
NEO Development Foundation-	-	-	-	
Multipurpose Athletic Center	1,324,452	1,397,245	(72,793)	(5.2%)
Total	$ 15,856,695	$ 17,085,431	$ (1,228,736)	(7.2%)

	Year Ended June 30		Increase	Percent
	2015	2014	(Decrease)	Change
OCIA Series 1999 A, B, and C	$ -	$ 177,107	$ (177,107)	(100.0%)
OCIA Series 2005F	184,628	361,224	(176,596)	(48.9%)
OCIA Series 2010A	1,571,961	1,571,961	-	-
OCIA Series 2010B	205,587	493,355	(287,768)	(58.3%)
OCIA Series 2014A	3,208,552	3,208,552	-	- %
OCIA Series 2014B	132,950	-	132,950	
ODFA Master Lease, Series 2007A	189,917	283,250	(93,333)	(33.0%)
ODFA Master Lease, Series 2010A	2,847,084	2,999,334	(152,250)	(5.1%)
ODFA Master Lease, Series 2010B	867,167	1,042,250	(175,083)	(16.8%)
ODFA Master Lease, Series 2011A	2,683,667	2,827,084	(143,417)	(5.1%)
ODFA Master Lease, Series 2011C	377,751	461,084	(83,333)	(18.1%)
ODFA Master Lease, Series 2013A	2,248,167	2,365,250	(117,083)	100.0%
ODFA Master Lease, Series 2014C	1,087,500	1,123,154	(35,654)	100.0%
Premiums on master leases	108,747	123,793	(15,046)	100.0%
Discount on master leases	(25,492)	(26,405)	913	100.0%
NEO Development Foundation-				
Multipurpose Athletic Center	1,397,245	1,473,996	(76,751)	100.0%
Total	$ 17,085,431	$ 18,484,989	$ (1,399,558)	(7.6%)

Economic Factors and the College's Future

The College developed a new strategic plan during fiscal year 2016. Individuals from the administration, faculty, staff and student body worked together on several teams to develop the plan. The final plan includes five broad areas:

- Provide modern, comfortable facilities that will support student growth, enhance alumni and visitor experiences, and create a productive environment for employees.
- Create an environment focused on the recruitment, retention, and academic success of students.
- Provide innovative and secure information technology services.
- Provide educational excellence by removing academic, social, and psychological barriers confronting students.
- Foster and maintain an environment that is safe, secure, and stable for living, learning, and working.

In addition to the goals established in the strategic plan, several other factors influence the College's immediate future:

- The economy of the State of Oklahoma has and continues to experience a significant decline. As state revenues fall, institutions of higher education have absorbed disproportionate cuts in their state appropriation. In June, 2015, the appropriation for fiscal year 2016 was cut $314,000, 3.5%. Additional mid-year cuts reduced the College's state appropriation $852,000, 9.8%. The cuts continued for fiscal year 2017. The initial appropriation was reduced $1,381,221, 16%, from the prior year appropriation. Most analysts see no significant improvement in the state's economy in the immediate future.
- The number of graduating high school seniors in the College's three county "trade area," Ottawa, Craig, and Delaware counties, is steadily declining. The border-states Arkansas, Kansas, and Missouri have all increased their efforts to keep students in state by offering tuition-free education in their community colleges.
- The faculty, staff, and students continue to increase demands on the IT infrastructure. These demands include additional on-line courses, increasing numbers of wireless devices, and increased use of on-line content in the classroom just to name a few.

The College's response to these factors in the coming year is multifaceted:

- Increase efficiency in resource utilization:
  - The college has reduced its workforce by nearly 25% in the last two years.
  - Adjunct faculty are utilized in lieu of full-time faculty when practical.
  - Some employee benefit costs are being shifted to the employee.
- Improved student housing – Most of the current student housing is outdated and does not meet student wants. The College will begin construction of new student housing with approximately 92 beds. The project cost is not to exceed $4.5 million. The funds will come from the Master Lease Real Property issue with debt service coming from the housing revenues.
- Improved IT Infrastructure – The College will begin a campus-wide upgrade to the fiber-optic network. The project cost is expected to be approximately $2.5 million. The College will offset one-third of the cost with a federal Title III grant and one-third of the cost by utilizing in house labor. The remaining third will be paid with proceeds from a Master Lease Equipment Issue with debt service coming from student IT fees.

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

- Some vacated positions were left unfilled.
- Adjunct faculty were utilized in lieu of full time faculty where practical.
- Many job duties were re-assigned and consolidated.

- Outdated inefficient HVAC and lighting fixtures are being replaced with state of the art high-efficiency fixtures whenever possible.

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

The College continues to pursue significant grant funds. The College continues to receive four US Department of Education grants. In fiscal year 2016 the College received:

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

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

Northeastern Oklahoma Agricultural and Mechanical College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

Statements of Net Position
June 30, 2016 and 2015

	Primary Government - College				Component Unit - Foundation			
				Restated				Unaudited
		2016		2015		2016		2015
Assets								
Current assets:								
Cash and cash equivalents	$	5,629,572	$	5,432,850	$	337,778	$	360,164
Restricted cash and cash equivalents		379,333		315,259		67,077		50,663
Accounts receivable, net		1,053,508		880,499		26,000		38,000
Other receivables		54,818		93,630		16,530		1,156
Investments		94,522		366,624		-		-
Inventories		454,808		409,430		-		-
Prepaid asset		9,990		-		-		-
Total current assets		7,676,551		7,498,292		447,385		449,983
Noncurrent assets:								
Receivables restricted for capital projects		759,260		777,737		-		-
Investments		226,426		224,900		3,244,197		3,200,101
Other receivables						1,324,452		1,397,245
Other assets						60,000		165,000
Capital assets, net		37,994,946		38,692,581		-		-
Total noncurrent assets		38,980,632		39,695,218		4,628,649		4,762,346
Total assets	$	46,657,183	$	47,193,510	$	5,076,034	$	5,212,329
Deferred outflows of resources								
Deferred Outflows related to leases		-		59,787		-		-
Deferred Outflows related to pensions		1,615,532		1,001,214		-		-
Total Deferred outflows of resources	$	1,615,532	$	1,061,001	$	-	$	-

(Continued)

Northeastern Oklahoma Agricultural and Mechanical College
(An Organizational Unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges)

Statements of Net Position (Continued)
June 30, 2016 and 2015

	Primary Government - College		Component Unit - Foundation	
		Restated		Unaudited
	2016	2015	2016	2015
Liabilities				
Current liabilities:				
Accounts payable	$ 253,875	$ 368,993	$ 12,635	$ 1,019
Accrued interest payable	69,520	65,769	-	-
Accrued payroll and other accrued expenses	249,388	74,903	-	-
Unearned revenues	263,928	251,237	-	-
Student and other deposits	97,199	92,989	192,946	191,981
Current portion of noncurrent liabilities	1,729,119	1,633,753	87,412	80,253
Total current liabilities	2,663,029	2,487,644	292,993	273,253
Noncurrent liabilities:				
Accrued compensated absences	141,932	131,233	-	-
Net pension liability	14,443,133	13,040,727	-	-
Accrued pension and other postemployment benefit obligation	99,274	106,429	-	-
Note payable			980,248	1,067,639
Capital lease payable to Foundation	1,247,839	1,316,881	-	-
Capital lease obligations payable to state agencies	13,081,343	14,346,844	-	-
Total noncurrent liabilties	29,013,521	28,942,114	980,248	1,067,639
Total liabilities	31,676,550	31,429,758	1,273,241	1,340,892
Deferred inflows of resources				
Deferred Inflows related to leases	163,360	177,541	-	-
Deferred Inflows related to pensions	1,729,703	3,371,028	-	-
Total Deferred outflows of resources	$ 1,893,063	$ 3,548,569	$ -	$ -
Net position				
Net investment in capital assets	22,734,156	22,290,601	-	-
Restricted for:				
Nonexpendable	-	-	1,689,507	1,626,919
Expendable:				
Scholarships, research, instruction and other	909,588	1,209,362	679,773	875,068
Unrestricted	(8,940,642)	(10,223,779)	1,433,513	1,369,450
Total net position	$ 14,703,102	$ 13,276,184	$ 3,802,793	$ 3,871,437

See notes to financial statements.

