Eastern Oklahoma State College

Financial Statements

June 30, 2016
(With Independent Auditors' Reports Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

EASTERN OKLAHOMA STATE COLLEGE

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Regents
Eastern Oklahoma State College
Wilburton, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Oklahoma State College (the "College"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 did not audit the financial statements of the College's discretely presented component unit, Eastern Oklahoma State College Development Foundation, Inc. (the "Foundation"). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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)

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Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and its discretely presented component unit, the Foundation, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in Note 2 to the financial statements, the beginning net position as of July 1, 2015, has been restated to reflect the implementation of Governmental Accounting Standards Board Statement No. 82, *Pension Issues* (GASB 82). Accordingly, adjustments have been made to the beginning balance of net position as of July 1, 2015. Our opinion is not modified with respect to this matter.

Restatement of Previously Reported Balances

Also as discussed in Note 2 to the financial statements, the beginning net position as of July 1, 2015, has also been restated to correct an error and properly state capital assets as of that date. Accordingly, adjustments have been made to the balances of the beginning net position as of July 1, 2015. Our opinion is not modified with respect to this matter.

As part of our audit of the 2016 financial statements, we also audited the adjustments described in Note 2 that was applied to restate the 2015 financial statements. In our opinion, these adjustments were appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of the College other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-8 and the schedule of the College's proportionate share of the net pension liability and the schedule of the College's contributions on pages 56 and 57, respectively, 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.

(Continued)

<u>INDEPENDENT AUDITORS' REPORT, CONTINUED</u>

<u>Other Matters, Continued</u>

Other Information

Our audit was performed for the purpose of forming an opinion 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 taken as a whole.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, 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 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 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, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Significant Factors Affecting the Institution's Financial Statements

This discussion and analysis of Eastern Oklahoma State College's (College) financial statements provides an overview of the College's financial performance during the fiscal year ended June 30, 2016, with comparison to the previous year. Since the management's discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the College's basic financial statements and the footnotes.

Using This Report

In June 1999, GASB released Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Changes in Statement No. 34 require a comprehensive look at the entity as a whole, capitalization of assets, and recording depreciation. In November 1999, GASB issued Statement No. 35 *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* which applies these standards to public colleges and universities. The State of Oklahoma elected to adopt all applicable standards to State governments for the fiscal year ended June 30, 2001. To comply with the State's decision, the College adopted these standards as well.

The College adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* in the Fiscal year 2005. This Statement requires public institutions with fund-raising foundations or other affiliated organizations to include them as component units in the institution's financial statements, under certain circumstances. As a result, the College has concluded the Eastern Oklahoma State College Development Foundation is a component unit of the College and, accordingly, has included the Foundation's financial statements in this report. Refer to those financial statements for appropriate interpretation and analysis since management neither prepares nor oversees those financial results.

This year the College adopted GASB Statement No. 82, *Pension Issues* and corrected an error to properly state capital assets. Due to those changes the College had to adjust Net Position as of the beginning of the fiscal year. (Please refer to Note 2 and Note 8 for further information on those issues).

The purpose of the Statement of Net Position for the College is to report the financial position of the College at a point in time, the report date. The Statement of Net Position reports assets, liabilities, and net assets in a single column, separating current and noncurrent assets and current and noncurrent liabilities, as well as deferred, inflows and outflows. Net position report investments in fixed assets net of accumulated depreciation, restricted net position by restrictive covenants and the balance of net position are reported as unrestricted net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Using This Report, Continued

A primary purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to show whether the College is better or worse off as a result of the year's activities. When revenues exceed expenses, the result is an increase in net position. The Statement of Cash Flows presents the sources and uses of cash and cash equivalents and a reconciliation of these flows to net operating revenues.

The College follows the accrual method of accounting, reporting revenues and expenses as they occur rather than when cash is received or expended. The College engaged a firm in fiscal year 2001 to inventory and value all fixed assets. That evaluation serves as a basis for the cost and accumulated depreciation for fixed assets reported in the financial statements purchased prior to that year. The College records the cost of fixed assets when purchased and the disposed. Depreciation is recorded on all depreciable assets on a straight-line basis and according to the guidelines established by the College for depreciable lives. (See Note 1 for more information on these guidelines.)

Financial Highlights

The College's net position at June 30, 2016 and 2015, were $825,218 and ($88,844), respectively, an increase of $914,062.

Operating revenues increased by $1.1 million from $8.2 million to $9.3 million. Tuition and fee revenues, a major component of operating revenues, which includes only tuition and fees paid directly by students increased slightly by $19,835 for fiscal year 2016. Other operating revenues increased significantly from $96,807 in 2015 to $1,526,615. This is an increase of $1,429,808. This is due to an increase in indirect cost and a financial aid transfer being recorded in two different fiscal years.

In 2016 Operating Expenses decreased in four areas due to the College cutting non-necessary spending in an effort to offset current year and expected future year cuts of state funding. The areas that decreased are Compensation, Communication, Utilities, and Scholarships. This is directly related to cost cutting by departments. Four areas, Contractual services, Supplies and Materials, Depreciation, and Other Operating Expenses had increases. The most significant increase was in Depreciation and this was due to a correction of depreciation previously recorded that was found during a transition between fixed asset tracking systems

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Financial Highlights, Continued

In 2016 Non-operating Revenues did see a decrease of $1,414,199 or 12%. This was due to a decrease in state appropriations in the amount of $991,284 and a lag in financial aid reimbursement in federal grants. In addition the number of students decreased in 2016. In 2015, The College accrued a $1,086,609 expense for the repayment of Title IV funds and related interest that was assessed by the Department of Education (DOE) Final Program Review Determination. The College was able to reach a settlement with DOE. The amount has been reduced to $595,255. This is a significant decrease and excellent news for the College. EOSC will repay this liability with payments through October of 2020.

Financial Analysis of the College as a Whole

Statement of Net Position

	2016	2015
Assets:		
Current assets	$ 4,092,596	$ 5,074,497
Capital assets, net, restated	25,208,612	25,831,775
Other assets	16,205	435,364
Total assets	29,317,413	31,341,636
Deferred Outflow, restated	1,543,230	1,063,203
Liabilities		
Current liabilities	2,620,974	3,355,477
Noncurrent liabilities	25,754,909	25,764,907
Total liabilities	28,375,883	29,120,384
Deferred Inflows	1,659,542	3,373,299
Net position		
Invested in capital assets, net of debt, restated	12,214,921	11,916,223
Restricted – expendable, debt service	17,209	435,363
Restricted – expendable, grant funds	1,502,625	1,822,473
Unrestricted, restated	(12,909,537)	(14,262,903)
Net Position, end of year, restated	$ 825,218	$ (88,844)

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Statement of Revenues, Expenses, and Changes in Net Position

Graphic illustrations follow that report elements of the Statement of Revenues, Expenses, and Changes in Net Position including Operating Revenues by source, Operating Expenses by natural classifications, and Non-operating Revenues. Previous year amounts are also reported for comparative purposes. See the financial highlights section previously reported in this analysis and the financial statements for additional analysis of these figures.

Operating Revenues

Source of Revenue	Fiscal Year 2016	Fiscal Year 2015	Net Change
Tuition and fees	$ 2,466,287	$ 2,446,452	$ 19,835
Federal grants and contracts	$ 2,879,644	$ 3,056,208	$ (176,564)
State grants and contracts	$ 1,133,225	$ 1,096,356	$ 36,869
Sales and services of Auxiliary Activities	$ 1,329,094	$ 1,544,588	$ (215,494)
Other operating revenues	$ 1,526,615	$ 96,807	$ 1,429,808

Operating Expenses by Natural Classifications

Classification	Fiscal Year 2016	Fiscal Year 2015	Net Change
Compensation, restated	$ 10,471,723	$ 10,766,253	$ (294,530)
Contractual services	$ 1,750,548	$ 1,569,672	$ 180,876
Supplies and materials	$ 2,595,540	$ 2,255,742	$ 339,798
Communication	$ 138,149	$ 144,253	$ 6,104
Depreciation, restated	$ 1,479,988	$ 1,244,300	$ 235,688
Utilities	$ 579,851	$ 672,931	$ (93,080)
Scholarships and fellowships	$ 1,057,141	$ 1,769,833	$ (712,692)
Other operating expense, restated	$ 2,049,921	$ 837,225	$ 1,212,696

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Statement of Revenues, Expenses, and Changes in Net Assets, Continued

Non-operating Revenues (Expenses)

Revenues (Expenses)	Fiscal Year 2016	Fiscal Year 2015	Net Change
State appropriations	$ 5,694,758	$ 6,686,042	$ (991,284)
Federal and state grants	$ 3,813,207	$ 4,865,619	$ (1,052,412
Reduction in DOE liability	$ 491,354	$ 0	$ 491,354
On-behalf Teachers' Retirement System Contributions	$ 702,455	$ 669,233	$ 33,222
Investment income	$ 15,408	$ 18,699	$ (3,291)
Interest expense	$ (686,472)	$ (794,684)	$ (108,212)

Statement of Cash Flows

Cash at June 30, 2016, was $2,331,156 compared to $3,359,714 at June 30, 2015, a decrease of $1,028,558 as explained below.

