

Northern Oklahoma College

Financial Statements

June 30, 2019

(With Independent Auditors' Report Thereon)

NORTHERN OKLAHOMA COLLEGE

FINANCIAL STATEMENTS

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NORTHERN OKLAHOMA COLLEGE

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Regents
Northern Oklahoma College
Tonkawa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Northern Oklahoma College (the "College"), collectively a component unit of the State of Oklahoma, as of and for the year ended June 30, 2019, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We have also audited the financial statements of the discretely presented component unit Northern Oklahoma College Foundation, Inc. (the "Foundation"), a not-for-profit Oklahoma corporation organized to support the College, as of and for the year ended June 30, 2019. We conducted our audit of the College in accordance with auditing standards generally accepted in the United States 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 *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the College'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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and its discretely presented component unit of the College as of June 30, 2019, and the respective changes in financial position and, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages i through x, and the schedules of the College's pension and OPEB information as listed in the table of contents and on pages 37–41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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. 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the College's 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.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 28, 2019

Northern Oklahoma College
Management's Discussion and Analysis
June 30, 2019 and 2018

The following discussion and analysis of the financial performance of Northern Oklahoma College (the College) provides an overview of the College's financial activities for the fiscal years ended June 30, 2019 and 2018. The analysis is intended to provide you, the reader, with a summary of significant financial activities and information and should be read in conjunction with the College's financial statements.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

The 2019 and 2018 financial statements were prepared in accordance with the Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB 34)* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities (GASB 35)*. GASB 34 and 35 provides not only for the presentation of management's discussion and analysis but also provides for the following statements.

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

Statement of revenues, expenses and changes in net position: This statement is also prepared on the accrual basis of accounting and presents the overall operations of the College for the years ended June 30, 2019 and 2018.

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

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

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2019 and 2018

Statement of Net Position

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

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

Condensed Statement of Net Position

| | June 30 | | Increase | Percent |
|--|---------------|--------------|-------------|---------|
| | 2019 | 2018 | (Decrease) | Change |
| Current assets | \$ 11,851,073 | 15,856,350 | (4,005,277) | -25% |
| Noncurrent assets | 56,052,432 | 58,315,983 | (2,263,551) | -4% |
| Total Assets | 67,903,505 | 74,172,333 | (6,268,828) | -8% |
| Deferred Outflows of Resources | 4,750,125 | 6,259,436 | (1,509,311) | -24% |
| Liabilities | | | | |
| Current liabilities | 3,920,749 | 7,486,578 | (3,565,829) | -48% |
| Noncurrent liabilities | 53,445,423 | 58,745,166 | (5,299,743) | -9% |
| Total liabilities | 57,366,172 | 66,231,744 | (8,865,572) | -13% |
| Deferred Inflows of Resources | 4,832,497 | 4,874,986 | (42,489) | -1% |
| Net assets: | | | | |
| Investment in capital assets, net of related debt | 22,045,081 | 19,763,744 | 2,281,337 | 12% |
| Restricted for purposes | 6,883,559 | 9,652,123 | (2,768,564) | -29% |
| Unrestricted | (18,473,679) | (20,090,828) | 1,617,149 | -8% |
| Total net position | \$ 10,454,961 | 9,325,039 | 1,129,922 | 12% |

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2019 and 2018**

Statement of Net Position (Continued)

During the period July 1, 2018 to June 30, 2019, the College's net position increased by \$1,129,922. Net position totaled \$10,454,961, with \$22,045,081 as net investment in capital assets, i.e., this is property and equipment less bonded indebtedness. There is \$2,336,759 restricted for scholarships, \$4,481,852 restricted for capital projects, and \$64,948 restricted for OPEB. Net position for unrestricted is \$(18,473,679) as a result of accounting for the implementation of GASB 68 and 75.

A significant decrease in current assets of \$4,005,277 and a decrease of \$2,263,551 in noncurrent assets resulted in a total decrease of \$6,268,828 in total assets. The decrease in the current assets resulted primarily from a decrease in restricted cash and cash equivalents of \$3,838,449 and a decrease in cash and cash equivalents of \$769,258. In addition, current assets were impacted by an increase in accounts receivable of \$184,382, an increase in other receivables of \$221,073, an increase in inventories of \$7,168, and federal grants receivable increase of \$189,807.

Current assets consist primarily of cash and cash equivalents totaling \$9,106,649. Included in cash equivalents are short-term investments that the College makes with the state treasurer. These dollars are invested in short-term repurchase agreements, and the College can use the monies on a daily basis. As such, these are considered cash equivalents.

Also included in current assets is \$1,001,908 of accounts receivable, \$208,535 of restricted cash and cash equivalents, and \$1,000,580 due from federal grants. Inventories of \$248,780, which consists primarily of the bookstore inventories, are also included current assets.

The decrease in the noncurrent assets resulted from increases in acquisitions of capital assets of \$890,183, construction in progress of \$3,491,181 and land of \$9,519 offset by depreciation expense of \$4,385,861. In addition, transfers from construction in progress to buildings and building improvements were \$21,867,507 and net retirement of assets of \$2,330,357 due to the transfer of the North Classroom Building to Oklahoma State University. Deferred Outflows of Resources resulted in a decrease of \$1,509,311 in deferred amounts related to OPEB and pensions due to the implementation of GASB 68 and GASB 75.

Noncurrent assets consist of capital assets (land, buildings, structures, etc.) net of accumulated depreciation totaling \$55,840,909 and \$211,523 of restricted Net OTRS OPEB asset.

Current liabilities include \$678,936 of accounts payable and accrued liabilities, \$175,469 of accrued payroll, \$661,088 of unearned revenue, \$321,395 of deposits held in custody for others, \$376,446 of accrued compensated absences, and \$1,707,415 of amounts due on principal of bonds and capitalized lease obligations in the next 12 months. Noncurrent liabilities consist primarily of capital lease obligations less the current portion of \$31,878,303 and net OTRS pension liability and OPEB obligation of \$21,567,120.

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2019 and 2018**

Statement of Cash Flows

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

The following summarizes the College's cash flow for the years ended June 30, 2019 and 2018.

Condensed Statement of Cash Flows

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|-------------------|
| Cash provided (used in) provided by: | | |
| Operating activities | \$ (17,639,436) | (15,388,617) |
| Noncapital financing activities | 15,678,866 | 15,731,998 |
| Capital and related financing activities | (2,828,273) | (13,114,581) |
| Investing activities | <u>181,136</u> | <u>210,194</u> |
| Net change in cash | (4,607,707) | (12,561,006) |
| Cash, beginning of the year | <u>13,922,891</u> | <u>26,483,897</u> |
| Cash, end of year | <u>\$ 9,315,184</u> | <u>13,922,891</u> |

Statement of Revenues, Expenses and Changes in Net Position

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

The purpose of this statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent. Operating revenues are generally received for providing goods and services to various customers of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided.

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2019 and 2018

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

State appropriations are considered as non-operating revenues and are reported under "Non-operating Revenues (Expenses)."

The following summarizes the College's revenues, expenses, and changes in net position for the years ended June 30, 2019 and 2018.

Operating Results

| | June 30 | | Increase (Decrease) | Percent Change |
|-----------------------------|-----------------|--------------|------------------------|-------------------|
| | 2019 | 2018 | | |
| Operating revenues: | | | | |
| Tuition and fees, net | \$ 12,726,669 | 12,180,256 | 546,413 | 4% |
| Grants and contracts | 2,189,306 | 2,104,424 | 84,882 | 4% |
| Auxiliary | 3,764,851 | 3,628,903 | 135,948 | 4% |
| Other | 233,902 | 305,190 | (71,288) | -23% |
| Total operating revenues | 18,914,728 | 18,218,773 | 695,955 | 4% |
| Less operating expenses | 38,474,586 | 37,464,728 | 1,009,858 | 3% |
| Net operating income (loss) | \$ (19,559,858) | (19,245,955) | (313,903) | 2% |

During the period July 1, 2018, to June 30, 2019, the College's total operating revenues increased \$695,955 and operating expenses increased by \$1,009,858. The increase in operating revenues is attributable to an increase in tuition and fees rates offset by a decline in credit hour production resulting in an increase in tuition and fees revenue of \$546,413, an increase in grants and contracts of \$84,882, a decrease in other income of \$71,288, and an increase in auxiliary services of \$135,948. Operating revenues consist primarily of tuition and fees of \$12,726,669 and federal grants and contracts of \$2,189,306. There is also \$3,764,851 included in operating revenues from sales and services of the auxiliary enterprises (i.e., bookstore, dormitories, etc.).

The increase in operating expenses is primarily attributable to an increase in supplies and materials of \$2,686,933, an increase in depreciation of 1,049,687, offset by a decrease in compensation of \$1,277,239, a decrease in contractual services of \$994,429, a decrease in financial aid of \$207,396, and a decrease in utilities of \$121,477. Operating expenses are presented in their natural classification, with the largest expense being compensation.

Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2019 and 2018

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

Non-Operating Results

| | June 30 | | Increase (Decrease) | Percent Change |
|---|----------------------|-------------------|------------------------|-------------------|
| | 2019 | 2018 | | |
| Non-operating revenues (expenses): | | | | |
| State appropriations | \$ 8,018,471 | 7,907,477 | 110,994 | 1% |
| On-behalf payments (teachers' retirements) | 1,041,389 | 936,571 | 104,818 | 11% |
| Grants and contracts | 7,624,461 | 7,824,521 | (200,060) | -3% |
| Investment income | 181,136 | 210,194 | (29,058) | -14% |
| Other Revenue | 35,934 | - | 35,934 | 100% |
| Interest expense | (1,239,296) | (1,427,962) | 188,666 | -13% |
| Total non-operating revenues | <u>\$ 15,662,095</u> | <u>15,450,801</u> | <u>211,294</u> | 1% |

During the period July 1, 2018 to June 30, 2019, the College's non-operating revenues and expenses increased by \$211,294. The change is attributable primarily to an increase of \$110,994 in the State appropriations the College received during 2019, an increase in on-behalf payments of \$104,818, and a decrease in federal and state grants and contracts of \$200,060. Investment income decreased by \$29,058. Interest expense decreased \$188,666.

Non-operating revenues and expenses consist primarily of state appropriations of \$8,018,471 and on-behalf contributions for OTRS of \$1,041,389, along with investment income of \$181,136 and interest expense of \$1,239,296. Non-operating revenues also include federal grants and contracts such as Pell and SEOG totaling \$7,624,461.

Also included in the Statement of Revenues, Expenses and Changes in Net Position are Other Revenue, Expenses, and Gains and Losses. These items consist of \$2,708,784 of state appropriations restricted for capital purposes, \$1,689,780 of OCIA on-behalf appropriations, \$49,414 of contributed capital from the NOC Foundation, \$1,461,699 of contributed capital from Oklahoma State University less loss of \$881,992 on disposal of asset to transfer North Classroom Building to OSU.

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2019 and 2018**

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

Net Position Summary

| | June 30 | | Increase (Decrease) | Percent Change |
|--|----------------------|------------------|------------------------|-------------------|
| | 2019 | 2018 | | |
| Net increase in net position | \$ 1,129,922 | 809,177 | 320,745 | 40% |
| Net position, beginning of year | 9,325,039 | 10,228,107 | (903,068) | |
| Adjustment to net position | - | (1,712,245) | 1,712,245 | |
| Net position, beginning of year restated | <u>9,325,039</u> | <u>8,515,862</u> | <u>809,177</u> | 10% |
| Net position, end of year | <u>\$ 10,454,961</u> | <u>9,325,039</u> | <u>1,129,922</u> | 12% |

For the year ended June 30, 2019, the College had an increase in net position of \$1,129,922.

Capital Assets

As of June 30, 2019, the College had a net book value of fixed assets of \$55,840,909 compared to \$58,166,244 at June 30, 2018. In the current year, additions to construction in progress, land, improvements, infrastructure and buildings were \$4,144,110, while purchases of machinery and equipment were \$246,773. Depreciation recorded for 2019 and 2018, was \$4,385,861 and \$3,336,174 respectively.

Capital Financing

The College's long-term liabilities consisted of OCIA and ODFA capital lease obligations. These obligations include: one lease for the Construction of New Residence Halls on the Tonkawa and Enid Campuses, one for Renovation of Residence Halls/Cafeterias on the Tonkawa and Enid Campuses, and one lease associated with the performance contract for energy management, one for the construction of the NOC Stillwater Building, and one for the renovation of the Cultural Engagement Center in the Vineyard Library-Administration Building. The remaining two leases are associated with the OCIA Bond issue for Wilkin Hall – Phase II Renovation, Nursing and Communications Building, Enid Campus Renovations, Vineyard Library/Administration Renovation and Expansion, and North Classroom Building-Stillwater.

In November 2016, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2016G in the amount of \$15,159,000. Total lease payments over the term of the agreement, beginning December 15, 2016, will be \$20,379,970. Payments will be made monthly ranging from \$43,318 to \$97,350. Proceeds from the obligation will be used for the construction of NOC Stillwater Classroom Building.

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2019 and 2018**

Capital Financing (Continued)

In June 2017, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2017A in the amount of \$190,000. Total lease payments over the term of the agreement, beginning July 15, 2017, will be \$197,187. Payments will be made monthly ranging from \$174 to \$10,694. Proceeds from the obligation will be used for the renovation project related to the Native American Serving Nontribal Institutions Program for the Cultural Engagement Center and will be paid off in May of 2020.

In July 2014, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2014D in the amount of \$3,868,000. Total lease payments over the term of the agreement, beginning August 15, 2014, through May 15, 2029, will be \$5,061,127. Payments will be made monthly ranging from \$14,130 to \$14,741. Proceeds from the obligation were used for the renovation of residence halls known as Earl Butts, Threlkeld, and Boehme on the Enid and Tonkawa campuses.

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

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

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2019 and 2018**

Capital Financing (Continued)

On August 1, 2018, the College assumed occupancy of its new NOC Stillwater Building on the campus of Oklahoma State University (OSU) in Stillwater, Oklahoma. Also on this date, and in accordance with the terms and conditions of the Capital Project Agreement and Ground Lease (Agreement), dated December 15, 2016, between the College and OSU, the College transferred all of its rights, title, and interest in the asset identified as the North Classroom Building, also on the campus of OSU, and any improvements thereto, to OSU. With this transfer and assumption of asset, OSU also assumed the related proportionate share of the College's original debt issued by OCIA Series 2005F, and the subsequent debt refinancing by OCIA Series 2010A&B and 2014A, that funded the construction of the North Classroom Building. The result of this transfer of asset and related debt was an \$881,992 loss on disposal of assets. However, as also in accordance with the Agreement, OSU provided contributed services for the construction of the College's new NOC Stillwater Building on the campus of OSU totaling \$1,461,699. That amount is reported as Contributed Capital in the College's Statements of Revenues, Expenses, and Changes in Net Position.

In 2014, the College's 2004A lease agreement with OCIA was refunded by Series 2014B, with OCIA. As a result, the total liability of the remaining 2004A bonds were refunded by the 2014B bonds. 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. The 2014B bonds were fully paid off during the year ended June 30, 2019.

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

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

**Northern Oklahoma College
Management's Discussion and Analysis (Continued)
June 30, 2019 and 2018**

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

The operating budget for the year July 1, 2019, to June 30, 2020, has been approved, and the estimated amount of state appropriations to be received is \$8,142,069 which reflects a 4.5% increase in funding for Northern Oklahoma College as compared to the adjusted base for year ended June 30, 2019. The College did implement tuition and mandatory fee increase of 4.6% for the fiscal year ended June 30, 2020, to fund mandatory cost increases and budget priorities. The College continually monitors revenue and expenditures in order to maintain adequate reserve balances to ensure the College's financial viability. The College will continue to monitor enrollment as well as the state and national economic conditions as part of our financial decision making process and will strive to develop scenarios to reduce costs and increase operating revenues to protect critical academic programming, while being sensitive to our student needs. Presently, the College does not anticipate any other significant change in operations, nor are there any items pending that could have a significant effect on the financial position or operating results of the College.

REQUEST FOR INFORMATION

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

NORTHERN OKLAHOMA COLLEGE

STATEMENTS OF NET POSITION

June 30, 2019

| | Northern Oklahoma College | Northern Oklahoma College Foundation |
|---|------------------------------|--|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 9,106,649 | 723,469 |
| Restricted cash and cash equivalents | 208,535 | - |
| Accounts receivable, net | 1,001,908 | 4,223 |
| Grants receivable | 1,000,580 | - |
| Other receivables | 284,621 | - |
| Other assets | - | 2,450 |
| Inventories | 248,780 | - |
| Total current assets | <u>11,851,073</u> | <u>730,142</u> |
| Noncurrent Assets | | |
| Investments | - | 11,346,318 |
| Capital assets—nondepreciable | 1,409,538 | - |
| Capital assets—depreciable, net | 54,431,371 | - |
| Restricted net OPEB asset—OTRS | 211,523 | - |
| Total noncurrent assets | <u>56,052,432</u> | <u>11,346,318</u> |
| Total assets | <u>67,903,505</u> | <u>12,076,460</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amounts related to pension | 4,617,873 | - |
| Deferred amounts related to OPEB | 132,252 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 4,750,125</u> | <u>-</u> |

(Continued)