Northeastern Oklahoma Agricultural and Mechanical College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

Statements of Revenues, Expenses, and Changes in Net Position
For Years Ended June 30, 2016 and 2015

	Primary Government - College		Component Unit - Foundation	
		Restated	Unaudited	Unaudited
	2016	2015	2016	2015
Operating revenues:				
Tuition and fees, net of scholarship discounts and allowances 2016 $5,608,000; 2015 $5,497,000	$ 2,438,480	$ 2,657,321	$ -	$ -
Federal grants and contracts	1,826,166	2,048,302	-	-
State and local grants and contracts	101,235	31,828	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances 2016 $270,000; 2015 $265,000	1,673,553	1,571,568	-	-
Food services, net of scholarship discounts and allowances 2016 $473,000; 2015 $464,000	1,894,018	1,698,169	-	-
Bookstore, net of scholarship discounts and allowances 2016 $405,000; 2015 $397,000	780,347	852,524	-	-
Student Union	603,232	624,307	-	-
Athletics	31,933	33,291	-	-
Other	1,593,221	1,553,105	-	-
Gifts and contributions	-	-	384,269	642,963
Other operating revenues	150,891	110,431	-	6,844
Total operating revenues	11,093,076	11,180,846	384,269	649,807
Operating expenses:				
Compensation and employee benefits	11,729,375	12,685,337	-	-
Contractual services	3,919,251	3,930,225	-	-
Supplies and materials	1,616,868	2,374,050	-	-
Utilities	818,168	894,854	-	-
Communications	109,646	108,210	-	-
Other operating expenses	879,184	1,077,026	392,628	1,033,840
Scholarships and fellowships	4,007,778	4,492,892	96,088	79,816
Depreciation	1,597,023	1,630,415	-	-
Total operating expenses	24,677,293	27,193,009	488,716	1,113,656
Operating income (loss)	(13,584,217)	(16,012,163)	(104,447)	(463,849)
Nonoperating revenues (expenses):				
State appropriations	7,901,991	9,066,197	-	-
On-behalf appropriations for OTRS	741,915	717,027	-	-
Federal grants and contracts	5,085,894	5,639,033	-	-
State grants and contracts	810,906	816,525	-	-
Private gifts and contributions	79,256	265,777	-	-
Investment income	45,125	133,712	201,452	137,231
Gain (Loss) on Investments	(45,331)	-	(99,747)	59,345
Interest expense	(718,443)	(633,462)	(65,902)	(43,022)
Net nonoperating revenues (expenses)	13,901,313	16,004,809	35,803	153,554
Income (loss) before other revenues, expenses, gains and losses	317,096	(7,354)	(68,644)	(310,295)
Other revenues, expenses, gains, and losses:				
State appropriations restricted for capital purposes	380,144	436,941	-	-
On-behalf payments for OCIA capital leases	729,678	617,073	-	-
Gain on sale of property	-	13,605	-	-
Total other revenues, expenses, gains and losses	1,109,822	1,067,619	-	-
Change in net position	1,426,918	1,060,265	(68,644)	(310,295)
Net position, beginning of year, restated	13,276,184	12,215,919	3,871,437	4,181,732
Net position, end of year	$ 14,703,102	$ 13,276,184	$ 3,802,793	$ 3,871,437

See notes to financial statements.

Northeastern Oklahoma Agricultural and Mechanical College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

Statements of Cash Flows
For Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Tuition and fees	$ 2,802,718	$ 2,991,932
Grants and contracts	2,020,342	2,004,357
Auxiliary enterprise charges	5,958,807	6,214,037
Other operating receipts	185,687	110,431
Payments to employees for salaries and benefits	(11,673,109)	(12,985,754)
Payments to suppliers	(11,455,956)	(12,996,382)
Net cash used in operating activities	(12,161,511)	(14,661,379)
Cash flows from noncapital financing activities:		
State appropriations	7,901,991	9,066,197
Federal grants and contracts	5,085,894	5,639,033
State and local grants and contracts	810,906	816,525
Private gifts and contributions	79,256	265,777
Federal Direct Student Loans receipts	5,156,010	5,623,578
Federal Direct Student Loans disbursements	(5,156,010)	(5,623,578)
Net cash provided by noncapital financing activities	13,878,047	15,787,532
Cash flows from capital and related financing activities:		
Cash paid for capital assets	(960,603)	(1,545,913)
Proceeds from sale of capital assets	-	14,000
Capital appropriations received	380,144	436,941
Proceeds from capital debt and leases	203,501	378,290
Repayments of capital debt and leases	(914,293)	(876,904)
Interest paid on capital debt and leases	(438,875)	(480,649)
Net cash used in capital and related financing activities	(1,730,126)	(2,074,235)
Cash flows from investing activities:		
Sale (purchase) of investments	270,576	204,548
Interest received on investments	3,810	137,253
Net cash provided by (used in) investing activities	274,386	341,801
Net increase (decrease) in cash and cash equivalents	260,796	(606,281)
Cash and cash equivalents, beginning of year	5,748,109	6,354,390
Cash and cash equivalents, end of year	$ 6,008,905	$ 5,748,109

(Continued)

Northeastern Oklahoma Agricultural and Mechanical College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

Statements of Cash Flows (Continued)
For Years Ended June 30, 2016 and 2015

	2016	Restated 2015
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (13,584,217)	$ (16,012,163)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,597,023	1,630,415
On-behalf contributions to teachers' retirement system	741,915	717,027
Changes in net assets and liabilities:		
Accounts receivable	(138,213)	134,512
Inventories	(45,378)	29,978
Prepaid assets	(9,990)	-
Accounts payable and accrued expenses	120,582	(221,343)
Net OPEB obligation	(7,155)	(6,390)
Net pension liability	1,402,406	(4,308,663)
Deferred amounts related to pensions	(2,255,643)	3,350,618
Unearned revenues	12,691	5,399
Compensated absences	258	20,466
Student and other deposits	4,210	(1,235)
Net cash used in operating activities	$ (12,161,511)	$ (14,661,379)
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	$ 729,678	$ 617,073
Debt issued on-behalf of College with proceeds held by issuing agency	759,260	777,737
Reconciliation of cash and cash equivalents to the statements of net position:		
Current assets:		
Cash and cash equivalents	$ 5,629,572	$ 5,432,850
Restricted cash and cash equivalents	379,333	315,259
Total cash and cash equivalents	$ 6,008,905	$ 5,748,109

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of operations: Northeastern Oklahoma Agricultural and Mechanical College (the "College") is an associate degree granting institution established by an act of the Oklahoma State Legislature in 1919. The College's mission is to provide higher education primarily for people of northeastern Oklahoma and surrounding areas through academic programs, cultural enrichment, lifelong learning experiences, and public service activities.

Reporting Entity: Northeastern Oklahoma Agricultural and Mechanical College is one of five institutions of higher education in Oklahoma that comprise part of the Oklahoma Agricultural and Mechanical Colleges, which in turn is part of the Higher Education component unit of the State of Oklahoma.

The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Board of Regents") has constitutional authority to govern, control and manage the Oklahoma Agricultural and Mechanical Colleges, which consist of five institutions. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, acquire and take title to real and personal property in its name, appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

Accordingly, Northeastern Oklahoma Agricultural and Mechanical College is considered an organizational unit of the Oklahoma Agricultural and Mechanical Colleges reporting entity for financial reporting purposes due to the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

Prior to 2015, the College reported itself as a component unit of the State of Oklahoma. Based on an evaluation performed by management during 2015, it was determined that the College is not a legally separate entity, and therefore is not a component unit of the State. The College is an organizational unit of the Board of Regents as mentioned above.