Cash used in operating activities decreased $2,336,879 from $11,084,879 to $8,748,000 for the years ended June 30, 2015 and 2016, respectively. Inflows of cash included receipts from tuition and fees, grants and contracts, and auxiliary enterprise sales. Outflows of cash consisted of payments to employees and suppliers. This decreased in cash used in operating activities was the result of an increase in cash received in grants and contracts and auxiliary enterprises. In addition a decrease in payments made to employees vendors, helped bring about this change.

Cash provided by non-capital financing activities decreased by $2,043,696, primarily due to a decrease in non-operating grants.

Cash used in capital and related financing activities, which includes receipts for the purchase of capital assets offset by the purchase of capital assets or payment of principal and interest, decreased by $270,009. This was mainly due to a decrease in capital assets of $561,207 and a decrease of capital appropriations.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Capital Assets

As of June 30, 2016, the College had a net book value of fixed assets of $25,208,612 compared to $25,831,775 the previous year-end, a decrease of $623,163. Investments for the current year included $816,546 in construction and major repair of buildings and infrastructure, the purchase of equipment, livestock, and library books. Depreciation recorded for 2016 and 2015, was $1,479,988 and $1,244,300, respectively.

Capital Financing

The College has secured financing for capital expenditures through four separate processes. The College has issued two Revenue Bond Series. The "Student Facilities Revenue Bonds, Series 1997" were issued to remodel and improve the student union and a residence hall. This Bond was fully paid off during 2016 During 2004, the "Oklahoma Development Finance Authority Eastern Oklahoma State College-Capital Improvement Projects, Series 2004" were issued to construct a second classroom building at the McAlester Campus. This Bond was refinanced by ODFA 2016 Master Lease during 2016. Required payments for the year ended June 30, 2016, was $162,310 principal, plus $51,310 of interest. This Bond was fully paid off during 2016.

The College has two capital lease obligations through the OCIA to finance capital expenditures -- under the 1999 series and the 2005 series. Proceeds from the 1999 series debt were used to finance an addition to the library/administration building, while the 2005 series was used to fund construction of the new Student Center, construction of various ADA /infrastructure projects and to purchase a new integrated campus-wide ERP software system. The Oklahoma State Legislature appropriates revenues each year to fund the amount of principal and interest due for that year. The College is required to pay any principal and interest due and not appropriated by the Legislature because of lack of funding. These two obligations have been refinanced several times by the State. The capital lease obligations at June 30, 2016, for the 1999 series were $202,780 and the 2005 series were $5,377,887 extending through the period ending 2030. For the year ended June 30, 2016, the Oklahoma State Regents for Higher Education made on-behalf payments of $1,224,617 and $66,587 for the total principal and interest due for the year. Accordingly, the College did not make any payments this year.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Capital Financing, Continued

At this time the College has five Equipment Master Lease/Purchase agreements with the ODFA (Oklahoma Development Finance Authority, an agency of the State of Oklahoma). The College obtained funds through a Master Lease/Purchase agreement with the ODFA in 2005 (refinanced in 2015) for the purpose of financing $2,951,180 in equipment related to the conservation of energy on the campus. At June 30, 2016, the remaining principal obligation was $1,536,167 and interest obligation was $289,899, due through 2025. The 2010A Master Lease/Purchase was for the purpose of financing $401,000 to remodel the College's Apartments. The 2011A Equipment Master Lease/Purchase was for the purpose of financing $550,000 to remodel two classroom buildings on campus and $50,000 to purchase dorm furnishings. At June 30, 2016, the remaining principal obligation was $399,167 and interest obligation was $98,624, due through 2026. During fiscal year 2012 the college obtained funds through the Master Lease/Purchase agreement with the ODFA for a total amount of $4,900,000for the purpose of remodeling the Administration building, Pratt Hall, Gunning Hall, Baker Hall, for the construction of the Regency Court Apartments, and for certain equipment and furnishings. At June 30, 2016, the remaining principal obligation was $3,963,250 and the interest obligation was $1,488,637, due through 2031. In 2016, the College refinanced its 2004 Revenue Bond with the 2016 Master Lease. At June 30, 2016, the remaining principal obligation was $844,000 and the interest obligation was $116,686 due through 2022.

The four capital financing process is Lease Purchase Agreements of which the College has two at this time. During the fiscal year 2012, the College entered into a lease purchase agreement with Government Capital Corporation/Security State Bank of Wewoka to provide lease purchase financing in the amount of $247,750 for the installation of baseball lights. At June 30, 2016, the remaining principal obligation was $113,515 and the interest obligation was $8,046 due through 2019. During fiscal year 2015, the College obtained funds through a Lease/Purchase agreement with Central Trust Bank for the purpose of financing $128,594 to obtain a 2015 Ford Activity Bus. At June 30, 2016, the remaining principal obligation was $104,745 and interest obligation was $10,645, due through 2020.

Net Position

Investment in capital assets increased $298,698 in 2016, to a balance of $12.2 million. This increase is primarily a result of a decrease in long term debt.

Restricted net assets for debt service decreased for the year ended June 30, 2016, as the College paid off and/or refinanced the related debt and these funds were applied to those transactions. Restricted net assets for grant funds decreased by $319,848 due to a decrease in financial aid received because of the lag time in reimbursement from Department of Ed and a decrease in students.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Net Assets, Continued

Unrestricted net assets include net assets other than restricted assets and capital assets. Unrestricted net assets decreased by $1.4 million to a negative $12.1 million at June 30, 2016, due to recording the Colleges portion of OTRS unfunded pension liability.

Net Position

Net Position	Fiscal Year 2016	Fiscal Year 2015	Net Change
Invested in capital assets, net, restated	$ 12,214,921	$ 11,916,223	$ 298,698
Restricted for debt service	$ 17,209	$ 435,363	$ (418,154)
Restricted for Grant funds	$ 1,502,625	$ 1,822,473	$ (319,848)
Unrestricted, restated	$ (12,909,537)	$ (14,262,903)	$ 1,353,366

Economic Outlook

During fiscal year 2003, the College, as well as most state agencies of Oklahoma, began receiving reductions in state appropriations. During fiscal years 2003 through 2005, the College's reductions in state appropriations amounted to approximately $983,000. The declining trend reversed with the beginning of 2006, as the College received a 1.4 million increase in state appropriations over the next four years (2006 through 2009). In 2010-2012 the College received a reduction of $486,076 in state funding. In 2013 and 2014 the College received small increases totaling $153,507 and in FY15the budget was flat Tuition and fee increases were approximately 5% per credit hour in both fiscal years 2006 and 2007, 7.8% in 2008, 9.9% in 2009, 0% in 2010, 5.5% in 2011, 7% in 2012, 5% in 2013-2014 and 6.8% in 2015. In 2016 state appropriations were cut tremendously. The cuts began in January of 2016 and continued throughout the remaining 2016 fiscal year. The total decrease was $991,284.

Given the overall reductions in state appropriations and the related impact on the current budget base, the College continued to develop scenarios to hold down costs while preserving the ability to deliver quality instructional programs to its students. The College is anticipating decrease in FY 17, however at this point. While the state appropriated dollars have declined the last several years, our student numbers rose but are now going down. The college has worked to minimize the impact of our budget cuts on departmental budgets. The college is hopeful that spring 2017 enrollment will rebound so that our upward trend will start again. The Economic forecast for 2017 is down at this time. The College is trying to safeguard its reserves so that if needed it will be available in the upcoming years. However, the college is continuing to look for ways to effectively allocate resources and support the excellent programs offered at the College, while at the same time looking for areas that expenses can be reduced with a minimal impact on student programs and services.

EASTERN OKLAHOMA STATE COLLEGE

STATEMENTS OF NET POSITION

June 30, 2016

	Eastern Oklahoma State College	Eastern Oklahoma State College Development Foundation, Inc.
Assets		
Current assets:		
Cash and cash equivalents	$ 1,611,401	993,567
Restricted cash	719,755	-
Investment	-	3,174,988
Accounts receivable, net of allowance for doubtful accounts of $2,150,062	988,455	1,425
Federal and state grants receivable	758,914	-
Inventories	14,071	-
Total current assets	4,092,596	4,169,980
Noncurrent assets:		
Perkins loans	16,205	-
Capital assets, net of accumulated depreciation	25,208,612	-
Total noncurrent assets	25,224,817	-
Total assets	29,317,413	4,169,980
Deferred outflows of resources:		
Deferred cost on OCIA lease restructuring	6,185	-
Deferred cost related to pensions	1,537,045	-
Total deferred outflows of resources	1,543,230	-

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

EASTERN OKLAHOMA STATE COLLEGE

STATEMENTS OF NET POSITION, CONTINUED

June 30, 2016

	Eastern Oklahoma State College	Eastern Oklahoma State College Development Foundation, Inc.
Liabilities		
Current liabilities:		
Accounts payable	1,074,905	245
Accrued compensated absences	165,401	-
Unearned revenues	219,826	-
Deposits held in custody for others	102,767	-
Long-term debt, current portion	1,058,075	-
Total current liabilities	2,620,974	245
Noncurrent liabilities:		
Accrued compensated absences	144,341	
Net OTRS pension liability	13,674,951	-
Long-term debt	11,935,617	-
Total noncurrent liabilities	25,754,909	-
Total liabilities	28,375,883	245
Deferred inflows of resources:		
Deferred gain on lease restructuring	206,504	-
Deferred amounts related to pension	1,453,038	-
Total deferred inflows of resources	1,659,542	-
Net Position		
Investments in capital assets, net	12,214,921	-
Nonexpendable for scholarships	-	2,201,861
Restricted expendable for:		
Debt service	17,209	1,963,045
Grants	1,502,625	-
Unrestricted	(12,909,537)	4,859
Total net position	$ 825,218	4,169,765

See Independent Auditors’ Report.
See accompanying notes to financial statements.