NORTHERN OKLAHOMA COLLEGE

STATEMENTS OF NET POSITION—CONTINUED

June 30, 2018

| | Northern Oklahoma College | Northern Oklahoma College Foundation |
|---|------------------------------|--|
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 678,936 | 6,616 |
| Unearned revenue | 661,088 | - |
| Accrued payroll | 175,469 | - |
| Accrued compensated absences | 376,446 | - |
| Deposits held in custody for others | 321,395 | - |
| Current portion of capital leases payable to OCIA | 6,303 | - |
| Current portion of capital leases payable to ODFA | 1,284,242 | - |
| Current portion of capital lease payable to Capital One | 416,870 | - |
| Total current liabilities | 3,920,749 | 6,616 |
| Noncurrent Liabilities | | |
| Capital leases payable to OCIA, net of current portion | 5,187,842 | - |
| Capital leases payable to ODFA, net of current portion | 24,131,100 | - |
| Capital leases payable to Capital One, net of current portion | 2,559,361 | - |
| Net pension liability | 19,782,569 | - |
| Total OPEB liability—OKHEEI | 1,784,551 | - |
| Total noncurrent liabilities | 53,445,423 | - |
| Total liabilities | 57,366,172 | 6,616 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred gain on OCIA lease restructure | 210,110 | - |
| Deferred amounts related to pension | 3,767,280 | - |
| Deferred amounts related to OPEB | 855,107 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ 4,832,497 | - |
| NET POSITION | | |
| Net investment in capital assets | \$ 22,045,081 | - |
| Restricted for: | | |
| Scholarships and fellowships—nonexpendable | - | 6,794,499 |
| OPEB | 64,948 | - |
| Capital projects | 4,481,852 | - |
| Scholarships—expendable | 2,336,759 | 2,482,738 |
| Unrestricted (deficit) | (18,473,679) | 2,792,607 |
| TOTAL NET POSITION | \$ 10,454,961 | 12,069,844 |

NORTHERN OKLAHOMA COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2019

| | Northern Oklahoma College | Northern Oklahoma College Foundation |
|--|------------------------------|--|
| OPERATING REVENUES | | |
| Tuition and fees, net of scholarship discounts and allowances of \$5,322,000 | \$ 12,726,669 | - |
| Auxiliary services, net of scholarship discounts and allowances of \$1,669,000 | 3,764,851 | - |
| Federal and state grants and contracts | 2,189,306 | - |
| Other sources | <u>233,902</u> | <u>248,070</u> |
| TOTAL OPERATING REVENUES | <u>18,914,728</u> | <u>248,070</u> |
| OPERATING EXPENSES | | |
| Compensation and benefits expense | 18,598,679 | - |
| Contractual services | 316,894 | - |
| Supplies and materials | 8,953,195 | - |
| Depreciation expense | 4,385,861 | - |
| Utilities | 1,179,147 | - |
| Communications | 141,562 | - |
| Financial aid | 4,369,633 | 263,600 |
| Other operating expenses | <u>529,615</u> | <u>854,194</u> |
| TOTAL OPERATING EXPENSES | <u>38,474,586</u> | <u>1,117,794</u> |
| OPERATING LOSS | (19,559,858) | (869,724) |
| NONOPERATING REVENUES (EXPENSES) | | |
| State appropriations | 8,018,471 | - |
| On-behalf contributions for OTRS | 1,041,389 | - |
| Federal and state grants and contracts | 7,624,461 | - |
| Investment income | 181,136 | 782,185 |
| Contributions and other nonoperating revenue | 35,934 | 2,191,076 |
| Interest expense | <u>(1,239,296)</u> | <u>-</u> |
| NET NONOPERATING REVENUES | <u>15,662,095</u> | <u>2,973,261</u> |
| (LOSS) GAIN BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES | (3,897,763) | 2,103,537 |
| State appropriations restricted for capital purposes | 2,708,784 | - |
| OCIA on-behalf appropriations | 1,689,780 | - |
| Contributed capital - NOC Foundation | 49,414 | - |
| Contributed capital - Oklahoma State University - See Note F | 1,461,699 | - |
| Loss on disposal of assets to Oklahoma State University - See Note F | <u>(881,992)</u> | <u>-</u> |
| CHANGE IN NET POSITION | <u>1,129,922</u> | <u>2,103,537</u> |
| NET POSITION AT BEGINNING OF YEAR | <u>9,325,039</u> | <u>9,966,307</u> |
| NET POSITION AT END OF YEAR | <u>\$ 10,454,961</u> | <u>12,069,844</u> |

NORTHERN OKLAHOMA COLLEGE

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2019

| | Northern Oklahoma College |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Tuition and fees | \$ 12,522,751 |
| Federal and state grants and contracts | 1,999,499 |
| Auxiliary enterprises sales and services | 3,769,302 |
| Other operating receipts | 233,902 |
| Payments to employees | (18,151,045) |
| Payments to suppliers | (18,013,845) |
| | <u>(18,013,845)</u> |
| | NET CASH USED IN OPERATING ACTIVITIES |
| | <u>(17,639,436)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State appropriations | 8,018,471 |
| Federal direct loan program receipts | 6,112,641 |
| Federal direct loan program disbursements | (6,112,641) |
| Federal and state grants and contracts | 7,624,461 |
| Other nonoperating activity | 35,934 |
| | <u>35,934</u> |
| | NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES |
| | <u>15,678,866</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of capital assets | (2,829,235) |
| Principal paid on capital leases and bonds | (1,654,237) |
| Interest paid on capital leases and bonds | (1,053,585) |
| Capital appropriations received | 2,708,784 |
| | <u>2,708,784</u> |
| | NET CASH USED IN FINANCING ACTIVITIES |
| | <u>(2,828,273)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received on investments | 181,136 |
| | <u>181,136</u> |
| | NET CASH PROVIDED BY INVESTING ACTIVITIES |
| | <u>181,136</u> |
| | NET DECREASE IN CASH AND CASH EQUIVALENTS |
| | (4,607,707) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>13,922,891</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 9,315,184</u> |

NORTHERN OKLAHOMA COLLEGE

STATEMENTS OF CASH FLOWS—CONTINUED

Year Ended June 30, 2019

| | Northern Oklahoma College |
|--|-------------------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES | |
| Operating loss | \$ (19,559,858) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: | |
| Depreciation expense | 4,385,861 |
| On-behalf payments | 1,041,389 |
| Changes in assets and liabilities: | |
| Accounts receivable | (184,382) |
| Grants and other receivables | (410,880) |
| Inventories | (7,168) |
| Accounts payable and accrued liabilities | (2,282,642) |
| Unearned revenue | (15,085) |
| Deposits held in custody for others | (12,916) |
| Accrued payroll | 74,745 |
| Compensated absences and employee accruals | (15,686) |
| Net OPEB asset—OTRS | (61,784) |
| Total OPEB liability—OKHEEI | 306,530 |
| Net pension liability | (2,450,493) |
| Deferred amounts related to pension and OPEB | <u>1,552,933</u> |
| NET CASH USED IN OPERATING ACTIVITIES | <u>\$ (17,639,436)</u> |
| NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES | |
| State appropriations for on-behalf capital lease payments | <u>\$ 1,689,780</u> |
| On-behalf payments for Oklahoma Teachers' Retirement System | <u>\$ 1,041,389</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION | |
| Cash and cash equivalents | \$ 9,106,649 |
| Restricted cash and cash equivalents | <u>208,535</u> |
| Total cash and cash equivalents | <u>\$ 9,315,184</u> |

NORTHERN OKLAHOMA COLLEGE

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

| | <i>Fiduciary Funds</i> |
|---------------------------|------------------------|
| Assets | |
| Cash and cash equivalents | \$ 918,511 |
| | <u>918,511</u> |
| Liabilities | |
| Due to OKHEEI | <u>918,511</u> |
| | <u>918,511</u> |
| Net position | <u><u>\$ -</u></u> |

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards over accounting for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

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

Fiduciary Funds—Fiduciary Funds are used to report assets held in a trustee or agency capacity for third parties and therefore are not available to support College programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. The College maintains a fiduciary fund in connection with its participation in the Oklahoma Higher Education Employee Interlocal Group (OKHEEI). OKHEEI is a group of colleges and universities which have collectively formed a risk pool for the purpose of providing health care benefits. OKHEEI assesses premiums for employees of member colleges. The premiums are then used to pay eligible health care claims. Funds held by the College are for the benefit and use of OKHEEI, as such, the funds are reflected as a fiduciary fund as the monies are not available for use by or for the College.

Agency Funds—Agency Funds are used to report resources held by the College in a purely custodial capacity (assets equal liabilities). Agency fund assets and liabilities are recognized using the accrual basis of accounting. The College has one agency fund for OKHEEI.

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

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

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

Cash and Cash Equivalents: For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of 3 months or less to be cash and cash equivalents.

Deposits and Investments: The College accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in unrealized gains (losses) on the carrying values of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or purchase capital or other noncurrent assets are classified as restricted assets in the statements of net position. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3* (GASB 40), the College has disclosed its deposit and investment policies related to the risks identified in GASB 40.

As noted above, investments are recorded at fair value, as determined by quoted market prices. In accordance with generally accepted accounting principles (GAAP) authoritative guidance on fair value measurements and disclosures, the College's investments measured and reported at fair value are classified according to the following hierarchical input levels:

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

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

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

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3. At June 30, 2019, the College had no investments.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

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

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

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

Grants Receivable: Grants receivable include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. No allowance for doubtful accounts has been provided for grants receivable.