Discretely presented component unit: Northeastern Oklahoma A&M College Development Foundation, Inc. (The Foundation) is a legally separate, tax-exempt component unit of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests is restricted to the activities governed by donors, bond documents and/or trustees. Accordingly, resources received and held by the Foundation can only be used by, or for the benefit of, the College. The Foundation is considered a discretely-presented component unit of the College under the definition of GASB Statement No. 39. The Foundation reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). 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 for these differences. The Foundation prepares separate, standalone financial statements which may be obtained by contacting the Foundation's management.

Financial statement presentation: The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to public sector institutions of higher education. The College applies all applicable GASB pronouncements.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Investments: The College accounts for its investments at fair value based on quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

Accounts receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State. Accounts receivable also include amounts due from the Federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the College's previous loss history, and the condition of the general economy and the industry as a whole. The College writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Inventories: Inventories consist primarily of books and supplies held for resale, and food products at the College's cafeteria. Inventories are carried at the lower of cost (first-in, first-out) or fair market value.

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

Capital assets: Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The College capitalizes interest as a component of capital assets constructed for its own use. There was no capitalized interest in 2016 or 2015.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 40 years for buildings, infrastructure and land improvements, and 7 years for library materials and equipment.

Unearned revenues: Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated absences: Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statements of net position, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net position.

Note 1. Summary of Significant Accounting Policies (Continued)

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 year.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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

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

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

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

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

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

Income taxes: As a state institution of higher education the income of the College is generally exempt from 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). Such amounts have historically been insignificant.

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred outflows of resources: Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. At June 30, 2016 and 2015, the College's deferred outflows of resources were comprised of deferred charges related to leases and pensions.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2016 and 2015, the College's deferred inflows of resources were comprised of deferred credits related to leases and pensions.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Teachers Retirement System (OTRS) and additions to/deductions from OTRS's fiduciary net position have been determined on the same basis as they are reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Prior Period Adjustments:
Beginning net position was restated as of June 30, 2015 as follows:

	Fiscal Year 2015
Beginning net position, as previously reported	$ 13,576,660
Early implementation of GASB Statement 82	(685,827)
Correction for understatement of accumulated depreciation	(674,914)
Beginning net positions, restated	$ 12,215,919

The early implementation of GASB Statement 82 required the removal of the employee's share of OTRS contributions paid by the employer (i.e., the College) from Deferred Outflows of Resources, as was reported in the prior year.

During 2016, College management identified that accumulated depreciation was understated and needed to be corrected.

Additionally, certain other reclassifications have been made to 2015 to conform with 2016 classifications. Such reclassifications had no effect on previously reported net position.

Note 1. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements Adopted in Fiscal Year 2016: The College adopted the following accounting pronouncements during the year ended June 30, 2016:

GASB Statement No. 72, *Fair Value Measurement and Application*

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 82*, Pension Issues, Amendment of GASB Statements No. 67, No. 68, and No. 73*

GASB Statement No. 82 addresses certain issues that were raised with respect to the pension implementation of Statements No. 67, No. 68, and No. 73. The College elected to early implement Statement No. 82 which resulted in a restatement of beginning net position for fiscal year 2016.

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

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

GASB Statement No. 73 was issued in June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement is for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The College has not yet determined the impact that implementation of GASB 73 will have on its net position.

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB Statement No. 74 was issued in June 2015, and replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The College has not yet determined the impact that implementation of GASB 74 will have on its net position.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB Statement No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The College has not yet determined the impact that implementation of GASB 75 will have on its net position.

GASB Statement No. 77, Tax Abatement Disclosures

GASB Statement No. 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The College has not yet determined the impact that implementation of GASB 77 will have on its net position.

GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans

GASB Statement No. 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The statement does not affect the College's financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 79, Certain External Investment Pools and Pool Participants

GASB Statement No. 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the College is unknown.

GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14

GASB Statement No. 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the College is unknown.

GASB Statement No. 81, Irrevocable Split-Interest Agreements

GASB Statement No. 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The College does not believe that GASB No. 81 will have significant impact on its financial statements.

Note 2. Deposits and Investments

Deposits: Custodial credit risk for deposits is the risk that in the event of a bank or other institution 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. The College deposits its funds with the Office of the State Treasurer (OST). Oklahoma statutes require OST to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's deposits with the State Treasurer are pooled with the funds of other State agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

At June 30, 2016 and 2015 the carrying amount of the College's deposits with the State Treasurer and other financial institutions was as follows:

Note 2. Deposits and Investments (Continued)

		2016		2015
Deposits with the State Treasurer	$	5,969,991	$	5,718,104
U.S. financial institutions		10,005		10,000
Petty cash and change funds		28,909		20,005
Total deposits	$	6,008,905	$	5,748,109

The differences between the bank balances of deposits and the related carrying amounts were generally not significant and are due to outstanding checks and deposits in-transit.

Of the $5,969,991 and $5,718,104 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2016 and June 30, 2015, respectively, $1,897,959 and $4,342,370, respectively, represent amounts held within *OK INVEST*, an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that 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's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at *http://www.ok.gov/treasurer/*. The College considers the amount on deposit with *OK INVEST* to be demand accounts and they are reported as cash equivalents.

Investments: Investments are recorded at fair value in accordance with GAAP. The College's investments are measured and reported at fair value and classified according to the following hierarchal input levels:

1. Level 1 – Unadjusted quoted prices in active markets for identical assets.

2. Level 2 – Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

3. Level 3 – Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

At June 30, 2016 and 2015, the College had the following investments:

Types of Investment	Fair Value Heirarchy	Credit Rating	Maturities		2016		2015
U.S. Treasury Securities	Level 2	Aaa	Up to 5 years	$	244,523	$	510,901
Bank Certificates of Deposit	N/A	N/A	Less than One year		6,120		6,442
US Agency mortgage-backed securities	Level 2	Aaa	More than 10 years		70,305		74,181
Total investments				$	320,948	$	591,524

Interest rate risk: The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 2. Deposits and Investments (Continued)

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The University is authorized to invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Regents.

Concentration of credit risk: All United States government obligations are held by the Federal Reserve Bank in the name of the College. The majority of the College's certificates of deposits were invested through the State Treasurer. The Board has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the United States Government and its agencies, certificates of deposit and demand deposits.

Note 3. Accounts Receivable and Other Receivables

Accounts receivable consisted of the following at June 30:

	2016	2015
Student tuition and fees	$ 2,130,696	$ 1,194,301
Auxiliary enterprises and other student activities	1,420,464	796,200
Federal and state agencies	305,776	398,717
	3,856,936	2,389,218
Less allowance for doubtful accounts	(2,803,428)	(1,508,719)
Accounts receivable, net	$ 1,053,508	$ 880,499

Other receivables consisted of the following at June 30:

	2016	2015
Interest Receivable	$ 2,560	$ 6,576
OSRHE Endowment Trust Receivable	52,258	87,054
Total Other receivables	$ 54,818	$ 93,630

The College also has $759,260 and $777,737 of receivables restricted for capital projects as of June 30, 2016 and 2015, respectively, which relate to private gifts and governmental grants and contracts for ongoing and planned capital projects at the College. These receivable balances are classified as noncurrent assets in the statements of net position as they are restricted for long-term purposes.