EASTERN OKLAHOMA STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2016

	Eastern Oklahoma State College	Eastern Oklahoma State College Development Foundation, Inc.
Operating revenues:		
Student tuition and fees, net	$ 2,466,287	-
Federal grants and contracts	2,879,644	-
State and private grants and contracts	1,133,225	-
Sales and services of auxiliary enterprises, net	1,329,094	-
Other operating revenues	1,526,615	179,036
Total operating revenues	9,334,865	179,036
Operating expenses:		
Compensation and benefits	10,471,723	-
Contractual services	1,750,548	-
Supplies and materials	2,595,540	-
Scholarships and fellowships	1,057,141	214,305
Communications	138,149	-
Depreciation	1,479,988	-
Utilities	579,851	-
Support to College	-	149,993
Other operating expenses	2,049,921	143,143
Total operating expenses	20,122,861	507,441
Operating loss	(10,787,996)	(328,405)

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, CONTINUED

Year Ended June 30, 2016

	Eastern Oklahoma State College	Eastern Oklahoma State College Development Foundation, Inc.
Non-operating revenues (expenses):		
State appropriations	5,694,758	-
Federal and state grants	3,813,207	-
Contributions and other receipts	-	442,895
Reduction in Department of Education liability	491,354	-
OTRS on-behalf contributions	702,455	-
Investment income	15,408	12,028
Interest on capital asset-related debt	(686,472)	-
Net non-operating revenues	10,030,710	454,923
(Loss) income before other revenues, expenses, gains, losses, and transfers	(757,286)	126,518
Other revenues, expenses, gains, losses, and transfers:		
State appropriations restricted for capital purposes	380,144	-
OCIA on-behalf state appropriations	1,291,204	-
Net other revenues, expenses, gains, losses, and transfers	1,671,348	-
Change in net position	914,062	126,518
Net position at beginning of year, restated	(88,844)	4,043,217
Net position at end of year	$ 825,218	4,169,735

See Independent Auditors' Report.
See accompanying notes to financial statements.

EASTERN OKLAHOMA STATE COLLEGE

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2016

	Eastern Oklahoma State College	Eastern Oklahoma State College Development Foundation, Inc.
Cash flows from operating activities:		
Tuition and fees	$ 2,336,424	-
Grants and contracts	3,453,409	-
Auxiliary enterprise sales and services	1,366,493	-
Payments to suppliers	(6,681,551)	-
Payments to employees	(11,460,745)	-
Other operating receipts	2,237,970	131,438
Net cash (used in) provided by operating activities	(8,748,000)	131,438
Cash flows from noncapital financing activities:		
State appropriations	5,694,758	-
Non-operating grants	3,813,207	-
Net cash provided by noncapital financing activities	9,507,965	-
Cash flows from capital and related financing activities:		
Purchases of capital assets	(856,825)	-
Principal paid on capital leases and bonds	(1,550,984)	-
Proceeds from capital leases and bonds	844,000	-
Interest paid on capital leases and bonds	(620,266)	-
Purchase of investments	-	(380,998)
Proceeds from sale of investments	-	293,164
Capital appropriations—state	380,144	-
Net cash used in capital and related financing activities	(1,803,931)	(87,834)
Cash flows from investing activities:		
Interest received on investments	15,408	-
Net cash provided by investing activities	15,408	-
Net (decrease) increase in cash and cash equivalents	(1,028,558)	43,604
Cash and cash equivalents, beginning of year	3,359,714	949,963
Cash and cash equivalents, end of year	$ 2,331,156	993,567

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS, CONTINUED

Year Ended June 30, 2016

	Eastern Oklahoma State College	Eastern Oklahoma State College Development Foundation, Inc.
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss/change in net assets, Foundation	$ (10,787,996)	126,518
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,479,988	-
Appreciation in funds held by others and investment provision for loan losses	-	5,928
State of Oklahoma OTRS on-behalf contributions	702,455	-
Changes in net assets and liabilities:		
Student accounts receivable	(162,578)	-
Other receivables	497,681	(1,000)
Inventories	37,399	-
Compensated absences	(20,010)	-
Accounts payable and other accrued liabilities	260,793	(8)
Unearned revenues	32,715	-
Net pension liability	1,503,466	-
Deferred outflows related to pensions	(598,622)	-
Deferred inflows related to pensions	(1,693,291)	-
Net cash used in operating activities	$ (8,748,000)	131,438
Noncash investing, noncapital financing, and capital and related financing activities:		
Principal and interest on capital debt paid by state agency on behalf of the College	$ 702,455	-
Reconciliation of cash and cash equivalents to the statement of net position:		
Current assets:		
Cash and cash equivalents	$ 1,611,401	993,567
Restricted cash	719,755	-
	$ 2,331,156	993,567

See Independent Auditors' Report.
See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Eastern Oklahoma State College (the "College") is a 2-year, state supported College operating under the jurisdiction of the Board of Regents of Eastern Oklahoma State 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 as part of the higher education component unit. The College has two primarily campuses located in Wilburton and in McAlester.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No, 14, *The Financial Reporting Entity,* and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and 34,* consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The Eastern Oklahoma State College Development Foundation, Inc. (the "Foundation") is reported as legally separate, tax-exempt component unit of the College. The Foundation is organized for the purpose of receiving and administering gifts intended for the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities 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 private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 958, "Not-for-profit Entities." As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial Statement Presentation

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 Colleges and Universities* (GASB 35).

Under GASB 34 and GASB 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 non-operating revenues and expenses; and a statement of cash flows using the direct method.

Basis of Accounting

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

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

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. Funds invested through the State Treasurer's Cash Management Program are considered cash and cash equivalents.

Restricted Cash

Restricted cash is externally restricted for federal, state, or non-governmental grants and contract payments are classified as restricted cash in the statement of net position.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deposits and Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized 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.

In accordance with 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 hierarchal input levels:

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

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

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

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. As of June 30, 2016, the College had no investment.

Accounts Receivable and Grant 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounts Receivable and Grant Receivables, Continued

Grants receivable include amounts due from federal, state, or local governments or private sources in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

Capital Assets

Capital assets are stated at cost, or fair value if acquired by gifts, less accumulated depreciation. For equipment, the College's capitalization policy includes all items with a unit cost of $500 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 occurs. Livestock is stated at fair market value. Land and livestock are not depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are utilized by the College:

Land improvements	20 years
Buildings	45 years
Furniture, fixtures, and equipment	5–20 years
Infrastructure	30–50 years
Library materials	15 years

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

Unearned Revenues

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

Compensated Absences

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year, (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year, and (3) net pension 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 certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Net Assets

The College's net position is classified as follows:

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

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

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

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

See Independent Auditors' Report.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Assets, Continued

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

Income Taxes

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

Classification of Revenues

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of educational departments and of auxiliary enterprises, net of scholarship discounts and allowances, (3) certain federal, state and non-governmental 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.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. At June 30 2016, the College's deferred outflows of resources were comprised of deferred charges on an Oklahoma Capitol Improvement Authority (OCIA) lease restructure and pension contributions.

Deferred Inflows of Resources

Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2016, the College's inflows related to a deferred gain on an OCIA lease restructure, and pension experience and investment earnings.

Pensions

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

New Accounting Pronouncements

New Accounting Pronouncements Adopted

In February 2015, GASB issued Statement No, 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB 72 is effective for financial statements for periods beginning after June 15, 2015. The College adopted GASB 72 effective July 1, 2015, for the June 30, 2016, reporting year. GASB 72 required revised disclosures in the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements, Continued

New Accounting Pronouncements Adopted, Continued

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). GASB 73 addresses accounting and financial reporting for pensions that do not meet the criteria for applying GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), and amends certain disclosure requirements of GASB 67 and GASB 68. GASB 73 amendments include restricting additional disclosures related to 10-year schedules required by GASB 67 to be limited to factors over which the plan or government has influence, such as a change in investment policies. Amendments also address payables to a plan that are not separately financed specific liabilities, and the timing of employer recognition of revenue for the support of nonemployer contributing entities. Certain provisions of GASB 73 are applicable for fiscal years beginning after June 15, 2015, and those provisions were adopted by the College as of July 1, 2015, and did not have a significant impact on the College's financial statements. Other provisions of GASB 73 that are applicable for years beginning after June 15, 2016, are not expected to have a significant impact on the College's financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). GASB 76 identifies accounting sources used to prepare state and local government financial statements in conformity with GAAP, and established a GAAP hierarchy of these resources. This Statement improves financial reporting by raising the category of GAAP Implementation Guides in the GAAP hierarchy, by emphasizing the importance of analogies to authoritative literature when an accounting event is not specified in authoritative GAAP, and by requiring the consideration of consistency with GASB Concept Statements when evaluating accounting treatments in non-authoritative GAAP. The College adopted GASB 76 as of July 1, 2015, and its adoption had no significant effects on the financial statements.