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

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

Capital Assets: Capital assets are recorded at cost on the date of the acquisition or the acquisition value if acquired by gift. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the College:

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

Leasehold improvements made pursuant to property with 1-year lease agreements are capitalized for control purposes and amortized over a 1-year period.

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

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

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

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than 1 year, and (2) net pension liability and total OPEB liability.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

Restricted net position—nonexpendable: Nonexpendable restricted net position 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 represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the education 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.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

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 educational departments and of auxiliary enterprises, net of scholarship discounts and allowances, and (3) certain federal, state and nongovernmental grants and contracts.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, student aid revenues, and other revenue sources that are defined as non-operating 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.

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

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 and 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 and Deferred Inflow of Resources: Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2019, the College's deferred outflows and deferred inflows of resources were related to pension and OPEB sources.

Pension and Other Postemployment Benefits: For purposes of measuring the net pension liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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.

For purposes of measuring the total OPEB liability and OPEB expense for the single employer health insurance substantive plan. The measurement has been prepared in accordance with GASB Statement No. 75.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

New Accounting Pronouncements:

New Accounting Pronouncement Adopted—

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 provides accounting and reporting requirements for certain asset retirement obligations (ARO) that arise from legally enforceable liabilities associated with the retirement of certain tangible capital assets. ARO's require an internal and external obligating event and the costs to be reasonable estimable for the incurrence of such a liability. The College adopted GASB 83 effective July 1, 2018, for the June 30, 2019, reporting year. The implementation of GASB 83 did not have a significant impact on the financial statements.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 provides certain clarifications regarding debt as a liability and identifies additional required disclosures related to debt, including direct borrowings and direct placements of debt. The College adopted GASB 88 on July 1, 2018, for the June 30, 2019, reporting year. The implementation of GASB 88 did not have a significant impact on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changes previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. The College adopted GASB 89 on July 1, 2018, for the June 30, 2019, reporting year. The implementation of GASB 89 did not have a significant impact on the financial statements.

New Accounting Pronouncements Not Yet Adopted—

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. The College will adopt GASB 84 effective July 1, 2019, for the June 30, 2020, reporting year. The College has not determined the impact of GASB 84 on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The College has not determined the impact of GASB 87 on the financial statements.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

New Accounting Pronouncements—Continued:

New Accounting Pronouncements Not Yet Adopted, Continued—

In August 2018, GASB issued Statement No. 90, *Majority Equity Interest* (GASB 90). GASB 90 improves the consistency and comparability of reporting government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The College will adopt GASB 90 effective July 1, 2019, for the June 30, 2020, reporting year. The College does not expect GASB 90 to have a significant impact on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligation, and (3) related note disclosures. The College will adopt GASB 91 effective July 1, 2021, for the June 30, 2022, reporting year. The College does not expect GASB 91 to have a significant impact on the financial statements.

Subsequent Events: Management has evaluated subsequent events through October 28, 2019, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

NOTE B—DEPOSITS AND INVESTMENTS

Deposits: *Custodial credit risk* is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The College's deposit policy for custodial credit risk is described as follows:

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State's name.

The College requires that balances on deposit with financial institutions, including trustees related to the College's bond indenture and capital lease agreements, be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations in the College's name.

At June 30, 2019, the carrying amount of the College's deposits was \$9,315,184. This amount consisted of deposits with the State Treasurer of \$9,106,649, net of outstanding checks, and \$208,535 in restricted cash and cash equivalents on deposit with a financial institution at June 30, 2019.

See Independent Auditors' Report.

NOTE B—DEPOSITS AND INVESTMENTS—CONTINUED

Deposits—Continued:

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool, *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in obligations of the U.S. government, its agencies and instrumentalities, including agency senior debt and mortgage-backed pass-through securities, tri-party repurchase agreements, money market mutual funds, collateralized certificates of deposit, commercial paper, obligations of state and local governments, and State of Israel Bonds. Various other investments, as allowed by law, may be added to the *OK INVEST* portfolio, as the State Treasurer determines, without formal revision to its policy statement. Amounts invested in *OK INVEST* totaled \$6,580,006, which includes \$633,561 of fiduciary funds, at June 30, 2019. For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents.

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day-to-day *OK INVEST* management, with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements and diversification percentages and specify the types and maturities of allowable investments. The State Treasurer, at his discretion, may further limit or restrict such investments on a day-to-day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity, as well as in U.S. government securities with a maturity of up to 10 years. *OK INVEST* maintains an overall weighted average maturity of no more than 4 years.

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

- *Credit/default risk* is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.
- *Liquidity risk* is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons.
- *U.S. governmental securities risk* is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC, or any other government agency.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE B—DEPOSITS AND INVESTMENTS—CONTINUED

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.

Cash equivalents on deposit with the Oklahoma State Regents' Endowment Trust fund at June 30, 2019, totaled \$25,129. The Oklahoma State Regents for Higher Education holds for the College endowed gifts totaling \$530,700. Any earnings distributed are to be used for the College's activities associated with the endowment program.

Credit Risk: All U.S. government obligations are held by the Federal Reserve Bank in the name of the College. Title 70, Section 4306 of the Oklahoma Statutes directs, authorizes, and empowers the College's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws.

The Board of Regents 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 U.S. government and its agencies, certificates of deposit, and demand deposits. The Board of Regents has authorized endowment and similar funds to be invested in direct obligations of the U.S. government and its agencies, certificates of deposit, prime commercial paper, bankers' acceptances, demand deposits, corporate debt (no bond below a *Single A* rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities, and equity securities.

NOTE C—ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2019:

| | | |
|---------------------------------------|----|------------------|
| Student tuition and fees | \$ | 7,061,167 |
| Less: Allowance for doubtful accounts | | (6,059,259) |
| | \$ | <u>1,001,908</u> |

NOTE D—GRANTS RECEIVABLE AND OTHER RECEIVABLES

Grants and other receivables consist of the following at June 30, 2019:

| | | |
|-------------------|----|------------------|
| Grants receivable | \$ | 1,000,580 |
| Loans receivable | | 266,425 |
| Other receivables | | 18,196 |
| | \$ | <u>1,285,201</u> |

NOTE E—LOANS RECEIVABLE

The College closed out the Federal Perkins Loans Program during 2019; therefore, no such loans are reflected in the College's statements of financial position (see Note F of notes to Schedule of Expenditures of Federal Awards). The current balance of loans receivable consist primarily of Federal Direct Student Loans.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE F—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

| | Beginning | | | | |
|---|----------------------|--------------------|--------------------|---------------------|-----------------------|
| | Balances | Increases | Retirements | Transfers | Ending Balance |
| Capital Assts not being depreciated: | | | | | |
| Land | \$ 1,377,541 | 9,519 | - | - | 1,387,060 |
| Construction in Progress | 18,398,804 | 3,491,181 | - | (21,867,507) | 22,478 |
| Total Capital Assts not being depreciated | <u>\$ 19,776,345</u> | <u>3,500,700</u> | <u>-</u> | <u>(21,867,507)</u> | <u>1,409,538</u> |
| Capital Assts being depreciated: | | | | | |
| Land Improvements | \$ 1,863,763 | - | - | - | 1,863,763 |
| Infrastructure | 2,423,457 | 140,384 | - | - | 2,563,841 |
| Buildings and Building Improvements | 77,309,134 | 503,026 | (3,232,932) | 21,867,507 | 96,446,735 |
| Machinery & Equipment | 17,253,721 | 246,773 | - | - | 17,500,494 |
| Leasehold Improvements | 217,875 | - | - | - | 217,875 |
| Total Capital Assts being depreciated: | <u>\$ 99,067,950</u> | <u>890,183</u> | <u>(3,232,932)</u> | <u>21,867,507</u> | <u>118,592,708</u> |
| Less Accumulated Depreciation for: | | | | | |
| Land Improvements | \$ 1,067,960 | 72,349 | - | - | 1,140,309 |
| Infrastructure | 1,858,693 | 53,459 | - | - | 1,912,152 |
| Buildings and Building Improvements | 41,351,397 | 3,720,626 | (902,575) | - | 44,169,448 |
| Machinery & Equipment | 16,182,126 | 539,427 | - | - | 16,721,553 |
| Leasehold Improvements | 217,875 | - | - | - | 217,875 |
| Total Accumulated Depreciation, net | <u>\$ 60,678,051</u> | <u>4,385,861</u> | <u>(902,575)</u> | <u>-</u> | <u>64,161,337</u> |
| Total Capital Assets being depreciated, net | <u>\$ 38,389,899</u> | <u>(3,495,678)</u> | <u>(2,330,357)</u> | <u>21,867,507</u> | <u>54,431,371</u> |
| Capital Assets, net | <u>\$ 58,166,244</u> | <u>5,022</u> | <u>(2,330,357)</u> | <u>-</u> | <u>55,840,909</u> |

On August 1, 2018, the College assumed occupancy of its new NOC Stillwater Building on the campus of Oklahoma State University (OSU) in Stillwater, Oklahoma. Also on this date, and in accordance with the terms and conditions of the Capital Project Agreement and Ground Lease (Agreement), dated December 15, 2016, between the College and OSU, the College transferred all of its rights, title, and interest in the asset identified as the North Classroom Building, also on the campus of OSU, and any improvements thereto, to OSU. With this transfer and assumption of asset, OSU also assumed the related proportionate share of the College’s original debt issued by OCIA Series 2005F, and the subsequent debt refinancing by OCIA Series 2010A&B and 2014A, that funded the construction of the North Classroom Building. The result of this transfer of asset and related debt was an \$881,992 loss on disposal of assets. However, as also in accordance with the Agreement, OSU provided contributed services for the construction of the College’s new NOC Stillwater Building on the campus of OSU totaling \$1,461,699. That amount is reported as Contributed Capital in the College’s Statements of Revenues, Expenses, and Changes in Net Position.