Note 4. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2016:

	(Restated) Balance at June 30, 2015	Additions	Transfers and Retirements	Balance at June 30, 2016
Capital assets not being depreciated:				
Land	$ 500,716	$ -	$ -	$ 500,716
Construction in-progress	511,744	346,646	(809,230)	49,160
Total not being depreciated	1,012,460	346,646	(809,230)	549,876
Capital assets being depreciated:				
Buildings and improvements	52,286,188	23,116	216,507	52,525,811
Nonstructural improvements	309,740	-	122,624	432,364
Infrastructure	812,673	-	470,099	1,282,772
Equipment	6,957,220	473,161	-	7,430,381
Library materials	2,509,990	56,465	(21,700)	2,544,755
Total capital assets being depreciated	62,875,811	552,742	787,530	64,216,083
Accumulated depreciation:				
Buildings and improvements	(16,207,281)	(1,004,676)		(17,211,957)
Nonstructural improvements	(239,388)	(7,288)		(246,676)
Infrastructure	(526,816)	(57,342)		(584,158)
Equipment	(5,827,458)	(455,473)		(6,282,931)
Library materials	(2,394,747)	(72,244)	21,700	(2,445,291)
Total accumulated depreciation	(25,195,690)	(1,597,023)	21,700	(26,771,013)
Capital assets, net	$ 38,692,581	$ (697,635)	$ -	$ 37,994,946
Capital assets summary:				
Capital assets not being depreciated	$ 1,012,460	$ 346,646	$ (809,230)	$ 549,876
Other capital assets, at cost	62,875,811	552,742	787,530	64,216,083
Total cost of capital assets	63,888,271	899,388	(21,700)	64,765,959
Less accumulated depreciation	(25,195,690)	(1,597,023)	21,700	(26,771,013)
Capital assets, net	$ 38,692,581	$ (697,635)	$ -	$ 37,994,946

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2016, was as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	$ 12,741,707	$ 346,922	$ 3,248,440	$ 16,337,069
Less accumulated depreciation	(1,918,581)	(65,405)	(503,003)	(2,486,989)
	$ 10,823,126	$ 281,517	$ 2,745,437	$ 13,850,080

Note 4. Capital Assets (Continued)

Following are the changes in capital assets for the year ended June 30, 2015:

	(Restated) Balance at June 30, 2014	Additions	Retirements	(Restated) Balance at June 30, 2015
Capital assets not being depreciated:				
Land	$ 501,111	$ -	$ (395)	$ 500,716
Construction in-progress	220,828	1,212,641	(921,725)	511,744
Total not being depreciated	721,939	1,212,641	(922,120)	1,012,460
Capital assets being depreciated:				
Buildings and improvements	51,334,732	77,627	873,829	52,286,188
Nonstructural improvements	261,844	-	47,896	309,740
Infrastructure	755,718	56,955	-	812,673
Equipment	6,759,024	206,969	(8,773)	6,957,220
Library materials	2,438,450	71,540	-	2,509,990
Total capital assets being depreciated	61,549,768	413,091	912,952	62,875,811
Accumulated depreciation:				
Buildings and improvements	(15,119,935)	(1,087,346)		(16,207,281)
Nonstructural improvements	(234,992)	(4,396)		(239,388)
Infrastructure	(484,474)	(42,342)		(526,816)
Equipment	(5,413,693)	(422,538)	8,773	(5,827,458)
Library materials	(2,320,954)	(73,793)		(2,394,747)
Total accumulated depreciation	(23,574,048)	(1,630,415)	8,773	(25,195,690)
Capital assets, net	$ 38,697,659	$ (4,683)	$ (395)	$ 38,692,581
Capital assets summary:				
Capital assets not being depreciated	$ 721,939	$ 1,212,641	$ (922,120)	$ 1,012,460
Other capital assets, at cost	61,549,768	413,091	912,952	62,875,811
Total cost of capital assets	62,271,707	1,625,732	(9,168)	63,888,271
Less accumulated depreciation	(23,574,048)	(1,630,415)	8,773	(25,195,690)
Capital assets, net	$ 38,697,659	$ (4,683)	$ (395)	$ 38,692,581

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2015, was as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	$ 12,741,707	$ 80,345	$ 3,248,440	$ 16,070,492
Less accumulated depreciation	(1,600,039)	(39,790)	(384,033)	(2,023,862)
	$ 11,141,668	$ 40,555	$ 2,864,407	$ 14,046,630

Note 5. Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2016 was as follows:

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Amounts Due Within One Year
Capital lease obligations:					
OCIA Series 2005F	184,628		(184,628)	-	-
OCIA Series 2010A	1,571,961		(87,606)	1,484,355	331,991
OCIA Series 2010B	205,587		(205,587)	-	-
OCIA Series 2014A	3,208,552		-	3,208,552	215,106
OCIA Series 2014B	132,950		(31,559)	101,391	32,480
ODFA Master Lease, Series 2007A	189,917		(97,333)	92,584	92,584
ODFA Master Lease, Series 2010A	2,847,084		(155,333)	2,691,751	159,333
ODFA Master Lease, Series 2010B	867,167		(170,417)	696,750	167,333
ODFA Master Lease, Series 2011A	2,683,667		(148,250)	2,535,417	151,417
ODFA Master Lease, Series 2011C	377,751		(86,000)	291,751	75,250
ODFA Master Lease, Series 2013A	2,248,167		(118,417)	2,129,750	123,167
ODFA Master Lease, Series 2014C	1,087,500		(42,167)	1,045,333	44,000
ODFA Master Lease, Series 2015C	-	201,000	(23,583)	177,417	43,167
Premiums on master leases	108,747	9,000	(15,976)	101,771	15,985
Discount on master leases	(25,492)		913	(24,579)	(913)
NEO Development Foundation-				-	
Multipurpose Athletic Center	1,397,245		(72,793)	1,324,452	76,613
Total capital leases	17,085,431	210,000	(1,438,736)	15,856,695	1,527,513
Other liabilities:					
Accrued compensated absences	343,280	201,606	(201,348)	343,538	201,606
Total other liabilities	343,280	201,606	(201,348)	343,538	201,606
Total long-term liabilities	$ 17,428,711	$ 411,606	$ (1,640,084)	$ 16,200,233	$ 1,729,119

Note 5. Long-Term Liabilities (Continued)

Long-term liabilities activity for the year ended June 30, 2015 was as follows:

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amounts Due Within One Year
Capital lease obligations:					
OCIA Series 1999 A, B, and C	$ 177,107	$ -	$ (177,107)	$ -	$ -
OCIA Series 2005F	361,224	-	(176,596)	184,628	184,628
OCIA Series 2010A	1,571,961	-	-	1,571,961	87,606
OCIA Series 2010B	493,355	-	(287,768)	205,587	205,587
OCIA Series 2014A	3,208,552		-	3,208,552	-
OCIA Series 2014B	-	161,252	(28,302)	132,950	31,559
ODFA Master Lease, Series 2007A	283,250		(93,333)	189,917	97,333
ODFA Master Lease, Series 2010A	2,999,334		(152,250)	2,847,084	155,333
ODFA Master Lease, Series 2010B	1,042,250		(175,083)	867,167	170,417
ODFA Master Lease, Series 2011A	2,827,084		(143,417)	2,683,667	148,250
ODFA Master Lease, Series 2011C	461,084		(83,333)	377,751	86,000
ODFA Master Lease, Series 2013A	2,365,250		(117,083)	2,248,167	118,417
ODFA Master Lease, Series 2014C	1,123,154		(35,654)	1,087,500	42,167
Premiums on master leases	123,793		(15,046)	108,747	14,958
Discount on master leases	(26,405)		913	(25,492)	(913)
NEO Development Foundation- Multipurpose Athletic Center	1,473,996		(76,751)	1,397,245	80,364
Total capital leases	18,484,989	161,252	(1,560,810)	17,085,431	1,421,706
Other liabilities:					
Accrued compensated absences	322,815	212,048	(191,583)	343,280	212,047
Total other liabilities	322,815	212,048	(191,583)	343,280	212,047
Total long-term liabilities	$ 18,807,804	$ 373,300	$ (1,752,393)	$ 17,428,711	$ 1,633,753

Note 5. Long-Term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations ("OCIA")

In 1999, the Oklahoma Capital Improvement Authority ("OCIA") issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the OSRHE allocated $500,611 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. Consequently, the amortization of the 1999A bond issue ended in 2010. The lease agreement will no longer secure the 1999A bond issue but will now act as security for the 2004A bond issue over the term of the lease through the year 2020.

In 2015, the College's remaining 2004 lease agreement with OCIA was restructured through a complete refunding of the Series 2004A bonds. OCIA issued new bonds, Series 2014B, to accomplish the refunding. As a result, the total liability of the remaining 2004A bonds refunded and the amount of the 2014B bonds acquired was a gain on restructuring of $15,855, which was recorded as a deferred inflow of resources that will be amortized over a period of 5 years. As of June 30, 2016 and 2015, the unamortized gain totaled $9,840 and $13,121, respectively. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $26,006, which approximates the economic savings of the transaction.