In December 2015, GASB issued Statement No. 79, *Certain Investment Pools and Pool Participants* (GASB 79). GASB 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Specific criteria address (1) the way the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. The College adopted the required provisions of GASB 79 on July 1, 2015. The adoption of the provisions had no significant effect on the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements, Continued

New Accounting Pronouncements Not Yet Adopted

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). GASB 74 seeks to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or "OPEB"). This statement provides guidance for reporting and disclosure of defined benefit and defined contribution OPEB plans. GASB 74 is effective for financial statements for fiscal years beginning after June 15, 2016. Implementation of GASB 74 is not expected to have a significant effect on the College's financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 addresses employer and governmental non-employer contributing entities accounting and financial reporting when participating in an OPEB plan. This statement requires proper recognition of OPEB liabilities by employers and requires a more comprehensive measure of OPEB expense. More robust disclosures will also improve transparency and accountability. GASB 75 is effective for fiscal years beginning after June 15, 2017. Implementation of GASB 75 is not expected to have a significant effect on the College's financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). GASB 77 provides financial reporting and disclosure guidance to governments that have either entered into tax abatement agreements or that have revenues affected by tax abatements entered into by another government. Governments will generally use tax abatements to encourage specific economic development that benefit either the government or its citizens by forgoing certain taxes. GASB 77 is effective for financial statements for periods beginning after December 31, 2015. Implementation of GASB 77 is not expected to have a significant effect on the College's financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). GASB 78 addresses an issue that arose as a result of the employer reporting for pension plans under GASB 68. Certain state and local governments participate in a cost-sharing multi-employer pension plan that (1) is not a state or local government plan, (2) provides defined benefits to both state and local government employees, as well as to employers and employees that are not state and local governments, and (3) has no predominant state or local governmental employer. This Statement establishes the requirements for recognition, reporting, disclosures, and required supplementary information for governmental employers that provide pensions through pension plans with the above-mentioned characteristics. GASB 78 is effective for reporting periods beginning after December 15, 2015. The implementation of GASB 78 is not expected to have a significant effect on the College's financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements, Continued

New Accounting Pronouncements Not Yet Adopted, Continued

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). GASB 80 amends blending requirements for the financial statements of component units to include criteria requiring blending of a component unit organized as a not-for-profit corporation in which the primary government is the sole corporate member. GASB 80 is effective for reporting periods beginning after June 15, 2016. The implementation of GASB 80 is not expected to have a significant effect on the College's financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). GASB 81 provides recognition and measurement guidance for situations in which a government is one of the beneficiaries of an irrevocable split-interest agreement. Irrevocable split-interest agreements are a type of giving by a donor to provide resources to two or more beneficiaries, including governments. GASB 81 provides the recognition and reporting requirements applicable when a government is one of the parties to such an agreement. GASB 81 is effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Implementation of GASB 81 is not expected to have a significant effect on the College's financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues* (GASB 82). GASB 82 addresses issues that arose for pension plans and participating employers when implementing GASB 67 and GASB 68. Under GASB 82, "covered payroll" will be the metric used to prepare ratios and other measures in schedules included in required supplementary information. This change replaces "covered-employee payroll," the presentation required by GASB 67 and GASB 68, since this particular data element presented operational challenges to pension plans. GASB 82 also now clarifies that a deviation, as defined by the Actuarial Standards Board, when selecting the assumptions used to determine total pension and liability related measures, is not considered to be in conformity with GASB 67 and GASB 68. And lastly, in certain circumstances, employers may make a portion or the entire employee required contributions to a pension plan on behalf of the employee. Under GASB 82, these contributions are classified as plan member contributions for GASB 67. For purposes of GASB 68, including determining an employer's proportion, those amounts should also be considered employee contributions. The College adopted GASB 82 as of July 1, 2015, and restated its beginning net position as of July 1, 2015.

Date of Management's Review of Subsequent Events

The College has evaluated subsequent events through October 28, 2016, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment or disclosure in the financial statements.

(2) RESTATEMENT

Prior Period Adjustments

The July 1, 2015, beginning net position has been restated to correct errors in recording capital assets and to reflect the implementation of GASB 82. The effect of the restatement is as follows:

	Fiscal Year 2016
Beginning net position, as previously reported	$ 450,029
Capital assets correction	62,940
Early adoption of GASB 82	(601,813)
Beginning net position, July 1, 2015, restated	$ (88,844)

(3) DEPOSITS AND INVESTMENTS

Custodial Credit Risk—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.

The carrying amount of the College's deposits was $2,330,152. This amount consisted of deposits with the State Treasurer of $2,577,364 at June 30, 2016.

(3) DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk—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. Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* totaled $846,556 at June 30, 2016.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents. At June 30, 2016, the distribution of deposits in *OK INVEST* was as follows:

OK INVEST Portfolio

		Cost	Market Value
U.S. agency securities	$	348,917	349,186
Money market mutual funds		93,394	93,394
Certificates of deposit		30,625	30,625
Mortgage-backed agency securities		340,501	349,064
Municipal bonds		14,696	15,562
Foreign bonds		7,396	7,396
U.S. Treasury obligations		11,027	13,161
	$	846,556	858,388

(3) DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk—Deposits, Continued

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, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at *http://www.treasurer.state.ok.us*. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to 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.

- *Interest rate risk* is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher.

- *Credit/default risk* is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.

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

- *U.S. 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.

(3) 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.

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.

(4) ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2016:

Student tuition and fees	$	3,138,517
Less allowance for doubtful accounts		(2,150,062)
	$	988,455

(5) LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the "Program") comprise all of the loans receivable at June 30, 2016. There were no federal or institutional contributions to the program during 2016. The program provides for cancellation of a note at rates of 15% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the College's loan funds for amounts cancelled under these provisions.

As the College determines loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2016, the Program has a loan receivable of $16,205. No allowance for uncollectable loans is considered necessary.

(6) CAPITAL ASSETS, NET

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance at June 30, 2015	Additions	Transfers	Retirements	Balance at June 30, 2016
Capital assets not being depreciated:					
Land	$ 1,238,008	-	-	-	1,238,008
Livestock	250,700	7,000	-	-	257,700
Construction in progress	5,370	204,129	-	-	209,499
Total capital assets not being depreciated	1,494,078	211,129	-	-	1,705,207
Capital assets being depreciated:					
Land improvements, restated	2,725,249	42,145	-	-	2,767,394
Buildings and improvements, restated	29,258,466	48,105	-	-	29,306,571
Equipment, restated	11,854,299	443,039	-	-	12,297,338
Library materials	1,015,328	61,748	-	-	1,077,076
Infrastructure	777,409	10,380	-	-	787,789
Total capital assets being depreciated, restated	45,630,751	605,417	-	-	46,236,168
Less accumulated depreciation:					
Land improvements, restated	(1,664,373)	(64,322)	-	-	(1,728,695)
Buildings and improvements, restated	(8,523,430)	(606,479)	-	-	(9,129,909)
Equipment, restated	(9,492,226)	(743,907)	-	-	(10,236,133)
Library materials, restated	(917,168)	(18,096)	-	-	(935,264)
Infrastructure, restated	(695,857)	(6,905)	-	-	(702,762)
Total accumulated depreciation, restated	(21,293,054)	(1,439,709)	-	-	(22,732,763)
Total capital assets being depreciated, net, restated	24,337,697	(834,292)	-	-	23,503,405
Capital assets, net, restated	$ 25,831,775	(623,163)	-	-	25,208,612

See Independent Auditors' Report.

(6) CAPITAL ASSETS, NET, CONTINUED

	Balance at June 30, 2015	Additions	Transfers	Retirements	Balance at June 30, 2016
Capital asset summary:					
Capital assets not being depreciated	$ 1,494,078	211,129	-	-	1,705,207
Capital assets being depreciated, restated	45,630,751	605,417	-	-	46,236,168
Total capital assets	47,124,829	816,546	-	-	47,941,375
Less accumulated depreciation, restated	(21,293,054)	(1,439,709)	-	-	(22,732,763)
Capital assets, net, restated	$ 25,831,775	(623,163)	-	-	25,208,612

(7) LONG-TERM LIABILITIES

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

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within 1 Year
Capital lease obligations:					
OCIA Series 2014B	$ 260,187	-	(57,407)	202,780	64,959
OCIA Series 2005F	265,695	-	(265,695)	-	-
OCIA Series 2010A	1,908,844	-	(126,073)	1,782,771	398,735
OCIA Series 2010B	295,858	-	(295,858)	-	-
OCIA Series 2014A	3,853,467	-	(258,351)	3,595,116	-
ODFA Master Lease 2015B	1,689,000	-	(152,833)	1,536,167	154,250
ODFA Master Lease 2010A	286,833	-	(26,000)	260,833	26,083
ODFA Master Lease 2011A	4,591,000	-	(228,583)	4,362,417	235,417
ODFA Master Lease 2016B	-	844,000	-	844,000	117,417
	13,150,884	844,000	(1,410,800)	12,584,084	996,861
Other long-term debt:					
1997 Revenue Bonds	233,000	-	(233,000)	-	-
2004 Revenue Bonds	1,190,000	-	(1,190,000)	-	-
Other capital leases	277,414	-	(59,154)	218,260	61,214
Bond premium	140,582	64,504	(13,738)	191,348	-
Compensated absences	329,531	127,613	(147,402)	309,742	165,401
	2,170,527	192,117	(1,643,294)	719,350	226,615
Total long-term liabilities	$ 15,321,411	1,036,117	(3,054,094)	13,303,434	1,223,476

See Independent Auditors' Report.