The NOC Stillwater Building was constructed on the property known as the NOC Leased Tract, which is addressed in the Ground Lease section of the Agreement. The Ground Lease for the NOC Leased Tract, and any improvements thereto, includes a term of fifty years that will renew itself automatically for successive ten (10) year terms (each a “Renewal Term”), unless either OSU or NOC notifies the other Party of non-renewal in writing at least two (2) years in advance of the expiration of the Ground Lease Term or any applicable Renewal Term, for so long and only for so long as NOC fully complies with all the conditions listed in the Agreement.

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE G—FUNDS HELD IN TRUST BY OTHERS

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

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

The College received \$2,708,784, of share of earnings for the year ended June 30, 2019, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as state appropriations restricted for capital purposes. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve (market value) for the College held in the trust by the Commissioners of the Land Office was \$59,497,586, at June 30, 2019.

The College has pledged future revenues from the “Section Thirteen Fund State Educational Institutions” and the “New College Fund” as repayment on the master leases.

NOTE H—LONG TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019 is as follows:

| | Balance at June 30, 2018 | Additions | Reductions | Balance at June 30, 2019 | Amounts Due Within One Year |
|--------------------------------|-----------------------------|----------------|--------------------|-----------------------------|-----------------------------------|
| Capital Leases: | | | | | |
| 2016G ODFA Master Lease | \$ 14,319,585 | - | (569,416) | 13,750,169 | 580,417 |
| 2017A ODFA Master Lease | 70,750 | - | (68,917) | 1,833 | 1,833 |
| 2014D ODFA Master Lease | 3,020,832 | - | (230,500) | 2,790,332 | 236,833 |
| 2014C ODFA Master Lease | 8,364,999 | - | (396,667) | 7,968,332 | 404,500 |
| 2010A OCIA capital lease | 1,295,334 | - | (1,295,334) | - | - |
| 2014A OCIA capital lease | 6,657,422 | - | (1,463,277) | 5,194,145 | 6,303 |
| 2014B OCIA capital lease | 35,125 | - | (35,125) | - | - |
| 2013 Capital One capital lease | 3,376,849 | - | (400,618) | 2,976,231 | 416,870 |
| Premiums on leases | 965,382 | - | (60,706) | 904,676 | 60,659 |
| Total Capital Leases | <u>38,106,278</u> | <u>-</u> | <u>(4,520,560)</u> | <u>33,585,718</u> | <u>1,707,415</u> |
| Other Liabilities | | | | | |
| Accrued compensated absences | 392,132 | 376,446 | (392,132) | 376,446 | 376,446 |
| Total Other Liabilities | <u>392,132</u> | <u>376,446</u> | <u>(392,132)</u> | <u>376,446</u> | <u>376,446</u> |
| Total Long Term Liabilities | <u>\$ 38,498,410</u> | <u>376,446</u> | <u>(4,912,692)</u> | <u>33,962,164</u> | <u>2,083,861</u> |

Additional information regarding capital lease obligations is included in Note I.

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE I—LEASE COMMITMENTS

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

Series 2004A and 2014B—In 2014, the College's 2004A lease agreement with OCIA was refunded by Series 2014B, with OCIA. As a result, the total liability of the remaining 2004A bonds were refunded by the 2014B bonds. 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.

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

| | <u>Buildings</u> |
|--------------------------------|------------------|
| Cost | \$ 719,514 |
| Less: Accumulated depreciation | <u>(690,399)</u> |
| | <u>\$ 29,115</u> |

Series 2010A and 2014A&B—The 2006 legislative session authorized the issuance of OCIA Bond Issue 2005F and 2005G, for which the College entered into a lease agreement with OCIA for a portion of these bond proceeds with varying terms of repayment.

In August 2010, the College's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring had extended certain principal payments into the future.

In April 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. 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.

In August 2018, the College transferred a building, the North Classroom Building, to OSU. OSU also assumed \$1,448,365 the related proportionate share of the College's original debt issued by OCIA Series 2005F, and the subsequent debt refinancing by OCIA Series 2010A&B and 2014A, that funded the construction of the North Classroom Building.

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

| | |
|--------------------------------|---------------------|
| Buildings, cost | \$ 11,210,840 |
| Infrastructure, cost | 803,516 |
| Equipment, cost | 14,500 |
| Less: Accumulated depreciation | <u>(6,792,787)</u> |
| | <u>\$ 5,236,069</u> |

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE I—LEASE COMMITMENTS, CONTINUED

Oklahoma Capital Improvement Authority—Continued:

The scheduled principal and interest payments related to the OCIA capital leases at June 30, 2019, are as follows:

| <u>Year ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Lease Payments</u> |
|----------------------------|---------------------|------------------|-----------------------------|
| 2020 | \$ 6,303 | 247,214 | 253,517 |
| 2021 | - | 247,088 | 247,088 |
| 2022 | - | 247,088 | 247,088 |
| 2023 | 483,598 | 247,088 | 730,686 |
| 2024 | 508,179 | 223,787 | 731,966 |
| 2025-2029 | 2,855,575 | 745,562 | 3,601,137 |
| 2030-2034 | 1,340,490 | 100,211 | 1,440,701 |
| | <u>\$ 5,194,145</u> | <u>2,058,038</u> | <u>7,252,183</u> |

Oklahoma Development Finance Authority:

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

In July 2014, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2014D in the amount of \$3,868,000. Total lease payments over the term of the agreement, beginning August 15, 2014 through May 15, 2029, will be \$5,061,127. Payments will be made monthly ranging from \$14,130 to \$14,741. Proceeds from the obligation will be used for the construction of dormitories on the Enid and Tonkawa campuses.

In November 2016, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2016G in the amount of \$15,159,000. Total lease payments over the term of the agreement, beginning December 15, 2016, will be \$20,379,970. Payments will be made monthly ranging from \$43,318 to \$97,350. Proceeds from the obligation will be used for the construction of Stillwater Classroom Building.

In June 2017, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Series 2017A in the amount of \$190,000. Total lease payments over the term of the agreement, beginning July 15, 2017, will be \$197,187. Payments will be made monthly ranging from \$174 to \$10,694. Proceeds from the obligation will be used for the renovation project related to the Native American Serving Nontribal Institutions Program

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

| | |
|--------------------------------|----------------------|
| Buildings | \$ 32,811,081 |
| Less: Accumulated depreciation | <u>(2,962,580)</u> |
| | <u>\$ 29,848,501</u> |

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE I—LEASE COMMITMENTS—CONTINUED

Oklahoma Development Finance Authority—Continued:

Future minimum lease payments under the College’s obligations to ODFA as of June 30, 2019, are as follows:

| <u>Year ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Lease Payments</u> |
|----------------------------|----------------------|------------------|-----------------------------|
| 2020 | \$ 1,223,583 | 878,852 | 2,102,435 |
| 2021 | 1,255,750 | 839,705 | 2,095,455 |
| 2022 | 1,309,166 | 787,903 | 2,097,069 |
| 2023 | 1,368,500 | 732,485 | 2,100,985 |
| 2024 | 1,427,833 | 674,345 | 2,102,178 |
| 2025-2029 | 7,935,916 | 2,535,401 | 10,471,317 |
| 2030-2034 | 7,569,915 | 1,181,956 | 8,751,871 |
| 2035-2037 | 2,420,003 | 139,317 | 2,559,320 |
| | <u>\$ 24,510,666</u> | <u>7,769,964</u> | <u>32,280,630</u> |

2013 Capital One—Energy Savings Improvements Capital Lease—The College’s lease agreement with Green Campus Partners, LLC is for financing of the performance contract for energy management improvements on the Tonkawa and Enid campuses. The lease was issued in May 2013 for an amount of \$5,153,100 with an interest rate of 2.95% maturing August 2025. The lease was then assigned to Capital One in 2013.