In 2005, the OCIA issued its State Facilities Revenue Bonds ("Higher Education Project") Series 2005F. Of the total bond indebtedness, the OSRHE allocated approximately $6,000,000 to the College. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006 through July 1, 2030, will be $10,400,529. Payments will be made annually ranging from $164,494 to $442,595. Concurrently with the allocation, the College entered into a lease agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2011, the OCIA Series 2005F lease agreement was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring that has been recorded as a charge of $339,333 on restructuring as a deferred outflow of resources that will be amortized over a period of six years. As of June 30, 2016 and 2015, the unamortized cost totaled $0 and $59,787, respectively. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $64,688, which also approximates the economic cost of the lease restructuring. Although this restructuring resulted in a cost to the College, it is anticipated that the on-behalf payments provided to cover the original lease agreement will also cover the deferred lease restructuring charge.

Note 5. Long-Term Liabilities (Continued)

In 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired was a credit on restructuring of $178,047, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2016 and 2015, the unamortized credit totaled $153,520 and $164,420, respectively. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $419,355, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA, totaling $729,678 and $617,073 during the years ended June 30, 2016 and 2015, were made by the State of Oklahoma on behalf of the College. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

Oklahoma Development Finance Authority Lease Obligation ("ODFA")

In 2007, the College entered into a capital lease obligation for the Oklahoma Development Finance Authority ("ODFA") Master Real Property Lease Revenue Bonds, Series 2007A in the amount of $846,000. Total lease payments over the term of the agreement, beginning July 15, 2007 through May 15, 2017 will be $1,048,657. Payments will be made monthly ranging from $8,740 to $9,388. Proceeds from the obligation were used for renovations to the football stadium, along with the issuance costs of the obligation.

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

In 2010, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2010A in the amount of $3,500,000. Total lease payments over the term of the agreement, beginning July 14, 2011 through May 15, 2031 will be $4,579,321. Payments will be made monthly ranging from $19,165 to $21,124. Proceeds from the obligation were used for the Student Union Renovation Project. Through June 30, 2012, the College had drawn its total allotment for expenditures incurred in connection with the project.

In 2011, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2011A in the amount of $3,065,000. Total lease payments over the term of the agreement, beginning July 14, 2011 through May 15, 2031 will be $4,560,290. Payments will be made monthly ranging from $19,158 to $21,004. Proceeds from the obligation were used for the Student Union Renovation Project. Through June 30, 2012, the College had drawn its total allotment for expenditures incurred in connection with the project. In August of 2011, the Student Union Renovation was completed and the facility placed in service.

In 2011, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Revenue Bonds, Series 2011A in the amount of $167,000. Total lease payments over the term of the agreement, beginning May 11, 2011 through May 15, 2018 will be $188,409. Payments will be made monthly ranging from $2,205 to $2,281. Proceeds from the obligation will be used for lighting upgrades. In October 2012, the lighting upgrade project was completed and placed in service. Through June 30, 2015, the College had drawn its total allotment for expenditures incurred in connection with the project.

Note 5. Long-Term Liabilities (Continued)

In 2011, the College entered into a capital lease obligation for the ODFA Master Equipment and Real Property Lease Revenue Bonds, Series 2011C in the amount of $665,000. Total lease payments over the term of the agreement, beginning October 15, 2011 through May 15, 2031 will be $823,610. Payments will be made monthly ranging from $868 to $8,611. Proceeds from the obligation were used for upgrades to campus equipment, a new VOIP phone system and the construction of a new Student Housing Project. Through June 30, 2013, the College had drawn its total allotment for expenditures incurred in connection with the project. In October 2012, the VOIP project was completed and placed in service. The Student Housing Complex was completed and placed into service in January 2012.

In 2013, the College entered into a capital lease obligation for the ODFA Master Equipment and Real Property Lease Revenue Bonds, Series 2013A in the amount of $2,433,000. Total lease payments over the term of the agreement, beginning December 15, 2013 through May 15, 2043, will be $4,104,857. Payments will be made monthly ranging from $10,300 to $17,967. Proceeds from the obligation were used for reimbursing 2013 expenditures for the Kah-Ne Hall renovation, campus vehicles, and classroom furniture. Through June 30, 2015, the College had drawn its total allotment for reimbursing expenditures incurred in connection with the projects.

In 2014, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2014C in the amount of $1,145,000. Total lease payments over the term of the agreement, beginning May 15, 2014 through May 15, 2034, will be $1,614,149. Payments will be made monthly ranging from $6,229 to $6,838. Proceeds from the obligation will be used for improvements to the Synar Farm. Through June 30, 2016, the College has drawn all but $720,213 of its total allotment.

In 2016, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Revenue Bonds, Series 2015C in the amount of $201,000. Total lease payments over the term of the agreement, beginning January 15, 2016 through May 15, 2020, will be $218,609. Payments will be made monthly ranging from $4,050 to $4,571. Proceeds from the obligation will be used for the purchase of a new telephone system for the entire campus. Through June 30, 2016, the College has drawn all but $39,052 of its total allotment.

Future minimum lease payments under the College’s obligations to the OCIA and ODFA are as follows:

	Principal	Interest	Total
Years ending June 30:			
2017	$ 1,435,826	$ 583,763	$ 2,019,589
2018	1,289,131	537,618	1,826,749
2019	1,115,432	491,259	1,606,691
2020	506,624	447,749	954,373
2021	458,417	429,822	888,239
2022-2026	3,747,113	1,797,130	5,544,243
2027-2031	4,558,587	903,228	5,461,815
2032-2036	616,417	243,883	860,300
2037-2041	502,083	127,128	629,211
2042-2043	225,421	15,932	241,353
	$ 14,455,051	$ 5,577,512	$ 20,032,563

Note 6. Retirement Plans

Plan description - The College as the employer, participates in the Oklahoma Teachers Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS.

Benefits provided - OTRS provides retirement, disability, and death benefits to members of the plan. Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to $40,000 or $25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

- Upon the death of a retired member, the System will pay $5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.

- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.

- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.

- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

At the election of each eligible member initiating receipt of retirement benefits, the System remits between $100 and $105 per month per eligible retiree to the Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2016 and 2015.

Note 6. Retirement Plans (Continued)

Contributions **-** The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds.

Contributions to the pension plan from the College were $916,388 and $1,001,214 for June 30, 2016 and June 30, 2015, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, of which $741,915 and $717,027 for June 30, 2016 and June 30, 2015 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016 and June 30, 2015, the College reported a liability of $14,443,133 and $13,040,727, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and June 30, 2014. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015 and June 30, 2014. Based upon this information, the College's proportion for June 30, 2015 and June 30, 2014 was .237835 percent and .242399 percent. For the year ended June 30, 2016 and June 30, 2015, the College recognized pension expense of $805,066 and $1,446,023, respectively.

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 490,577
Changes of assumptions	691,583	
Net difference between projected and actual earnings on pension plan investments	-	979,803
Changes in College's proportionate share of contributions	-	259,323
Differences between College contributions and proportionate share of contributions	7,561	-
College contributions subsequent to the measurement date	916,388	-
Total	$ 1,615,532	$ 1,729,703

Note 6. Retirement Plans (Continued)

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	* Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 214,950
Net difference between projected and actual earnings on pension plan investments	-	3,156,078
College contributions subsequent to the measurement date	1,001,214	-
Total	$ 1,001,214	$ 3,371,028

*amount restated for implementation of GASB No. 82

The amounts of $916,388 and $1,001,214, which are reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 and June 30, 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2016:	
2017	$ (455,050)
2018	(455,050)
2019	(455,050)
2020	319,114
2021	10,399
Thereafter	5,078
	$ (1,030,559)

Year ended June 30, 2015:	
2016	$ (829,424)
2017	(829,424)
2018	(829,424)
2019	(829,424)
2020	(40,404)
Thereafter	(12,928)
	$ (3,371,028)

Note 6. Retirement Plans (Continued)

Actuarial Assumptions- The total pension liability as of June 30, 2016, was determined based on an actuarial valuation prepared as of June 30, 2015 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.75% inflation, including 3.00% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.0%	6.1%
Domestic Small Cap Equity	10.0%	6.6%
International Large Cap Equity	11.5%	5.8%
Internationa Small Cap Equity	6.0%	5.8%
Core Plus Fixed Income	17.5%	1.8%
High-yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
Total	100.00%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Note 6. Retirement Plans (Continued)

The total pension liability as of June 30, 2015, was determined based on an actuarial valuation prepared as of June 30, 2014 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.00% inflation, plus 1.00% productivity increase, rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality tables, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	8.9%
Domestic Large Cap Equity	10.0%	8.5%
Domestic Mid Cap Equity	13.0%	9.2%
Domestic Small Cap Equity	10.0%	9.2%
International Large Cap Equity	11.5%	9.2%
Internationa Small Cap Equity	6.0%	9.2%
Core Plus Fixed Income	17.5%	4.3%
High-yield Fixed Income	6.0%	6.7%
Private Equity	5.0%	10.1%
Real Estate**	7.0%	7.8%
Master Limited Partnerships	7.0%	10.1%
Total	100.00%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Discount Rate- A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2014 and June 30, 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls.