(7) LONG-TERM LIABILITIES, CONTINUED

Oklahoma Capitol Improvement Authority Lease Obligations

In September 1999, the Oklahoma Capitol Improvement Authority (OCIA) issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the State Regents for Higher Education allocated $1,000,000 to the College. Concurrently with the allocation, the College entered into an individual lease agreement with OCIA, representing the project being funded by the OCIA bonds.

In 2015, the OCIA issued bond series 2014B that refunded the 1999A Bonds. This Lease restructuring has resulted in a gain in restructuring of that has been recorded as a gain of $36,868 on restructuring as a deferred outflow of resources that will amortized over a period of 5 years. This unamortized amount of the deferred lease restructure gain at June 30, 2016, was $22,121. Lease principal and interest to OCIA totaling $66,587 during the year ended June 30, 2016, were made by the State of Oklahoma on behalf of the college. These on behalf payments have been recorded as OCIA on behalf state appropriations in the statement of revenues, expenses, and changes in net assets.

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately $7,671,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA for capital improvements being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 25 years. Lease principal and interest payments to OCIA totaling $277,622 during the year ended June 30, 2016, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses, and changes in net assets.

In 2011, the OCIA issued Bond Series 2010A and 2010B to partially refund the Series 2005F Revenue Bonds. The advance partial refunding was to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service. As a result, the total liability of the remaining 2005F bonds combined with the new 2010A and 2010B bond issues will be more than the original outstanding liability for the 2005F bonds. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring that has been recorded as a charge of $471,086 on restructuring as a deferred cost that will be amortized over a period of 6 years, beginning in fiscal year 2012. The deferred lease restructuring cost was fully amortized at June 30, 2016. Lease principal and interest payments to OCIA totaling $512,585 during the year ended June 30, 2016, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses, and changes in net assets.

(7) LONG-TERM LIABILITIES, CONTINUED

Oklahoma Capitol Improvement Authority Lease Obligations, Continued

In 2014, the OCIA issued bond series 2014A that refunded a significant portion of the 2005F bonds. Consequently, the amortization of the 2005F bond issue was fully amortized in 2016. The lease agreement will no longer secure the 2005F bond issue but will now act as security for the 2014A bond issue over the term of the lease through the year 2031. This lease restructuring has resulted in a gain on restructuring that has been recorded as a gain of $213,841 on restructuring as a deferred inflow of resources that will be amortized over a period of 18 years. The unamortized amount of the deferred lease restructuring gain at June 30, 2016, was $184,383. Lease principal and interest payments to OCIA totaling $434,410 during the year ended June 30, 2016, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses, and changes in net assets.

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

	Building	Equipment	Total
Cost	$ 8,212,458	831,819	9,044,277
Less accumulated depreciation	(1,298,607)	(826,029)	(2,124,636)
	$ 6,913,851	5,790	6,919,641

Future minimum lease payments under the College's obligations to the OCIA for the year ended June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 463,694	259,732	723,426
2018	760,131	241,391	1,001,522
2019	774,132	206,835	980,967
2020	-	170,645	170,645
2021	-	170,645	170,645
2022–2026	1,813,786	688,695	2,502,481
2027–2031	1,768,924	220,615	1,989,539
	$ 5,580,667	1,958,558	7,539,225

(7) LONG-TERM LIABILITIES, CONTINUED

Oklahoma Development Finance Authority Lease Obligations

In May 2005, the College entered into a 20-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2005A. The College financed $3,005,000 to upgrade the College's energy management systems.

The lease agreement with ODFA provides for monthly payments to ODFA ranging from $17,187 to $17,292 for 20 years through May 15, 2025, or until the ODFA bonds and related interest are paid.

On June 17, 2015, the College entered into Master Equipment Lease Revenue Bonds, Series 2015B in the amount of $1,689,000 to refinance the Series 2005A Master Lease Revenue Bonds. The lease agreement with ODFA provides for monthly payments to ODFA ranging from $17,187 to $17,292 for 10 years through May 15, 2025. Lease principal and interest payments to ODFA totaled $203,994 during the year ended June 30, 2016.

In September 2010, the College entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2010A. The College financed $401,000 to remodel apartments on the College's campus.

The lease agreement with ODFA provides for monthly payments to ODFA ranging from $2,793 to $3,177 for 15 years through May 15, 2025, or until the ODFA bonds and related interest are paid. The monthly lease payments are funded through additional apartment rent realized after the project was completed. Lease principal and interest payments to ODFA totaled $34,278 during the year ended June 30, 2016.

In May 2011, the College entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2011A. The College received a net amount of $550,000 of the proceeds for improvements to the College's equipment. Lease principal and interest payments to ODFA totaled $49,940 during the year ended June 30, 2016.

In 2011, the College entered into a 20-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2011A. The College Financed $4,900,000, for the building of Regents Courts (apartment style dorms) and the remodeling of the first floor of the Library, Gunning, Baker, and a portion of Pratt.

(7) LONG-TERM LIABILITIES, CONTINUED

Oklahoma Development Finance Authority Lease Obligations, Continued

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. Lease principal and interest payments to ODFA totaling $365,353 during the year ended June 30, 2016.

Student Facilities Revenue Bonds

The Board of Regents authorized the College to issue the Student Facilities Revenue Bonds, Series 1997 (the "Series 1997 Bonds") dated December 1, 1997, in the amounts of $1,600,000. The Series 1997 Bonds mature May 1 of each year beginning June 1, 1997, through June 1, 2017, in annual amounts varying from $40,000 to $130,000, interest rates ranging from 5.05% to 10%. During the year ended June 30, 2016, the College fully paid off the series 1997 Bonds. The Series 1997 Bonds are payable from pledged revenues derived from a student union fee and other ancillary services, and the reserve account held by the bond trustees. The College paid $233,000 and $14,274 in related principal and interest, respectively, on these bonds during 2016.

The Board of Regents authorized the College to issue the Student Facilities Revenue Bonds, Series 2004 (the "Series 2004 Bonds") dated May 1, 2004, in the amounts of $2,200,000. The Series 2004 Bonds mature June 1 of each year beginning June 1, 2005, through June 1, 2024, in annual amounts varying from $85,000 to $160,000, interest rates ranging from 2.40% to 4.45%. The Series 1997 Bonds are payable from pledged revenues derived from a student union fee and other ancillary services, and the reserve account held by the bond trustees. The College paid $162,310 and $51,310 in related principal and interest, respectively, on these bonds during 2016. On June 15, 2016, the College issued ODFA Series 2016B Capital Lease to refinance the 2004 Student Facilities Revenue Bonds.

On June 15, 2016, the College entered into capital lease obligation Series 2016B in the amount of $844,000 to refinance the 2004 Student Facilities Revenue Bonds. Lease payments over the term of the agreement, including interest, total $960,686. Payments begin July 15, 2016, and go through May 15, 2023, and will range from $11,608 to $12,327, monthly. The net present value of the savings for the refinance is $122,505.

The issuance resulted in a premium for the bonds of $64,269 that is being amortized over 84 months. The unamortized balance of the premium at June 30, 2016, was $63,504.

The trust agreements for the Revenue Bonds Series provide that bond proceeds and pledged revenues be used to establish various bond sinking funds and reserve funds (see Note 3).

(7) LONG-TERM LIABILITIES, CONTINUED

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

	Building	Equipment	Total
Cost	$ 12,035,829	29,851	12,065,680
Less accumulated depreciation	(1,963,768)	(11,091)	(1,974,859)
	$ 10,072,061	18,760	10,090,821

Future minimum lease payments under the College's obligations to the ODFA for the year ended June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 533,167	264,325	797,492
2018	538,500	251,659	790,159
2019	556,167	237,717	793,884
2020	571,000	220,295	791,295
2021	594,833	198,881	793,714
2022–2026	2,630,167	645,002	3,275,169
2027–2031	1,579,583	216,960	1,796,543
	$ 7,003,417	2,034,839	9,038,256

(7) LONG-TERM LIABILITIES, CONTINUED

Other Capital Leases

During 2012, the College entered into a lease purchase agreement with Government Capital Corporation in the amount of $247,750. Government Capital Corporation later assigned its rights to Security State Bank of Wewoka. This agreement was entered into to provide lease purchase financing for lights in the baseball stadium. The lease agreement provides for yearly payments to Security State Bank of $40,520 for 7 years through March 15, 2019. During 2016, the College made $35,306 and $5,214 in principal and interest payments, respectively.