The scheduled principal and interest payments related to the capital lease as of June 30, 2019, are as follows:

| <u>Year ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Lease Payments</u> |
|----------------------------|---------------------|-----------------|-----------------------------|
| 2020 | \$ 416,870 | 83,239 | 500,109 |
| 2021 | 438,229 | 70,707 | 508,936 |
| 2022 | 460,501 | 57,536 | 518,037 |
| 2023 | 483,720 | 43,696 | 527,416 |
| 2024 | 507,924 | 29,161 | 537,085 |
| 2025-2029 | 668,987 | 14,909 | 683,896 |
| | <u>\$ 2,976,231</u> | <u>299,248</u> | <u>3,275,479</u> |

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

| | <u>Buildings</u> |
|--------------------------------|---------------------|
| Cost | \$ 5,116,919 |
| Less: Accumulated depreciation | <u>(2,913,900)</u> |
| | <u>\$ 2,203,019</u> |

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE I—LEASE COMMITMENTS—CONTINUED

Operating Leases: In 2015, the College entered into an agreement to lease office space (Fountain Square in Stillwater) for \$6,278 per month. For Fiscal Year 2019, the lease was on a month to month basis. The related rental expense was approximately \$6,000, with the termination of the lease on July 31, 2018, and the completion and occupancy of the new NOC Stillwater Building on August 1, 2018. See Note F above for more information on the NOC Stillwater Building and the related Ground Lease Agreement.

For fiscal year 2019 the College had an additional agreement to lease office space (Cowboy Mall) for \$3,237 per month, on a month to month basis. The related rental expense was approximately \$6,000, with the termination of the lease on July 31, 2018, and the completion and occupancy of the new NOC Stillwater Building on August 1, 2018. The additional one-month lease payment was due to timing delays in moving computer related equipment out of Cowboy Mall. See Note F above for more information on the NOC Stillwater Building and the related Ground Lease Agreement.

For fiscal year 2019 the College had an additional agreement to lease office equipment (print shop equipment) for approximately \$3,600 per month. The related rental expense was approximately \$42,000 for the year ended June 30, 2019.

NOTE J—EMPLOYEE RETIREMENT PLAN

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 or the “System”). 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/TRS

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 5 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 3 highest years of compensation. Final compensation for members joining the System after June 30, 1992, is defined as the average of the highest 5 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.

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE J—EMPLOYEE RETIREMENT PLAN—CONTINUED

Benefits Provided—Continued:

- 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 10 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 Internal Revenue Code (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).

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 7.7% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program; see Note K. Contributions to the pension plan from the College were \$1,399,937 for the year ended June 30, 2019. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$1,041,389 was recognized by the College for the year ended June 30, 2019; 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, 2019, the College reported a liability of \$19,782,569 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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 for the year ended June 30, 2018. Based upon this information, the College's proportion was 0.3273%.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE J—EMPLOYEE RETIREMENT PLAN—CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—Continued:

For the year ended June 30, 2019, the College recognized pension expense of \$1,671,947. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ - | 1,367,478 |
| Changes of assumptions | 1,854,544 | 1,013,255 |
| Net difference between projected and actual earnings on pension plan investments | - | 343,884 |
| Changes in College's proportionate share of contributions | 1,307,100 | 1,027,595 |
| Differences between College contributions and proportionate share of contributions | 56,292 | 15,068 |
| College contributions subsequent to the measurement date | 1,399,937 | - |
| Total | <u>\$ 4,617,873</u> | <u>3,767,280</u> |

The \$1,399,937 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> | |
|----------------------------|---------------------|
| 2020 | \$ 722,807 |
| 2021 | 297,961 |
| 2022 | (838,533) |
| 2023 | (668,119) |
| 2024 | (63,460) |
| Total | <u>\$ (549,344)</u> |

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE J—EMPLOYEE RETIREMENT PLAN—CONTINUED

Actuarial Assumptions: The total pension liability as of June 30, 2019, was determined based on an actuarial valuation prepared as of June 30, 2018, using the following actuarial assumptions:

- Actuarial cost method—Entry Age Normal
- Inflation—2.50%
- Future Ad Hoc cost-of-living increases—None
- Salary increases—Composed of 3.25% wage inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment rate of return—7.50%
- Retirement age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the 5-year experience study for the period ending June 30, 2014.
- Mortality rates after retirement—Males: RP-2000 Combined Healthy 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 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------------|---|
| Domestic equity | 38.50% | 7.50% |
| International equity | 19.00% | 8.50% |
| Fixed income | 23.50% | 2.50% |
| Real estate* | 9.00% | 4.50% |
| Alternative assets | <u>10.00%</u> | 6.10% |
| | <u>100.00%</u> | |

*The real estate total expected return is a combination of U.S. Direct Real Estate (unleveraged) and U.S. Value Added Real Estate (unleveraged).

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE J—EMPLOYEE RETIREMENT PLAN—CONTINUED

Discount Rate: A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. 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. 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 5 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 College calculated using the discount rate of 7.5%, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

| | <u>1% Decrease (6.5%)</u> | <u>Current Discount Rate (7.5%)</u> | <u>1% Increase (8.5%)</u> |
|---------------------------------|-------------------------------|---|-------------------------------|
| College's net pension liability | \$ 28,129,623 | \$ 19,782,569 | \$ 12,794,676 |

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/TRS.

NOTE K—OTHER POST EMPLOYMENT BENEFIT PLANS

The College participates in two employee other post-employment benefit plans as described:

| <u>Name of Plan/System</u> | <u>Type of Plan</u> |
|--|--|
| Supplemental Health Insurance Program (OTRS) | Cost Sharing Multiple Employer – Defined Benefit Plan |
| NOC Employee Health Plan | Single Employer - Defined Benefit Plan |

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE K—OTHER POST EMPLOYMENT BENEFIT PLANS—CONTINUED

A summary of all the amounts recorded in the College’s financial statements for the plans is as follows:

| | <u>Plan Totals</u> |
|------------------------------------|--------------------|
| Net OPEB Asset: | |
| Supplemental Health Insurance Plan | \$ 211,523 |
| Total | <u>\$ 211,523</u> |
| Deferred Outflows of Resources: | |
| Supplemental Health Insurance Plan | \$ 20,398 |
| NOC Employee Health Plan | 111,854 |
| Total | <u>\$ 132,252</u> |
| Deferred Inflows of Resources: | |
| Supplemental Health Insurance Plan | \$ 146,575 |
| NOC Employee Health Plan | 708,532 |
| Total | <u>\$ 855,107</u> |
| OPEB (Benefit) Expense: | |
| Supplemental Health Insurance Plan | \$ (26,189) |
| NOC Employee Health Plan | 169,169 |
| Total | <u>\$ 142,980</u> |

Supplemental Health Insurance Program:

Plan Description—The College as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by OTRS. Title 74 O. S. Sec. 1316.3 defines the health insurance 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/TRS

Benefits Provided—OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Oklahoma Higher Education Employee Interlocal Group (“OKHEEI”), provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions—Employer and employee contributions are made based upon the OTRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note J; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.14% of normal cost, as determined by an actuarial valuation for 2019. Contributions allocated to the OPEB plan from the College were \$9,443.

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE K—OTHER POST EMPLOYMENT BENEFIT PLANS—CONTINUED

Supplemental Health Insurance Program—Continued:

OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—At June 30, 2019, the College reported an asset of \$211,523 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2018. The College’s proportion of the net OPEB asset was based on the College’s contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2018. Based upon this information, the College’s proportion was 0.3273%.

For the year ended June 30, 2019, the College recognized OPEB income of \$26,189. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | 58,943 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 87,632 |
| Changes in proportion | 563 | - |
| Differences between College contributions and proportionate share of contributions | 10,392 | - |
| College contributions subsequent to the measurement date | 9,443 | - |
| Total | <u>\$ 20,398</u> | <u>146,575</u> |

There was \$9,443 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ended June 30:</u> | |
|----------------------------|---------------------------|
| 2020 | \$(36,761) |
| 2021 | (36,761) |
| 2022 | (36,761) |
| 2023 | (16,752) |
| 2024 | (7,056) |
| Thereafter | (1,529) |
| Total | <u><u>\$(135,620)</u></u> |

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE K—OTHER POST EMPLOYMENT BENEFIT PLANS—CONTINUED

Supplemental Health Insurance Program—Continued:

Actuarial Assumptions—The net OPEB asset as of June 30, 2019, was determined based on an actuarial valuation prepared as of June 30, 2018, using the following actuarial assumptions:

- Actuarial cost method—Entry Age Normal
- Inflation—2.50%
- Future Ad Hoc cost-of-living increases—None
- Salary increases—Composed of 3.25% wage inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment rate of return—7.50%
- Retirement age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the 5-year experience study for the period ending June 30, 2014.
- Mortality rates after retirement—Males: RP-2000 Combined Healthy 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 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.
- Healthcare cost trend rate—not applicable, as the benefit provided is a set dollar amount not impacted by healthcare costs.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------------|---|
| Domestic equity | 38.50% | 7.50% |
| International equity | 19.00% | 8.50% |
| Fixed income | 23.50% | 2.50% |
| Real estate* | 9.00% | 4.50% |
| Alternative assets | <u>10.00%</u> | 6.10% |
| | <u>100.00%</u> | |

*The real estate total expected return is a combination of U.S. Direct Real Estate (unleveraged) and U.S. Value Added Real Estate (unleveraged).

