

CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma

Financial Statements
with Independent Auditors' Reports

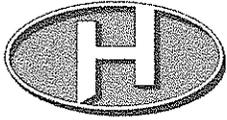
June 30, 2014



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
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Carl Albert State College
Poteau, Oklahoma

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Carl Albert State College as of and for the year ended June 30, 2014, the related notes to the financial statements, which collectively, comprise the Carl Albert State College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Carl Albert State College as of June 30, 2014, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2014 on our consideration of the Carl Albert State College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Hill & Company

Tulsa, Oklahoma
October 8, 2014



CARL ALBERT

STATE COLLEGE

A Component Unit of the State of Oklahoma Management's Discussion and Analysis Years Ended June 30, 2014 and 2013

Introduction

This section of Carl Albert State College's (CASC) Comprehensive Annual Report presents management's discussion and analysis of CASC's financial performance during the fiscal years ended June 30, 2014 and 2013. Since this management discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with CASC's financial statements and the footnotes.

Using This Report

The Annual Financial Report is presented in five parts: management's discussion and analysis, independent accountants' report, financial statements, notes to financial statements, and required supplemental information.

The statement of net position and statement of revenues, expenses and changes in net position and statements of cash flows display information about the College as an entity. The statements are prepared treating the College as a business-type activity. Business-type activities are financed in whole or in part by fees charged to external parties for the goods or services provided. The College charges fees to its students to help cover all or part of the cost of providing services. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These three statements report the College's net position and cash and changes in them. The reader can think of the College's net position – the difference between assets and liabilities – as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in enrollment trends, student retention, construction projects, physical plant condition, etc., to assess the overall health of the College.

Financial Analysis of the College as a Whole

As of June 30, 2014, CASC's net position increased by \$894,795 to \$23,019,263. Operating expenses for the fiscal year ended June 30, 2014, were \$26,430,063, an increase of approximately \$1,831,187 from fiscal year 2013. Operating revenue totaled \$12,337,522, an increase of approximately \$1,334,733 from fiscal 2013. Operating revenue includes tuition and fees, federal and state grants and contracts, and auxiliary. Nonoperating revenues include state appropriations, and federal and state grants. State appropriations increased by \$203,893 and net nonoperating revenues as a whole increased \$3,833,174 over fiscal 2013.

CASC has a capital lease obligation to the Oklahoma Capital Improvement Authority (OCIA), which originated during the year ended June 30, 2000, for land acquisition and the remodeling of the Allied Health Science Center for \$700,000, and which is being paid by OCIA as on-behalf payments. Additionally in 2006, OCIA issued bonds for the College in the amount of \$8,155,856 for the construction of new buildings on both the Poteau and Sallisaw campuses, which are also being paid by OCIA as on-behalf payments. In 2010, CASC obtained bond funding for construction of the Deanna J. Reed Science and Math Center in the amount of \$7,121,000. Monthly payments of principal and interest are paid by CASC and supported through facility fees.

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The Statement of Net Position

The statement of net position reports CASC's financial position. Net position – the difference between assets and liabilities – is one way to measure the College's health, or position. Over time, increases or decreases in the College's net position are an indicator of whether or not its financial health is improving. Nonfinancial factors, such as student enrollment and condition of campus buildings, are also important to consider.

This statement includes all assets and liabilities using the accrual basis of accounting. The following summarizes the College's assets, liabilities, and net position as of June 30:

Statement of Net Position at June 30

	2014	2013
Current Assets	\$ 12,253,116	\$ 11,667,371
Noncurrent Assets	25,917,482	25,676,390
Total Assets	38,170,598	37,343,761
Current Liabilities	1,855,402	1,251,078
Noncurrent Liabilities	13,151,960	14,406,648
Total Liabilities	15,007,362	15,657,726
Net Investment in Capital Assets	11,258,972	10,808,230
Restricted	3,323,595	5,442,415
Unrestricted	8,436,696	5,873,823
Total Net Position	\$ 23,019,263	\$ 22,124,468

Account Analysis

The following paragraphs explain the changes in the major categories of the accompanying financial statements for the current and prior year.

Assets

Assets are presented in two major classifications. Current assets represent resources that are available to meet current operational needs. Cash equivalents represent investments with the State Cash Management Program, which is managed by the Oklahoma State Treasurer.

These investments are immediately convertible to cash as the need arises. Accounts receivable represent monies due to the College, which are expected to be collected within a short amount of time.