During 2015, the College entered into a lease purchase agreement with Government Capital Corporation in the amount of $128,594. Government Capital Corporation later assigned its rights to Central Trust Bank of Jefferson City, Missouri. This agreement was entered into to provide lease purchase financing for the student activity bus (2015 Ford F750/Glaval Concorde fly The College uses this bus to transport students to and from college sponsored activities. The lease agreement provides for yearly payments to Central Trust Bank of $28,848 for 5 years through August 15, 2019. During 2016, the College made $23,849 and $4,999 in principal and interest payments, respectively.

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

	Building	Equipment	Total
Cost	$ 303,750	161,594	465,344
Less accumulated depreciation	(83,531)	(24,094)	(107,625)
	$ 220,219	137,500	357,719

Future minimum lease payments under the College's obligations with other capital leases for the year ended June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 61,214	8,154	69,368
2018	63,478	5,890	69,368
2019	65,826	3,541	69,367
2020	27,742	1,106	28,848
	$ 218,260	18,691	236,951

See Independent Auditors' Report.

(8) RETIREMENT PLANS

Substantially all of the College's academic and nonacademic personnel are covered by the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employee retirement system. Certain eligible employees also participate in the Supplemental Retirement Plan, a single-employer defined benefit plan. The College does not maintain the accounting records, hold the investments for, or administer the OTRS plan.

Oklahoma Teachers' Retirement System Plan Description

Plan Description

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

Oklahoma Teachers' Retirement System

Benefits Provided

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

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

(8) RETIREMENT PLANS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Benefits Provided, Continued

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

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

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

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

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

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

(8) RETIREMENT PLANS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Contributions

The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the College were $882,245. The State of Oklahoma also made on-behalf contributions to OTRS, of which $702,455 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2016, the College reported a liability of $13,674,951 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the College's proportion was 0.2252%.

(8) RETIREMENT PLANS, CONTINUED

Oklahoma Teachers' Retirement System, 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, 2016, the College recognized pension expense of $796,253. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	464,485
Changes of assumptions	654,800	-
Net difference between projected and actual earnings on pension plan investments	-	927,691
Change in College proportionate share of contributions	-	60,016
Differences between College contributions and proportionate share of contributions	-	846
College contributions subsequent to the measurement date	882,245	-
	$ 1,537,045	1,453,038

There was $882,245 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	$ (396,842)
2018	(396,842)
2019	(396,842)
2020	336,147
2021	43,852
Thereafter	12,287
	$ (798,240)

See Independent Auditors' Report.

(8) RETIREMENT PLANS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Actuarial Assumptions

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

- Actuarial cost method—Entry Age

- Inflation—3.00%

- Future Ad Hoc cost-of-living increases—None

- Salary increases—Composed of 3.75% inflation, including 3.00% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.

- Investment rate of return—8.00%

- Retirement age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.

- Mortality rates after retirement—Males: RP-2000 Combined 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%.

(8) RETIREMENT PLANS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Actuarial Assumptions, Continued

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic all cap equity*	7.0%	6.0%
Domestic large cap equity	10.0%	5.3%
Domestic mid cap equity	13.0%	6.1%
Domestic small cap equity	10.0%	6.6%
International large cap equity	11.5%	5.8%
International small cap equity	6.0%	5.8%
Core plus fixed income	17.5%	1.8%
High-yield fixed income	6.0%	4.1%
Private equity	5.0%	7.6%
Real estate**	7.0%	5.5%
Master limited partnerships	7.0%	7.6%
	100.00%	

* The Domestic all cap equity total expected return is a combination of 3 rates: US large cap, US mid cap and US small cap

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

Discount Rate

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

(8) RETIREMENT PLANS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employers calculated using the discount rate of 8%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Employers' net pension liability	$ 18,904,197	13,674,951	9,279,533

Pension Plan Fiduciary Net Position

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

Supplemental Retirement Benefit Plan (SRB)

Plan Description

In 1995 the College, through its board of regents, entered in to an agreement to provide supplemental retirement benefits to its then president. The agreement called for the College to establish an annuity for the former president which would be paid monthly from his retirement date until death, with up to 3.5% in annual cost of living increases allowable. The annuity account was opened in 1995 with a $154,000 first time payment, the amount projected as necessary to fund the supplemental retirement benefits over the former president's lifetime

In 2000 the former president retired and began to draw on the annuity established in 1995. In late 2009, the College was informed that the annuity account was near insolvency and that supplemental payments would be necessary to fulfill the commitment for the benefits of the former president, who is now 70 years of age. After determining it has a legal obligation to do so, the College began making supplemental payments to this account. The College paid $30,000 to this account in the year ended June 30, 2011, and will pay approximately $30,000 annually beginning July 1, 2011, to this account and will continue to do so over the lifetime of the former president. The College has not recorded any future obligation for these benefits in its statement of net assets. During 2016, $30,000 was paid to the account.

(9) RELATED-PARTY TRANSACTIONS

The Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in exchange for scholarships to College students totaling approximately $198,000 for the year ended June 30, 2016.

(10) COMMITMENTS AND CONTINGENCIES

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

The College participates in the Federal Direct Student Loan Program ("Direct Loan Program"). The Direct Loan Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the year ended June 30, 2016, approximately $2,695,000 of Direct Loan Program loans were provided to College students.

On March 24–28, 2014, the Department of Education (DOE) performed an onsite Title IV Program Review. On August 21, 2015, the College received the Final Program Review Determination Letter. It instructed the College to repay $1,086,609 of Title IV funds and related interest. The College filed an appeal of the Final Program Review Determination on October 12, 2015. The College had no way of estimating the result of the appeal, so the full amount of the final determination was accrued by the College as of June 30, 2015. In October 2016, a settlement was reached with DOE which reduced the liability to $595,255 or a reduction of $491,354. The reduction was reflected in the 2016 financial statements as the non-operating revenues. The College shall pay the remaining balance of $595,255 with a payment of $148,463 on October 1, 2016, and then in 16 quarterly installments commencing January 1, 2017, and ending October 1, 2020, at the rate of 1% per annum.

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

See Independent Auditors' Report.

(11) 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 omission; 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 public entity risk pool currently operating as a common risk management and insurance program for its members. The College pays annual premiums to the pool for its tort, property, and liability 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 participates in the College Association of Liability Management (CALM) Workers' Compensation Plan for its workers' compensation coverage. CALM is an interlocal cooperative act agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through CompSource. CALM is a political subdivision of the State of Oklahoma and is governed by a board of trustees elected from members of the participating colleges and universities

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC.

The following are significant disclosures of the Eastern Oklahoma State College Development Foundation, Inc. (the "Foundation"):

NOTE (A)—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Eastern Oklahoma State College Development Foundation, Inc. (the "Foundation") is a nonprofit organization incorporated in the State of Oklahoma in 1973 and operated to receive and administer gifts for the sole benefit of Eastern Oklahoma State College (the "College").

Distribution of amounts is subject to the approval of the Board of Trustees or the appropriate fund sponsor and the availability of monies. Accordingly, the accompanying financial statements reflect only transactions for which appropriate approvals have been received by the Foundation as of the financial reporting date.

Contributions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Net Assets

The financial statements of the Foundation have been prepared on the accrual basis in accordance with generally accepted accounting principles.

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted—Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Temporarily Restricted—Net assets whose use by the Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted—Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Such assets primarily include the Foundation's permanent endowment funds and irrevocable trusts held by others for the beneficial interest of the Foundation.

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (A)—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

The Foundation defines cash and cash equivalents to be all cash and certificates of deposit with original maturities of three months or less. Cash equivalents of $993,567 and $949,963 as of June 30, 2016 and 2015, respectively, were held in financial institutions.

Investments

Investments consist of marketable debt and equity securities and certificates of deposit with original maturities of more than three months. Investments are carried at fair value based on the quoted market prices of the underlying securities.

Tax Status

The Foundation is a nonprofit corporation and is an exempt organization as defined in Internal Revenue Code Section 501(c)(3). The Foundation has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and qualified for deductible contributions under Section 170(b)(1)(A)(vi). The Foundation receives limited income that is unrelated to its exempt purpose and is taxable under the Internal Revenue Code.

Property and Equipment

Property and equipment are stated at cost or at estimated fair value at date of donation. The Foundation provides for depreciation using the straight-line method over the estimated useful lives of the related assets. Repairs and maintenance are expensed as incurred, whereas major improvements in excess of $500 are capitalized.

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of time records and on estimates made by the Foundation's management.

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (A)—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Concentrations of Credit Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist primarily of cash and cash equivalents, short-term investments and pledges receivable. The Foundation places its cash and certificates of deposit with high quality financial institutions. Pledges receivable consist of a large number of contributors throughout the state of Oklahoma. The Foundation provides an allowance for the estimated uncollectible portion of pledges receivable. The Foundation's management believes that the credit risk is adequately provided for to which it is exposed.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures in the notes thereto. Actual results could differ from those estimates.