Note 6. Retirement Plans (Continued)

The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*-**The following presents the net pension liability of the employers calculated using the discount rate of 8%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate.

For June 30, 2016:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 19,966,128	$ 14,443,133	$ 9,800,805

For June 30, 2015:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 18,320,511	$ 13,040,727	$ 8,584,409

***Pension plan fiduciary net position* -** Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at www.ok.gov/OTRS.

Supplemental Retirement Plan

Plan description: The Supplemental Retirement Plan (the "Plan") is a single-employer, defined benefit pension plan administered by the College. It guarantees eligible employees a level of retirement benefits. If Social Security and OTRS payments do not equal one-half of the employees highest three years' earnings, the College pays the balance from the current year's operating budget. The authority to establish and amend benefit provisions rests with the Board of Regents. The Plan does not issue a separate financial report, nor is it included in the financial report of another entity.

Funding policy: The Plan is not funded and benefits do not vest to the participants until their retirement. The College has been funding the benefits on a "pay as you go" basis. Only certain employees are eligible to participate in the Plan and the Plan has been discontinued. During the years ended June 30, 2016 and 2015, the College paid approximately $14,000 to retirees under the Plan.

Annual pension cost and net pension obligation: Actuarial valuations of an ongoing plan are required on a biennial basis and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. In the actuarial valuations the projected unit credit method was used. The actuarial assumptions included (a) a discount rate of 3.5 percent per year to determine the present value of future benefit payments; (b) retirement at age 65; and (c) a 3.5 percent interest rate for post-retirement individual annuity settlement benefits. The Plan is an unfunded plan and, accordingly, no assets have been accumulated, and no investment income is earned. The unfunded actuarial accrued liability is being amortized using the level dollar amortization method on a closed basis over ten (10) years.

Note 6. Retirement Plans (Continued)

The annual pension cost and net pension obligation to the Plan for the years ended June 30, were as follows:

	2016	2015
Annual required contribution	$ 11,772	$ 11,772
Interest on net pension obligation	412	412
Adjustment to annual required contribution	(9,565)	(9,565)
Annual pension cost	2,619	2,619
Contributions made	14,232	14,232
Decrease in net pension obligation	(11,613)	(11,613)
Net pension obligation, beginning of year	35,522	47,135
Net pension obligation, end of year	$ 23,909	$ 35,522

Funded status and funding progress: The funded status of the plan as of June 30, 2016 was as follows:

Actuarial accrued liability (AAL)	$ 58,861
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 58,861
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	-
UAAL as a percentage of annual covered payroll	0.00%

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

Trend information: Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation is as follows:

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Years ending June 30:			
2014	$ 6,282	226.6%	$ 47,135
2015	2,619	543.4%	35,522
2016	2,619	543.4%	23,909

Note 7. Other Postemployment Insurance Benefits

Plan description: The College pays life insurance premiums for individuals who meet the specified criteria to be considered a retiree as of the last day of continuous regular employment. Eligible retirees must (a) be at least 62 years of age and have at least ten continuous regular years of service, (b) have worked for the College for at least 25 years in a continuous regular appointment, regardless of age, or (c) meet the OTRS guidelines. In addition, the individual must also have been enrolled in the College's life insurance program prior to retirement.

Each retiree is eligible to receive $10,000 of life insurance coverage at a cost to the College of $.29 per $1,000 of coverage. As of June 30, 2016, there were approximately 195 active employees and 229 retirees covered under the life insurance program. Authority to establish and amend benefit provisions rests with the Board of Regents. The OPEB Plan does not issue a stand-alone financial report.

Funding policy: Contribution requirements of the College are established and may be amended by the Board of Regents. All contributions are made by the College. Benefits are funded under a "pay as you go" funding method; however, expenses are recorded as benefits accumulate.

Annual pension cost and net obligation: Actuarial valuations of an ongoing plan are required on a biennial basis and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. In the actuarial valuations the projected unit credit method was used. The actuarial assumption included a 3.5% investment rate of return. The assumption also included postretirement benefit increases, which will be funded by the College when granted. The Plan is an unfunded plan and, accordingly, no assets have been accumulated and no investment income is earned.

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

	2016	2015
Annual required contribution	$ 13,948	$ 13,948
Interest on OPEB obligation	2,482	2,299
Adjustment to annual required contribution	(5,742)	(5,319)
Annual life insurance cost	10,688	10,928
Contributions made	6,230	5,705
Increase (decrease) in net obligation	4,458	5,223
Net OPEB obligation, beginning of year	70,907	65,684
Net OPEB obligation, end of year	$ 75,365	$ 70,907

The net OPEB obligation at June 30, 2016 and 2015 is included in accrued pension and other postemployment benefit obligation in the statements of net position.

Note 7. Other Postemployment Insurance Benefits (Continued)

Funded status and funding progress: The funded status of the plan as of June 30, 2016 was as follows:

Actuarial accrued liability (AAL)	$ 115,519
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 115,519
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	$ 9,231,451
UAAL as a percentage of annual covered payroll	1.25%

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

Trend information:

	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation
Years ending June 30:			
2014	$ 6,639	82.9%	$ 65,684
2015	10,928	52.2%	70,907
2016	10,688	58.3%	75,365

Note 8. Funds Held in Trust by Others

Dobson Trust

The College is an income beneficiary of the Dobson Trust (the “Trust”). The fair market values of the Trust’s assets at June 30, 2016 and 2015 were $10,197,691 and $10,546,281, respectively. The Trustees’ bank has sole discretion for the distribution of income. Terms of the Trust restrict the use of the Trust’s income to providing student scholarships and for supplementing the income of individuals teaching at the College. The College recognized the Trust’s revenues of $87,433 and $226,778 for the years ended June 30, 2016 and 2015, respectively. The College distributed scholarships and awards of approximately $358,177 and $485,307 during the years ended June 30, 2016 and 2015, respectively.

Note 9. Related Party Transactions

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

Note 9. Related Party Transactions (Continued)

The facility was completed in August 2013, at which time the College began occupancy of the facility. The term of this lease agreement is 180 months, beginning on November 1, 2012, and ending on October 31, 2027. The annual rental payment amount is $146,134, with the first payment being made on July 15, 2013, and the final payment occurring on July 15, 2027. At the conclusion of the annual rental payments, the College will own the facility and all improvements thereof. The facility is accounted for as a capital lease and capital asset of the College in the statements of net position.

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

	Principal	Interest	Total
Years ending June 30:			
2017	$ 76,613	$ 69,520	$ 146,133
2018	81,024	65,110	146,134
2019	85,487	60,646	146,133
2020	90,197	55,936	146,133
2021	530,975	199,692	730,667
Thereafter	460,156	44,208	504,364
	$ 1,324,452	$ 495,112	$ 1,819,564

Note 10. Commitments and Contingencies

The College participates in a number of federally assisted grant and contract programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time, although it is believed by the College that the amount, if any, would not be significant.

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2016 that management believes would result in a material loss to the College in the event of an adverse outcome.