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE K—OTHER POST EMPLOYMENT BENEFIT PLANS—CONTINUED

Supplemental Health Insurance Program—Continued:

Discount Rate—A single discount rate of 7.50% was used to measure the net OPEB asset as of June 30, 2018. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the net OPEB asset. The projection of cash flows used to determine this single discount rate assumed that plan member and College contributions will be made at the current statutory levels and remain a level percentage of payrolls. 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 5 years of actual contributions.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate—The following presents the net OPEB asset of the College calculated using the discount rate of 7.5%, as well as what the College's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--------------------------|-----------------------|---------------------------------|-----------------------|
| College's net OPEB asset | \$ (74,291) | \$ (211,523) | \$ (328,785) |

OPEB Plan Fiduciary Net Position—Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report of the OTRS; which can be obtained at www.ok.gov/TRS.

NOC Retiree Benefit Plan:

Plan Description—The College’s defined benefit OPEB plan, NOC Employee Health Plan, provides OPEB to eligible retirees and their dependents. The College’s Board of Regents has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided—The College provides medical, dental, and vision benefits to eligible retirees and their dependents through OKHEEI. The College pays the full contribution rate for the retiree’s coverages and for any other elected dependent dental and vision coverages if they have retired from OTRS under the Rule of 80 or 90. An employee who chooses to exercise the personal early retirement option at age 58 or older and with at least 15 years of consecutive service may request health and dental be continued with the College covering 50% of the premiums. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the College.

Employees Covered by Benefit Terms—At June 30, 2019, the following employees were covered by the benefit terms:

| | |
|---|------------|
| Active Employees | 253 |
| Inactives or beneficiaries currently receiving benefit payments | <u>7</u> |
| Total | <u>260</u> |

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE K—OTHER POST EMPLOYMENT BENEFIT PLANS—CONTINUED

NOC Retiree Benefit Plan—Continued:

Total OPEB Liability—The College’s total OPEB liability of \$1,784,551 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018, with rollforward procedures.

Actuarial Assumptions—The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2018, with rollforward procedures for year ended June 30, 2019, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 3.50%, based on June 30, 2019, published Bond Pay Go-20 bond index
- Pre-Retirement Termination – Table T-3 of the Actuary’s Pension Handbook.

| Age | Annual Termination Rate |
|-----|----------------------------|
| 25 | 5.27% |
| 30 | 4.83% |
| 35 | 4.47% |
| 40 | 3.84% |
| 45 | 3.21% |
| 50 | 1.52% |
| 55 | 0.33% |
| 60 | 0.00% |

Retiring participants assumed to continue
with same coverage

- Retirement Age: 63
- Healthcare cost trend rates—Level 4.00%
- Mortality Rates—RPA-2000 Mortality Table projected to 2020

Changes in Total OPEB Liability—The following table reports the components of changes in total OPEB liability for 2019:

| | Total OPEB Liability |
|---|-------------------------|
| Balance, beginning of year | \$ 1,478,021 |
| Changes for the Year: | |
| Service cost | 166,452 |
| Interest expense | 56,962 |
| Changes of assumptions | 100,090 |
| Difference between expected and actual experience | - |
| Benefits paid | (16,974) |
| Net Changes | 306,530 |
| Balance, end of year | \$ 1,784,551 |

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE K—OTHER POST EMPLOYMENT BENEFIT PLANS—CONTINUED

NOC Retiree Benefit Plan—Continued:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate—The following presents the total OPEB liability of the College calculated using the discount rate of 3.50%, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

| | <u>1% Decrease (2.50%)</u> | <u>Current Discount Rate (3.50%)</u> | <u>1% Increase (4.50%)</u> |
|--------------------------------|--------------------------------|--|--------------------------------|
| College's total OPEB liability | \$ 1,878,006 | \$ 1,784,551 | \$ 1,694,302 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate—The following presents the total OPEB liability of the College calculated using the healthcare cost trend rate of 5.00%, as well as what the College's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

| | <u>1% Decrease (4.00%)</u> | <u>Healthcare Cost Trend Rate (5.00%)</u> | <u>1% Increase (6.00%)</u> |
|--------------------------------|--------------------------------|---|--------------------------------|
| College's total OPEB liability | \$ 1,642,914 | \$ 1,784,551 | \$ 1,965,480 |

OPEB Expense—For the year ended June 30, 2019, the College recognized OPEB expense of \$169,169. The College also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 111,854 | - |
| Changes of assumptions | - | 708,532 |
| Total | <u>\$ 111,854</u> | <u>708,532</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ended June 30:</u> | |
|----------------------------|---------------------|
| 2020 | \$ (54,245) |
| 2021 | (54,245) |
| 2022 | (54,245) |
| 2023 | (54,245) |
| 2024 | (54,245) |
| Thereafter | (325,453) |
| Total | <u>\$ (596,678)</u> |

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE L—RELATED PARTY TRANSACTIONS

During the year ended June 30, 2019, the College entered into an Exchange of Services Agreement with Northern Oklahoma College Foundation, Inc. (the Foundation). The Exchange of Service Agreement defines and memorializes the terms agreed upon by the parties for the exchange of services not otherwise covered by separate, specific contractual agreements between the parties.

For substantially all scholarships awarded by the Foundation, amounts are remitted to the College. Subsequently, the College makes payments directly to the award recipients. Such amounts were approximately \$264,000 for the year ended June 30, 2019.

NOTE M—RISK MANAGEMENT

The College is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the 3 preceding years.

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

The College also began participating, during fiscal year 2017, in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool "OKHEEI". College employees have health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating college and universities in the state of Oklahoma. The College pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provide by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating colleges and universities. As of June 30, 2019, additional assessments did not occur.

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

The College participates in the Federal Direct Student Loans Program (Direct Lending Program). The Direct Lending Program requires the College to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. Failure to perform such functions may require the College to reimburse the U.S. Department of Education. For the year ended June 30, 2019, approximately \$6,113,000, of Direct Lending Program loans were provided to College students.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO FINANCIAL STATEMENTS—CONTINUED

NOTE N—COMMITMENTS AND CONTINGENCIES

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

NOTE O—NORTHERN OKLAHOMA COLLEGE FOUNDATION, INC.

The Foundation is a tax-exempt organization established and organized exclusively for the benefit of the educational, literacy and scientific activities of the College. The principal function of the Foundation is to promote the College and the welfare of its programs and students by providing scholarships, loans and other awards to students, faculty, and staff as deemed appropriate.

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

The financial statements of the Foundation included in this report were prepared on an accrual basis of accounting for the year ended June 30, 2019. The stand-alone financial statements of the Foundation were prepared in accordance with Financial Accounting Standards Board not-for-profit financial statement reporting standards, and the Foundation’s stand-alone financial statements have been modified as required to conform their financial presentation to a governmental reporting format.

The assets of the Foundation as presented in the accompanying financial statements are in the form of cash and cash equivalents of \$723,469 and investments of \$11,346,318. The cash and cash equivalent balances are generally in the form of checking accounts and savings accounts and at June 30, 2019, were substantially covered by FDIC insurance. The investment balances are generally held in domestic and international debt securities.

The net position of the Foundation is generally subject to donor-imposed stipulations, and \$6,794,499 of the net position of the Foundation is permanently restricted endowment funds. Earnings on the endowment funds are generally restricted for use in various scholarship and lectureship programs.

Separately issued audited financial statements of the Foundation are available upon request.

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN OKLAHOMA COLLEGE

Schedules of Required Supplementary Information

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

OKLAHOMA TEACHERS RETIREMENT SYSTEM

*Last 5 Fiscal Years**

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|------------|------------|------------|------------|
| College's proportion of the net pension liability | 0.3273% | 0.3358% | 0.3331% | 0.2938% | 0.3175% |
| College's proportionate share of the net pension liability | \$ 19,782,569 | 22,233,062 | 27,801,245 | 14,443,133 | 17,080,072 |
| College's covered-employee payroll | \$ 14,484,300 | 14,650,947 | 14,796,716 | 14,210,434 | 13,269,725 |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 137% | 152% | 188% | 102% | 129% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.74% | 69.32% | 62.24% | 70.31% | 72.43% |

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

Notes to Schedule:

Information to present a 10 year history is not readily available.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

**Schedules of Required Supplementary Information
 SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
 OKLAHOMA TEACHERS RETIREMENT SYSTEM**

Last 5 Fiscal Years

| | 2019 | 2018 | *2017 | 2016 | 2015 |
|--|------------|------------|------------|------------|------------|
| Contractually required contribution | 1,399,937 | 1,401,073 | 1,381,540 | 1,415,272 | 1,375,036 |
| Contributions in relation to the contractually required contribution | 1,399,937 | 1,401,073 | 1,381,540 | 1,415,272 | 1,375,036 |
| Contribution deficiency (excess) | - | - | - | - | - |
| College's covered-employee payroll | 14,385,295 | 14,484,300 | 14,650,947 | 14,796,716 | 14,210,434 |
| Contributions as a percentage of covered-employee payroll | 9.73% ** | 9.67% ** | 9.43% | 9.56% | 9.68% |

Notes to Schedule:

Information to present a 10 year history is not readily available.