Date of Management's Review of Subsequent Events

Subsequent events for the Foundation have been evaluated through October 8, 2016, which is the date the financial statements were issued.

NOTE (B)—CASH AND CASH EQUIVALENTS

The Foundation maintains several bank accounts. The table below is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured at June 30, 2016 and 2015. FDIC regulations state time and savings accounts are insured up to a $250,000 maximum.

Category 1—Insured by FDIC or collateralized with securities held by the Foundation or by its agent in its name.

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Foundation's name.

Category 3—Uninsured and uncollateralized.

See Independent Auditors' Report.

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (B)—CASH AND CASH EQUIVALENTS, CONTINUED

Type of Deposits June 30, 2016	Total Carrying Balance	Total Bank Balance	Custodial Credit Risk Category		
			1	2	3
Demand deposits:					
Wilburton State Bank	$ 575,877	610,573	250,000	-	360,573
First National Bank	217,690	223,981	223,981	-	-
Certificates of deposit:					
The Bank, NA	200,000	200,000	200,000	-	-
	$ 993,567	1,034,554	673,981	-	360,573

Type of Deposits June 30, 2015	Total Carrying Balance	Total Bank Balance	Custodial Credit Risk Category		
			1	2	3
Demand deposits:					
Wilburton State Bank	$ 525,982	528,914	250,000	-	278,914
First National Bank	223,981	223,981	223,981	-	-
Certificates of deposit:					
The Bank, NA	200,000	200,000	200,000	-	-
	$ 949,963	952,895	673,981	-	278,914

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (C)—INVESTMENTS

Investment income consisted of the following at June 30:

	2016	2015
Interest and dividend income	$ 30,312	45,337
Realized gains and losses	(10,957)	322,797
Unrealized gains and losses	(7,327)	(309,778)
	$ 12,028	58,356

Investments consisted of the following at June 30:

2016	Cost	Fair Value	Carrying Value
Investments:			
Equity funds	$ 716,333	700,200	700,200
Fixed income funds	417,728	423,134	423,134
Money market funds	81,306	81,306	81,306
	$ 1,215,367	1,204,640	1,204,640

2015	Cost	Fair Value	Carrying Value
Investments:			
Equity funds	$ 654,219	654,510	654,510
Fixed income funds	347,785	344,094	344,094
Money market funds	23,673	23,673	23,673
	$ 1,025,677	1,022,277	1,022,277

See Independent Auditors’ Report.

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (D) —FUNDS HELD BY OTHERS

During the year ended 2009, the Foundation liquidated all investments and made an irrevocable gift to a community foundation organization. The community foundation organization maintains ownership and control over the invested assets and includes the Foundation's gift in a pooled investment fund. Funds placed with this organization cannot be returned to the Foundation without consent by a super majority of the community foundation organization's Board of Directors as well as a super majority of the Foundation's Board of Directors. Disbursements of the investment income generated from the gift can be made for designated purposes.

Investments consist of the following as of June 30:

	Cost	Fair Value	Carrying Value
2016			
Pooled investment fund	$ 1,939,670	1,970,348	1,970,348
2015			
Pooled investment fund	$ 1,889,355	2,070,805	2,070,805

In addition to the above, the community foundation organization maintains funds owned by the community foundation organization that are for the benefit of the Foundation. The Foundation receives the earnings from these funds and these funds are recorded as contributions when received in the accompanying financial statements. The amount held for the benefit of the foundation and not reflected in the accompanying financial statements for the year ended June 30, 2016 and 2015 are $33,820 and $33,683, respectively.

NOTE (E)—ENDOWMENTS

The Foundation endowments consist of approximately 140 individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (E)—ENDOWMENTS, CONTINUED

Interpretation of Relevant Law

In accordance with the requirements of FAS 117-1, and the Oklahoma Uniform Prudent Management of Institutional Funds Act (OUPMIFA), the Foundation will report the market value of an endowment as perpetual in nature. As a result, the Foundation classifies as permanently restricted (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, (3) all realized and unrealized gains and losses of the endowment, and (4) less any income distribution in accordance with the spending policy which will be classified as temporarily restricted. In accordance with OUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund;

2) The purpose of the Foundation and the donor-restricted endowment fund; General economic conditions;

3) The possible effect of inflation and deflation;

4) The expected total return from income and the appreciation of investments;

5) Other resources of the Foundation;

6) The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (E)—ENDOWMENTS, CONTINUED

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year the equivalent of up to 5% of its endowment fund's fair value as of the immediately preceding July 1. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	1,963,045	2,201,861	4,164,906
Total endowment funds	$ -	1,963,045	2,201,861	4,164,906

See Independent Auditors' Report.

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (E)—ENDOWMENTS, CONTINUED

Spending Policy and How the Investment Objectives Relate to Spending Policy, Continued

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	1,867,131	2,029,926	3,897,057
Total endowment funds	$ -	1,867,131	2,029,926	3,897,057

Changes in endowment net assets for the years ended June 30:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning	$ -	1,867,131	2,029,926	3,897,057
Investment return	-	13,242	-	13,242
Other income	-	119,189	-	119,189
Contributions	-	270,960	171,935	442,895
Appropriations for expenditure	-	(307,477)	-	(307,477)
Total endowment funds	$ -	1,963,045	2,201,861	4,164,906

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (E)—ENDOWMENTS, CONTINUED

Spending Policy and How the Investment Objectives Relate to Spending Policy, Continued

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning	$ -	1,610,437	2,006,171	3,616,608
Investment return	-	61,559	-	61,559
Other income	-	64,205	-	64,205
Contributions	-	339,765	23,755	363,520
Appropriations for expenditure	-	(208,835)	-	(208,835)
Total endowment funds	$ -	1,867,131	2,029,926	3,897,057

NOTE (F)—RELATED-PARTY TRANSACTIONS

Based upon an exchange of service agreement, the College provides the Foundation with the necessary staffing and office space at no cost to the Foundation. Thus, the Foundation has no employees. In exchange, the College received scholarships, funds for capital improvements, and other services from the Foundation. The value of such services has been recorded on the financial statements as in-kind contributions.

NOTE (G)—FAIR VALUE MEASUREMENTS

The Foundation uses quoted market prices to determine the fair value of an asset or liability when available. If quoted market prices are not available, the Foundation determines fair value using valuation techniques that use market-based or independently sourced market data, such as interest rates.

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (G)—FAIR VALUE MEASUREMENTS, CONTINUED

Fair Value Measured on a Recurring Basis

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

Cash and Cash Equivalents

The carrying amounts approximate the fair value due to the short maturity of such amounts.

Investments

Investments in cash and cash equivalents, publicly traded securities, and mutual funds are stated at market value based on quoted market prices. Investments common trust funds, certificates of deposit, government agency bonds, and mortgage-backed securities are stated at market price as determined by the fund manager or quoted market prices in non-active markets. Other investments are stated at fair value based upon current market conditions and other factors deemed relevant to the valuation as provided by the independent valuation specialist and or Foundation management.

Pledges and Accounts Receivable

The carrying amounts of receivables are based on the discounted value of expected future cash flows, which approximate fair value.

Other Assets

Remaining financial instruments are carried at cost, which approximates fair value.

Accounts Payable and Other Liabilities

The carrying amounts approximate fair value due to the short maturity of those amounts.

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (G)—FAIR VALUE MEASUREMENTS, CONTINUED

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

- Level 1—Quoted prices in active markets for identical assets or liabilities.

- Level 2—Observable inputs other the Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market date for substantially the full term of the asset or liabilities.

- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (G)—FAIR VALUE MEASUREMENTS, CONTINUED

Fair Value Measured on a Recurring Basis, Continued

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements at fair value on a recurring basis and the level within the fair market value hierarchy in which the fair value measurements fall at June 30.

		Fair Value Measurements at Reporting Date Using		
	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2016				
Investments:				
Equity funds	$ 700,200	700,200	-	-
Fixed income funds	423,134	423,134	-	-
Money market funds	81,306	81,306	-	-
Pooled investment funds	1,970,348	-	-	1,970,348
	$3,174,988	1,204,640	-	1,970,348
2015				
Investments:				
Equity funds	$ 654,510	654,510	-	-
Fixed income funds	344,094	344,094	-	-
Money market funds	23,673	23,673	-	-
Pooled investment funds	2,070,805	-	-	2,070,805
	$3,093,082	1,022,277	-	2,070,805

See Independent Auditors' Report.

(12) EASTERN OKLAHOMA STATE COLLEGE DEVELOPMENT FOUNDATION, INC., CONTINUED

NOTE (G)—FAIR VALUE MEASUREMENTS, CONTINUED

Fair Value Measured on a Recurring Basis, Continued

The following is a description of methodologies used for instruments measured at fair value on a recurring basis:

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include equity securities, mutual funds, and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 investments include equity securities with similar characteristics or discounted cash flows. Level 2 investments include equity securities, corporate and other bonds, U.S. government securities, marketable alternative assets, inflation hedging, and opportunistic and other investments. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy and include corporate and other bonds and marketable and nonmarketable alternative assets.