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

Note 11. Risk Management

The College, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The College pays an annual premium to the pools for its torts, property, and workers' compensation insurance coverages. The Oklahoma Risk Management Pool's governing agreement specifies that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts. The College is self-insured for unemployment liabilities. Payments are made to the State Employment Security Commission on a claims paid basis. No reserve for potential liability for unemployment claims has been established. Any such liability would be paid from current operations.

Note 12. Northeastern Oklahoma A&M College Development Foundation, Inc.

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

Fair Value Measurements

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

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

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

Financial assets and liabilities carried at fair value on a recurring basis include investments and funds held for others. There are no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2016.

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

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

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

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

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

Note 12. Northeastern Oklahoma A&M College Development Foundation, Inc. (Continued)

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

Note Payable: The fair value of the note payable is determined by discounting the future cash flows of the instrument at rates currently offered to the Foundation for similar debt instruments of comparable maturities by the Foundation's lender. The carrying amount of the note payable approximates fair value as the note carries a fixed rate of interest.

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

	As of June 30, 2016			
	Level 1	Level 2	Level 3	Total
ASSETS				
Assets recorded at fair value on a recurring basis				
Investments:				
Cash and cash equivalent funds	$ 237,358	$ -	$ -	$ 237,358
Certificates of deposit	-	15,000	-	15,000
Equity mutual funds	1,528,847	-	-	1,528,847
Fixed income mutual funds	597,470	-	-	597,470
Index funds	497,764	-	-	497,764
Open end blend mutual funds	338,766	-	-	338,766
REIT mutual funds	28,992	-	-	28,992
Total investments	$ 3,229,197	$ 15,000	$ -	$ 3,244,197
LIABILITIES				
Funds held for others	$ -	$ 192,946	$ -	$ 192,946
Total liabilities carried at fair value	$ -	$ 192,946	$ -	$ 192,946

Note 12. Northeastern Oklahoma A&M College Development Foundation, Inc. (Continued)

Net Position

Unrestricted Net Position consist of the following at June 30, 2016:

Scholarships	$	37,506
Foundation operations		1,308,229
Athletic support		87,778
Total Unrestricted Net Position	$	1,433,513

Temporarily Restricted Net Position is restricted for the following purposes at June 30, 2016:

Temporarily Restricted:		
Scholarships	$	604,408
General College support		75,365
Athletic support		-
Total Temporarily Restricted Net Position	$	679,773

Permanently Restricted Net Position is restricted for the following purposes at June 30, 2016:

Permanently Restricted:		
Scholarships	$	1,689,507
Total Permanently Restricted Net Position	$	1,689,507

Endowment Disclosures

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

The Trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA.

In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 12. Northeastern Oklahoma A&M College Development Foundation, Inc. (Continued)

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

Return Objectives and Risk Parameters

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

Strategies for Achieving Objectives

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

Spending Policy

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

Note 12. Northeastern Oklahoma A&M College Development Foundation, Inc. (Continued)

Endowment Net Position composition as of June 30, 2016 is as follows:

	Unrestricted	Expendable	Non-expendable	Total
Donor-restricted endowment funds	$ -	$ 727,800	$ 1,689,507	$ 2,417,307
Board-designated endowment funds	556,894	679,310	-	1,236,204
Total endowment funds	$ 556,894	$ 1,407,110	$ 1,689,507	$ 3,653,511

Changes in endowment Net Position during 2016 are as follows:

	Unrestricted	Expendable	Non-expendable	Total
Endowment Net Position, beginning of year (unaudited)	$ 407,381	$ 1,498,022	$ 1,626,919	$ 3,532,322
Investment return:				
Interest and dividends	81,303	45,955	-	127,258
Net realized and unrealized gains (losses)	-	(27,884)	-	(27,884)
Total investment return	81,303	18,071	-	99,374
Contributions	64,755	200,990	41,085	306,830
Reclassification - donor directed	57,333	(79,874)	21,503	(1,038)
Appropriation of endowment assets for expenditure	(53,878)	(230,099)	-	(283,977)
Endowment Net Position, end of year	$ 556,894	$ 1,407,110	$ 1,689,507	$ 3,653,511

Note Payable

On February 15, 2013, the Foundation signed a loan agreement with a bank with an initial principal of $1,507,500 for the construction of a building. The note calls for 15 regular annual principal and interest payments of $146,134. The note bears interest at a rate of 5.5% and matures on July 15, 2027. The note is secured by the building.

Maturities of long-term debt for the years subsequent to June 30, 2016 are as follows:

2017	$ 87,412
2018	92,220
2019	97,292
2020	102,643
2021	108,288
Thereafter	579,805
	$ 1,067,660

Required Supplementary Information

Northeastern Oklahoma Agricultural and Mechanical College

Required Supplementary Information
Schedules of Funding Progress

Schedule of Funding Progress for Supplemental Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2012	$ -	$ 70,128	$ 70,128	0.00%	$ -	0.00%
6/30/2013	-	58,601	58,601	0.00%	-	0.00%
6/30/2014	-	58,601	58,601	0.00%	-	0.00%
6/30/2015	-	58,861	58,861	0.00%	-	0.00%
6/30/2016	-	58,861	58,861	0.00%	-	0.00%

The actuarial accrued liability is based on the projected unit credit method.
The College obtains actuarial valuations biannually in accordance with the provisions of GASB No. 27.

Schedule of Funding Progress for Other Postemployment Life Insurance Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2012	$ -	$ 66,833	$ 66,833	0.00%	$ 9,535,463	0.70%
6/30/2013	-	62,039	62,039	0.00%	9,873,269	0.63%
6/30/2014	-	62,039	62,039	0.00%	9,910,563	0.63%
6/30/2015	-	115,519	115,519	0.00%	10,050,320	1.15%
6/30/2016	-	115,519	115,519	0.00%	9,231,451	1.25%

The actuarial liability is based on the projected unit credit cost method.
The College obtains actuarial valuations biannually in accordance with the provisions of GASB No. 45.

Schedules of Required Supplementary Information
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years* (Dollar amounts in thousands)

	2015	2016
College's proportion of the net pension liability	0.2424%	0.2378%
College's proportionate share of the net pension liability	$ 13,040,727	$ 14,443,133
College's covered-employee payroll	$ 10,025,100	$ 10,167,060
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	130%	142%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%

*The amounts present for each fiscal year were determined as of June 30.

Notes to Schedule:

Only the current and prior fiscal year are presented because 10-year data is not yet available.
Contribution and covered-employee payroll amounts restated for the early implementation of GASB Statement No. 82.

Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years (Dollar amounts in thousands)

	2015	2016
Contractually required contribution	$ 1,001,214	$ 916,388
Contributions in relation to the contractually required contribution	1,001,214	916,388
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll	$ 10,167,060	$ 9,345,932
Contributions as a percentage of covered-employee payroll	9.85%	9.81%

Notes to Schedule:

Only the current and prior fiscal year are presented because 10-year data is not yet available.
Contribution and covered-employee payroll amounts restated for the early implementation of GASB Statement No. 82.

Reports Required by *Government Auditing Standards* and Uniform Guidance

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northeastern Oklahoma Agricultural and Mechanical College (the "College"), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Regents") a component unit of the State of Oklahoma, and its discretely presented component unit, that comprise the statement of net position, as of June 30, 2016, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 21, 2016. Our report included a disclaimer of opinion on the discretely presented component unit's statement of revenue, expenses, and changes in net position and consistency. In addition, our report includes paragraphs related to a correction of an error and a change in accounting principle. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2016-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The College's Response to Finding

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

Purpose of this Report

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

Arledge & Associates, P.C.

October 21, 2016

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Northeastern Oklahoma Agricultural and Mechanical College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College'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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that

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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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 21, 2016, which contained an unmodified opinion on the College's primary government and the financial position of its discretely presented component unit and a disclaimer of opinion on the discretely presented component unit's statement of revenue, expenses, and changes in net position and consistency. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates, P.C.