*Contribution amount restated due to implementation of GASB Statement No. 75

** The College implemented GASB 75 for OPEB effective July 1, 2017; therefore, this amount represents the net percentage for the GASB 68 contribution to OTRS. When combined with the supplemental health insurance plan percentage for OPEB contributions to OTRS, the total amount contributed to OTRS was approximately 10% in 2019 and 2018.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

Schedules of Required Supplementary Information

**SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
SUPPLEMENTAL HEALTH INSURANCE PROGRAM—OTRS**

Last 2 Fiscal Years

| | <u>2019</u> | <u>2018</u> |
|---|---------------|-------------|
| College's proportion of the net OPEB asset | 0.3273% | 0.3358% |
| College's proportionate share of the net OPEB asset | \$ 211,523 | 149,739 |
| College's covered-employee payroll | \$ 14,484,300 | 14,650,947 |
| College's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll | 1.46% | 1.02% |
| Plan fiduciary net position as a percentage of the total OPEB asset | 115.41% | 110.40% |

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

Notes to Schedule:

Information to present a 10 year history is not readily available.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

**Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
SUPPLEMENTAL HEALTH INSURANCE PROGRAM—OTRS**

Last 3 Fiscal Years

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|---------------|
| Contractually required contribution | \$ 9,443 | 22,246 | 21,936 |
| Contributions in relation to the contractually required contribution | <u>9,443</u> | <u>22,246</u> | <u>21,936</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| College's covered-employee payroll | \$ 14,385,295 | 14,484,300 | 14,650,947 |
| Contributions as a percentage of covered-employee payroll | 0.07% | 0.15% | 0.15% |

Notes to Schedule:

Information to present a 10 year history is not readily available.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

NOC EMPLOYEE HEALTH PLAN

Current Fiscal Year

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|-------------------------|
| Total OPEB liability | | |
| Service cost | \$ 166,452 | 166,452 |
| Interest | 56,962 | 63,759 |
| Change in assumptions | 100,090 | 22,861 |
| Differences between expected and actual experience | - | (835,736) |
| Benefit payments, including refunds of member contributions | (16,974) | (9,430) |
| Net change in total OPEB liability | <u>306,530</u> | <u>(592,094)</u> |
| Total OPEB liability - beginning of year | <u>1,478,021</u> | <u>2,070,115</u> * |
| Total OPEB liability - end of year | <u><u>\$ 1,784,551</u></u> | <u><u>1,478,021</u></u> |
| | | |
| Covered-employee payroll | \$ 14,385,295 | 14,484,300 |
| | | |
| Total OPEB liability as a percentage of covered-employee payroll | 12.41% | 10.20% |

Notes to Schedule:

*-Restated

Information to present a 10 year history is not readily available.

The discount rates used for 2019 and 2018, were 3.50% and 3.88%, respectively.

See Independent Auditors' Report.

NORTHERN OKLAHOMA COLLEGE
INFORMATION REQUIRED BY
***GOVERNMENT AUDITING STANDARDS* AND**
THE UNIFORM GUIDANCE



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

Board of Regents
Northern Oklahoma College
Tonkawa, Oklahoma

We have audited the financial statements of the business-type activities and discretely presented component unit of Northern Oklahoma College (the "College"), collectively a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2019. We conducted our audit in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to the financial statements of Northern Oklahoma College Foundation, Inc. (the "Foundation"), the College's discretely presented component unit, as described in our report on the College's financial statements. 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. Our report includes a paragraph disclaiming an opinion on required supplementary information.

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 College'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.

(Continued)

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

Internal Control Over Financial Reporting, Continued

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 28, 2019



**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Regents
Northern Oklahoma College
Tonkawa, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Northern Oklahoma 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, 2019. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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* (CFR) 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.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

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, 2019.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on 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.

Finlay + Cook, PLLC

Shawnee, Oklahoma
October 28, 2019

NORTHERN OKLAHOMA COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Grant Number/Pass-Through Entity Identifying Number | Passed Through to Subrecipients (No Subrecipients) | Total Federal Expenditures |
|---|---------------------------|--|---|-------------------------------|
| U.S. Department of Education: | | | | |
| Student Financial Assistance Cluster: | | | | |
| Federal Pell Grant Program | 84.063 | P063P182039/P063P172039 | N/A | \$ 6,296,673 |
| Federal Supplemental Educational Opportunity Grant | 84.007 | P007A183430/P007A173430 | N/A | 142,485 |
| Federal Direct Student Loans Program | 84.268 | P268K192039/P268K182039 | N/A | 6,112,641 |
| Federal Work Study Program | 84.033 | P003A183430/P033A173430 | N/A | 94,112 |
| Federal Perkins Loan Program * | 84.038 | N/A | N/A | - |
| Total Student Financial Assistance Cluster | | | | 12,645,911 |
| TRIO Cluster: | | | | |
| Upward Bound | 84.047A | P047A170123 | N/A | 277,812 |
| Total TRIO Cluster | | | | 277,812 |
| Gaining Early Awareness and Readiness for : | | | | |
| Passed through OSRHE: | | | | |
| GEAR UP Undergraduate Programs | 84.334 | P334P110011 | N/A | 13,226 |
| Total Passed through OSRHE: | | | | 13,226 |
| Office of Vocational & Adult Education: | | | | |
| Pass-Through Oklahoma Department of Career and Technology Education: | | | | |
| Carl D. Perkins Post-Secondary | 84.048 | N/A | N/A | 58,916 |

(Continued)

* - See note F to Schedule of Expenditures of Federal Awards

See Independent Auditors' Report.

See accompanying notes to schedule of expenditures of federal awards.

NORTHERN OKLAHOMA COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED

Year Ended June 30, 2018

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Grant Number/Pass-Through Entity Identifying Number | Passed Through to Subrecipients (No Subrecipients) | Total Federal Expenditures |
|---|---------------------------|--|---|-------------------------------|
| U.S. Department of Education, Continued: | | | | |
| United States Department of Education—Other Programs: | | | | |
| Strengthening Minority-Serving Institutions (NASNTI) | 84.382C | P382C1600014-17 | N/A | 382,872 |
| Passed through Osage County Interlocal Coop: | | | | |
| The Indian Education Demonstration | 84.299A | S299A150023 | N/A | <u>5,297</u> |
| Total Other Programs | | | | <u>388,169</u> |
| Total U.S. Department of Education | | | | <u>13,384,034</u> |
| U.S. Department of Health and Human Services: | | | | |
| Passed through OSRHE: | | | | |
| Temporary Assistance to Need Families | 93.558 | N/A | N/A | 141,339 |
| Scholars for Excellence in Child Care | 93.575 | N/A | N/A | <u>135,121</u> |
| Total OSRHE | | | | <u>276,460</u> |
| Total U.S. Department of Health and Human Services | | | | <u>276,460</u> |
| Corporation for National and Community Service | | | | |
| Americorps | 94.006 | N/A | N/A | <u>5,534</u> |
| Total Corporation for National and Community Service | | | | <u>5,534</u> |
| Total expenditures of federal awards | | | | <u>\$ 13,666,028</u> |

See Independent Auditors' Report.

See accompanying notes to schedule of expenditures of federal awards.

NORTHERN OKLAHOMA COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2019

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards activity of Northern Oklahoma College (the “College”) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the net position, changes in net position, or cash flows of the College.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C—FEDERAL DIRECT STUDENT LOANS PROGRAM

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

NOTE D—SUBRECIPIENTS

During the year ended June 30, 2019, the College did not provide federal awards to subrecipients.

NOTE E—INDIRECT COST RATE

The College has a Negotiated Indirect Cost Rate Agreement issued by the U.S. Department of Health and Human Services as of October 14, 2014. The negotiated rate of 31.9% was applied in accordance with the Agreement for the year ended June 30, 2019, except that certain grants limited the rate charged.

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED

June 30, 2019

NOTE F—FEDERAL PERKINS LOAN PROGRAM LIQUIDATION

The College has liquidated the Federal Perkins Loan Program (the “Program”) with the final liquidation being confirmed by the Department of Education on March 21, 2019. In relation to the Program:

- There were no loan balances outstanding and no cash on hand at June 30, 2019.
- The College purchased \$16,808 loans during the year end June 30, 2019.
- The College’s capital contributions totaled \$46,247.
- The Federal capital contributions totaled \$391,239.
- There were 1,430 loans advanced to students totaling \$905,249.
- There were 1,178 loans that were fully retired totaling \$644,468.
- There were 252 loans that were assigned to the Department of Education totaling \$207,738.

See Independent Auditors’ Report.

NORTHERN OKLAHOMA COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

Type of auditors’ report issued on compliance for the major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

| Federal CFDA Number | Name of Federal Program or Cluster |
|---|---|
| 84.063, 84.007, 84.268, 84.033, and 84.038 | Student Financial Assistance Cluster |

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

Auditee qualified as low-risk auditee? Yes No

SECTION II—FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

NORTHERN OKLAHOMA COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2019

No findings were noted for the year ended June 30, 2018.