EASTERN OKLAHOMA STATE COLLEGE

SUPPLEMENTARY INFORMATION REQUIRED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 68

Exhibit I

EASTERN OKLAHOMA STATE COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Teachers' Retirement System

Last 2 Fiscal Years *

	2016	2015
College's proportion of the net pension liability	0.2252%	0.2262%
College's proportionate share of the net pension liability	$ 13,674,951	12,171,485
College's covered-employee payroll	8,728,536	8,599,447
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	156.67%	141.54%
Plan fiduciary net position as a percentage of the total pension liability	70.31%	72.43%

* The amounts presented for each fiscal year were determined as of June 30th of the prior year.

Note to the Schedule:
Only the prior 2 fiscal years are presented because 10-year data is not yet available.

See Independent Auditors' Report.

Exhibit II

EASTERN OKLAHOMA STATE COLLEGE

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
Oklahoma Teachers Retirement System

Last 2 Fiscal Years

	2016	2015
Contractually required contributions	$ 882,245	938,423
Contributions in relation to the contractually required contributions	882,245	938,423
Contribution deficiency	$ -	-
College's covered-employee payroll	$ 8,322,346	8,728,536
Contributions as a percentage of covered-employee payroll	11%	11%

Note to the Schedule:
Only the prior 2 fiscal years are presented because 10-year data is not yet available.

See Independent Auditors' Report.

EASTERN OKLAHOMA STATE 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
Eastern Oklahoma State College
Wilburton, Oklahoma

We have audited the financial statements of Eastern Oklahoma State College (the "College"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2016, 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, 2016. 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 Eastern Oklahoma State College Development 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 audited by other auditors and 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. Our report also includes an explanatory paragraph discussing the College's adoption of GASB 82 and the restatement of beginning net position, for the adoption of GASB 82 and for the correction of an error regarding property and equipment.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

(Continued)

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, 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, 2016

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

Board of Regents
Eastern Oklahoma State College
Wilburton, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Eastern Oklahoma State College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a material effect on each of the College's major federal award programs for the year ended June 30, 2016. 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 the requirements of laws, regulations, contracts and grants 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* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

(Continued)

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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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item (Finding 2016-001). Our opinion on each major federal program is not modified with respect to these matters.

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

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.

(Continued)

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

Report on Internal Control Over Compliance, Continued

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Finley & Cook, PLLC

Shawnee, Oklahoma
October 28, 2016

EASTERN OKLAHOMA STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number/Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education:				
Student Financial Aid Cluster:				
Federal Pell Grant Program	84.063		$ -	3,268,869
Federal Direct Student Loans Program	84.268		-	2,695,356
Federal Supplemental Educational Opportunity Grants	84.007		-	37,820
Federal Work Study Program	84.033		-	83,455
Total Student Financial Aid Cluster			-	6,085,500
TRIO Program Cluster Student Support Services	84.042		-	265,712
Gear Up for Success	84.334A	P334A110137-14/15	-	1,674,932
Native American Serving Non-Tribal Institutions	84.031X	P031X100013-14/15	-	125,696
Pathways to Success (Title III)	84.031A		-	226,588
Pass-Through Oklahoma State Department of Vocational Education:				
Carl Perkins Vocational & Technical Funds	84.048		-	25,753
Total U.S. Department of Education			-	8,404,181
Department of Agriculture:				
Rural Utilities Service Distance Learning & Telemedicine	10.855	OK 0748-B16	-	57,507
Economic Development	10.351		-	155,206
Total Department of Agriculture			-	212,713
U.S. Department of Health and Human Services:				
Pass-Through Choctaw Nation of Oklahoma				
Tomorrows Hope	93.243	5H79SM062902-02	-	20,785
Total U.S. Department of Health and Human Services			-	20,785

(Continued)

See Independent Auditors' Report.
See accompanying notes to schedule of expenditures of federal awards.

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number/Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
U.S. Department of Labor:				
Pass-Through Program from:				
State of Oklahoma Mine Health & Safety Administration:				
Mine Safety Grant	17.600		-	252,719
Oklahoma City Community College:				
OK Works Grant	17.282	TC-22540-11-60-A-40	-	33,894
Total U.S. Department of Labor			-	286,613
Total Expenditures of Federal Awards			**$ -**	**8,924,292**

See Independent Auditors' Report.
See accompanying notes to schedule of expenditures of federal awards.

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal awards activity of Eastern Oklahoma State College (the "College") under programs of the federal government for the year ended June 30, 2016. 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.

(2) 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 shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) FEDERAL DIRECT STUDENT LOAN PROGRAM

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

(4) SUBRECIPIENTS

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

(5) INDIRECT COST RATE

The College has a Negotiated Indirect Cost Rate Agreement issued by the U.S. Department of Health and Human Services issued as of March 12, 2015. The negotiated rates were applied in accordance with the Agreement for the year ended June 30, 2016, except that certain grants limited the rate charged.

See Independent Auditors' Report.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

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 section 2 CFR 200.516(a)?	☑ **Yes** ☐ **No**

Identification of major federal programs:

Federal CFDA #	Name of Federal Program or Cluster
84.007, 84.268, 84.033, and 84.063	**Student Financial Assistance Cluster**
84.031A	**Pathways to Success**

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

Finding 2016-001

Compliance Requirement
Audit Report Submission

Type of Finding: Compliance item which is not considered to be a significant deficiency or material weakness.

Criteria: Uniform Guidance §200.512 states that the auditee must submit the required data collection form and reporting package within the earlier of 30 calendar days after receipt of the auditor's reports, or nine months after the end of the audit period.

Condition: During the audit procedures, we noted that the College's FY 2015 data collection form and reporting package were submitted to the Federal Audit Clearinghouse on October 18, 2016, which is considered to be a late submission.

Questioned Costs: None.

Context: The College's FY 2015 audit reports were completed in October of 2015 and should have been submitted to the Federal Audit Clearinghouse prior to November 30, 2015.

Effect: Due to the late submission of the data collection form and reporting package, the College was not in compliance with the Uniform Guidance requirements.

Cause: The College's data collection form and reporting package submission procedures as well as review of procedures were not properly followed.

Recommendation: We recommend that the College have procedures in place to ensure submission of the data collection form and reporting package on time.

Responsible Officials and Planned Corrective Action: Management will update the College's procedures to ensure the Federal Audit Clearinghouse submission is done timely in the future.

FINDINGS FROM JUNE 30, 2015, AUDIT

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings Required to be Reported by OMB Circular A-133

Finding 2015-001

Compliance Requirement
Return of Title IV Funds

Type of Finding: Significant Deficiency that is not considered to be a material weakness.

Criteria: The regulations in 34 CFR 668.22 state that a school must always return any unearned Title IV funds it is responsible for returning within 45 days of the date the school determined the student withdrew.

Condition: For the year ended June 30, 2015, we sampled 60 Title 1V fund recipients for testing the financial aid compliance requirements for disbursements. During the review of those who received disbursements, but later withdrew, we noted 1 instance that the institution did not return Title IV funds within 45 days of the schools determination that the student withdrew.

Cause: The student did not officially withdraw from all of their classes, but the student did have one administrative withdraw date for one of the classes. It was that date, which exceeded the 60% mark, and was used for the rest of the students dropped classes as that was the only available information at that time. However, after further review of this student attendance records, it was determined the student dropped some of the other classes prior to achieving the 60% mark, which generated a Return of Title IV funds.

Effect: As a result, the college did not meet the return of Title IV funds within the 45 day requirement.
Recommendation: We recommend management review internal controls to promote the review of drop forms on all students who have withdrawn along with reviewing final grade reports at end of each semester to make sure students with 0.00 GPA at the end of the payment period are reported.

Responsible Official's Response: Management agrees with finding and recommendation.

Corrective Action Planned: The College will assign dedicated staff to review the final grade reports at the end of each semester to determine the attendance and grade earned status of each officially or unofficially dropped or withdrawn student.

2016 Follow-Up: The College had resolved the finding with the Department of Education. There was no repeated finding noted in 2016.

FINDING FROM JUNE 30, 2015, AUDIT, CONTINUED

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED

Findings Required to be Reported by OMB Circular A-133 (Continued)

Finding 2015-002

Compliance Requirement
Title IV Funds—Over Award

Type of Finding: Significant Deficiency that is not considered to be a material weakness.

Criteria: 34 CFR 668 state the regulations and remedies for overpayments of awards.

Condition: For the year ended June 30, 2015, we sampled 60 Title IV fund recipients for testing the financial aid compliance requirements for disbursements. During the review of those who received disbursements, we noted 1 instance that the institution incorrectly over awarded and disbursed funds to the student as full time status, instead of the correct % time enrolled status.

Cause: Clerical error.

Effect: The student received an award calculation amount for a full time student when the student was actually enrolled on a 3/4 time basis, and therefore, should only have received 3/4 disbursement amounts.

Recommendation: We recommend for management to set up a manual and/or electronic review system that can verify student enrollment status prior to disbursements.

Responsible Official's Response: Management agrees with finding and recommendation.

Corrective Action Planned: The institution will adjust the student's award amount on their next batch drawdown request and establish a review of enrollment/award status.

2016 Follow-Up: The College had resolved the finding with the Department of Education. There was no repeated finding noted in 2016.