October 21, 2016

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
U.S. DEPARTMENT OF EDUCATION			
Student financial aid cluster			
Federal Pell Grants	84.063	N/A	$ 5,001,096
Federal Supplemental Education Opportunity Grants	84.007	N/A	111,881
Federal Work Study Program	84.033	N/A	146,203
Federal Direct Loan Program	84.268	N/A	5,156,010
Total Student Financial Aid Cluster			10,415,190
TRIO program cluster			
TRIO--Upward Bound	84.047	N/A	295,599
TRIO--Student Support Services	84.042	N/A	247,152
Total TRIO program cluster			542,751
Title III			
Merging Tradition and Technology to Create Access to High Demand Careers	84.382C	N/A	392,050
Kah-Ne-You-Ah Native American Success and Cultural Center	84.031X	N/A	409,842
Total Title III programs			801,892
Other Programs			
Pass- Through Office of Assistant Secretary for Vocational and Adult Education:			
Oklahoma Department of Career and Technology Education			
Vocational Education:			
Basic Grants to States - Carl D. Perkins	84.048	N/A	36,384
Pass-Through Oklahoma State Department of Education:			
Basic Grant to States - Adult Education and Literacy Program	84.002	V002A150037	74,360
Total Other Programs			110,744
TOTAL U.S. DEPARTMENT OF EDUCATION			**11,870,577**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Administration for Children and Families, Department of Health and Human Services:			
Oklahoma State Regents for Higher Education:			
Temporary Assistance for Needy Families - Allied Jobs Program	93.558	N/A	159,451
Child Care Development Block Grant - Scholars for Excellence Program	93.575	N/A	73,034
TOTAL U.S. DEPARTMENT OF HUMAN SERVICES			**232,485**
U.S. DEPARTMENT OF AGRICULTURE			
Distance Learning and Telemedicine Loans and Grants	10.855	NA	244,488
Pass-Through Food and Nutrition Service;			
Oklahoma State Department of Education - Child Nutrition Program	10.559	6OK300329	60,853
TOTAL U.S. DEPARTMENT OF AGRICULTURE			**305,341**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 12,408,403**

See notes to schedule of expenditures of federal awards.

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("SEFA") includes the federal award activity of Northeastern Oklahoma Agricultural and Mechanical College (the "College") under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C --FEDERAL DIRECT STUDENT LOAN PROGRAM

The College participates in the Federal Direct Loan Program (the "Program"), CFDA number 84.268, which includes the Federal Subsidized Direct Loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan and Federal Direct Loans Parents of Undergraduate Students. The Federal Direct Loan Program requires the College to draw down cash; and the College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. The College is not responsible for the collection of these loans. The value of loans made during the audit period are considered Federal awards expended for the audit period.

NOTE D—SUBRECIPIENTS

During the year ended June 30, 2016, the College did not provide any federal awards to subrecipients.

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified – College's Primary Government
Unmodified – Discretely Presented Component Unit's Financial Position
Disclaimer – Discretely Presented Component Unit's Statement of Revenue, Expenses, and Changes in Net Position and Consistency

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes __X__ no

Identification of major programs:

Program	CFDA Number
Student Financial Aid Cluster	*

*Refer to the Schedule of Expenditures of Federal Awards for CFDA numbers related to these programs.

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? __X__ yes _____ no

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

Finding 2016-01: Purchasing Cards

Criteria: Purchasing card transactions should comply with purchasing guidelines established by the University as outlined in the Purchasing Card Handbook.

Condition: Our testwork over thirty-four purchase card transactions noted the following:

- 19 instances where the transaction log was not available to view for the transaction and/or an approving official did not sign in the appropriate timeframes as outlined in the handbook.
- 7 of the transactions tested did not have supporting documentation.
- 1 transaction included an advance payment which is not a permissible charge.

Cause and Effect: The purchasing card program was designed to simplify and streamline the purchasing process and lower overall transaction costs for smaller supplies and material purchases. However, the University has placed itself in a position in which the benefits of using the purchasing cards could be diminished because of the failure to follow established processing guidelines.

Recommendation: We recommend that the University review its controls governing adherence to its purchasing card guidelines to ensure that the policies are followed for all purchasing card transactions.

Management's response: Management concurs with the finding and recommendation. Managements will schedule regular training for all purchasing card users and review compliance on a quarterly basis.

Section III--Finding Required to be Reported in Accordance with the Uniform Guidance:

None to report for the June 30, 2016 period.

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

2015-01

Finding: Capital assets are not being properly tracked or recorded in the accounting software.

Criteria: Effective internal controls and accounting for capital assets require the College to maintain a detail listing of all capital assets owned by the College.

Condition: The College is not fully utilizing the accounting software to track capital asset additions, disposals or accumulated depreciation. Beginning fiscal year 2012, the capital assets of the College have not been updated in the accounting software. This has caused the college to manually compute accumulated depreciation and the related depreciation expense on a yearly basis.

Recommendation: We recommend that the College maintain detailed capital asset records within the accounting software and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for all assets.

Response and Corrective Action Plan: Management concurs with the finding and the recommendation. Effective January 1, 2016, the College will review fixed asset additions quarterly to ensure they are being added to and tracked through the accounting software. Additionally, the College will conduct fixed asset verifications on a cyclic basis once per quarter. The cycle will be designed so that there is a complete fixed asset verification conducted every two years.

Current year status: This finding has been corrected in the current period.

2015-02

Finding: Net position did not properly roll forward from the prior year.

Criteria: Beginning net position for the current fiscal year should agree to ending net position of the prior year.

Condition: A difference was noted between the beginning net position as of July 1, 2014 per the trial balance provided by the College and the ending net position per the June 30, 2014 audited financial statements. The difference was the result of late adjusting journal entries proposed in the 2014 audit that were not recorded by the College.

Recommendation: Additional controls and oversight should be put in place over the preparation of the year end trial balance. The College should prepare a roll forward of net position and investigate any differences.

Response and Corrective Action Plan: Management concurs with the finding and recommendation, and will implement a second-level review of the net position roll forward to ensure a complete and accurate reconciliation of the current year beginning net position to the prior year ending net position.

Current year status: This finding has been corrected in the current period.

2015-03

Finding: All Catalog of Federal Domestic Assistance (CFDA) numbers and their respective expenditures were not properly reported on the Schedule of Expenditures of Federal Awards (“SEFA”).

Criteria: The College is responsible for preparing the SEFA, based upon the grant information obtained from the financial accounting records and the grantor. This responsibility includes the identification and accumulation of all Federal award programs, including the appropriate CFDA numbers.

Condition: All expenditures for the Title III program were grouped under the CFDA #84.382. However, based on the grant notifications and program information there are two separate programs identified as CFDA #84.031X and #84.382C.

Recommendation: We recommend that the College perform a detail review of the SEFA and compare the amounts, program names, and CFDA #’s to the grant notifications or other correspondence received from the grantor. In addition, a centralized file should be maintained with all grant related information for easy reference when preparing the SEFA.

Current year status: This finding has been corrected in the current period.

2015-04

Finding: Enrollment status of withdrawn and graduated students were not reported to the National Student Loan Data System (NSLDS) within the required time frame.

Criteria: In accordance with 34 CFR 682.610(c)(2)(i), “…an institution shall, upon receipt of a student status confirmation report from the Secretary of a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days if it discovers that a Stafford, SLS, or Plus loan has been made to or on behalf of a student who has ceased to be enrolled on at least a half-time basis.”

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Condition: In our testing of 25 student status changes reported to NSLDS, we noted that there were three instances in which withdrawn and graduated students did not have their enrollment status change reported to the NSLDA via National Student Clearinghouse (NSC) within 60 days from either the date of withdrawal determination or date of graduation as required by federal regulations for NSLDS reporting.

Recommendation: We recommend the institution develop appropriate procedures that will ensure enrollment status changes, including withdrawals, changes in enrollment status, and graduation, are properly reported to NSLDS within the 60 day time frame required by federal regulations.

Response and Corrective Action Plan: Management concurs with the finding and recommendation. The Student Financial Aid Department will coordinate with the IT Department to develop a report of students whose enrollment status changes at any time.

Current year status: This finding has been corrected in the current period.