Noncurrent assets represent resources that will not be available to meet current obligations. A major component of noncurrent assets is capital assets. Capital assets are made up of the College's land, buildings, equipment, library resources and any related improvements. Capital assets are reported net of accumulated depreciation. Capital asset activity is summarized in *Note 4* to the financial statements.

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Account Analysis (continued)

Liabilities

Liabilities are also separated into current and noncurrent classifications. Current liabilities are those obligations that are due immediately and will be paid from current resources. Current liabilities have increased from fiscal year 2011 due to current maturities of capital leases.

Noncurrent liabilities are comprised primarily of bonds payable and capital lease payables. The College entered into a lease agreement with the Oklahoma Capital Improvement Authority (OCIA) in 1999 which resulted in a lease obligation payable to OCIA. The debt incurred through obtaining bond financing for the Deanna J. Reed Science and Math Center is also reflected in the noncurrent liabilities section of this audit report. Both revenue bonds and capital lease agreements related to the College are discussed in greater detail in *Note 5* to the financial statements. Noncurrent liabilities decreased \$1,254,688 from 2013.

The Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position reports the results of CASC's activities and their effect on net position. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following summarizes CASC's revenues, expenses, and changes in net position for the years ending June 30:

Operating Results for Years Ended June 30

	2014	2013
Operating Revenues		
Tuition and fees, net	\$ 2,363,425	\$ 5,135,415
Federal grants and contracts	5,812,925	2,293,118
State and private grants	2,538,777	118,898
Auxiliary enterprises	1,533,829	2,648,025
Other	88,566	807,333
Total Operating Revenues	12,337,522	11,002,789
Operating Expenses	(26,430,063)	(21,598,876)
Operating Loss	(14,092,541)	(10,596,087)
Nonoperating Revenues (Expenses)		
State appropriations	6,573,371	6,369,478
Federal and state grants	6,032,435	3,464,761
State payments from federal ARRA funds	-	-
On-behalf payments for OTRS	714,869	705,646
Interest income	25,047	69,000
Interest on capital asset-related debt	(758,132)	(354,746)
Contributions other nonoperating expenses	629,678	(399)
Net nonoperating revenues	14,086,914	10,253,740
Income (Loss) Before Other Revenues	(5,627)	(347,187)
Other Revenues	900,422	598,950
Net Increase (Decrease) in Net Position	894,795	256,603
Net Position, Beginning of Year	22,124,468	21,867,865
Net Position, End of Year	23,019,263	\$ 22,124,468

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

Revenues

Revenues are classified as either operating or nonoperating. Operating revenues for 2014 increased by \$1,334,733 from 2013 while nonoperating revenues increased \$3,833,174 over 2013. Federal, state, and private grants and contracts made up 17% of total operating revenues in 2014. Tuition and fees accounted for 19.2% of total operating revenues. Auxiliary revenue accounts for 12.4% of operating revenues. The primary source of nonoperating revenues is state appropriations, which accounted for 46.6% of nonoperating revenues in 2014. Federal and state grants comprised 42.8% of nonoperating revenues.

Expenses

Expenses are classified as either operating or nonoperating. As with most organizations, employee compensation represents the largest category of expense. Total compensation (salaries and benefits) represented 51.6% of total operating expenses for 2014.

The Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing. The College maintains a healthy cash flow and is able to adequately meet its financial obligations.

Cash Flows for the Years Ended June 30

	2014	2013
Cash Flows Provided (Used) By		
Operating activities	\$ (10,900,635)	\$ (9,105,063)
Noncapital financing activities	13,475,452	10,539,885
Investing activities	0	69,000
Capital and related financing activities	(1,830,954)	(1,060,005)
Net Increase (Decrease) in Cash	743,863	443,817
Cash and Equivalents, Beginning of Year	9,817,703	9,373,886
Cash and Equivalents, End of Year	\$ 10,561,566	\$ 9,817,703

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Economic Factors that Will Affect the Future

Funding provided by the state of Oklahoma has a major impact on the economic position of Carl Albert state College. Even though there was a increase in state appropriations, the CASC Board of Regents voted for minimal increases in tuition and fees for the FY 14 academic year. CASC continues to maintain a strong cash reserve and continues to effectively manage all funds. Carl Albert state College also actively pursues non-state sources of revenue to provide programs and educational opportunities.

Request for Information

This financial report is designed to provide a general overview of the College's finances for all those with an interest. Questions concerning any of the information provided in this report should be addressed to: James Hurst, Vice President for Business Operations, c/o Carl Albert State College, 1507 South McKenna, P. O. Box 369, Poteau, Oklahoma 74953-5208.

CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Statements of Net Position
June 30, 2014

	Carl Albert State College	Carl Albert State College Foundation
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,794,467	\$ 214,070
Restricted cash and cash equivalents	2,767,099	
Investments	—	6,030,728
Accounts receivable, net of allowance for doubtful accounts	451,348	6,643
Grant receivables	517,769	—
Loans to students, net	70,113	—
Inventories	418,161	—
Interest receivable – student loans	234,159	—
Total Current Assets	12,253,116	6,251,441
Noncurrent Assets		
Loans to students, net	486,383	—
Capital assets, net of accumulated depreciation	25,431,099	2,096,326
Total Noncurrent Assets	25,917,482	2,096,326
Total Assets	38,170,598	8,347,767
Deferred Outflows of Resources		
Deferred cost on OCIA lease restructure	292,288	—
Total Deferred Outflows of Resources	292,288	—
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	385,395	7,756
Unearned revenue	288,426	—
Payable to LCEA	—	146,886
Due to student groups and organizations	—	—
Current portion of noncurrent liabilities	1,181,581	—
Total Current Liabilities	1,855,402	154,642
Noncurrent Liabilities, net of current portion		
Capital lease obligations	13,151,960	—
Total Liabilities	15,007,362	154,642
Deferred Inflows of Resources		
Deferred gain on OCIA lease restructure	436,261	—
Total Deferred Inflows of Resources	436,261	—
Net Position		
Net investment in capital assets	11,258,972	—
Permanently restricted	—	1,849,552
Temporarily restricted		
Educational programs	—	2,437,431
Capital projects	2,767,099	—
Other	556,496	—
Unrestricted	8,436,696	3,906,142
Total Net Position	\$ 23,019,263	\$ 8,193,125



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014

	Carl Albert State College	Carl Albert State College Foundation
Operating Revenues		
Tuition and fees, net of scholarship allowances of \$3,120,000	\$ 2,363,425	\$ —
Federal grants and contracts	5,812,925	—
State and local grants and contracts	2,538,777	—
Auxiliary enterprise charges, Net of scholarship allowance of \$2,335,000	1,533,829	—
Other operating revenues	<u>88,566</u>	<u>276,746</u>
Total Operating Revenues	<u>12,337,522</u>	<u>276,746</u>
Operating Expenses		
Compensation	13,638,635	—
Contractual services	239,789	—
Supplies and materials	3,285,193	—
Utilities	590,999	75,507
Other operating expenses	1,096,433	58,485
Scholarships and fellowships	6,019,019	486,614
Depreciation expense	<u>1,559,995</u>	<u>78,579</u>
Total Operating Expenses	<u>26,430,063</u>	<u>699,185</u>
Operating Loss	<u>(14,092,541)</u>	<u>(422,439)</u>
Non-operating Revenues (Expenses)		
State appropriations	6,573,371	—
On-behalf contributions for Teachers' Retirement System	714,869	—
Federal grants – non-operating	6,032,435	—
State grants – non-operating	869,646	—
Investment income	25,047	429,715
Contributions and other nonoperating revenues	629,678	263,238
Interest expense	<u>(758,132)</u>	<u>—</u>
Net Non-operating Revenues	<u>14,086,914</u>	<u>692,953</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(5,627)</u>	<u>270,514</u>
State appropriations restricted for capital purposes	436,941	—
OCIA On-behalf state appropriations	<u>463,481</u>	<u>—</u>
Net Increase in Net Position	<u>894,795</u>	<u>270,514</u>
Net Position, Beginning of Year	<u>22,124,468</u>	<u>7,922,611</u>
Net Position, at End of Year	<u>\$ 23,019,263</u>	<u>\$ 8,193,125</u>



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Statements of Cash Flows
For The Year Ended June 30, 2014

	Carl Albert State College	Carl Albert State College Foundation
Cash Flows from Operating Activities		
Tuition and fees	\$ 2,469,240	\$ —
Grants and contracts	8,484,376	—
Contributions	629,678	263,238
Auxiliary enterprises charges	1,624,480	—
Other operating receipts	88,566	277,904
Payments to employees for salaries and benefits, net on-behalf payments	(12,912,489)	—
Payments for scholarships	—	(262,125)
Payments to suppliers	<u>(11,284,486)</u>	<u>(304,795)</u>
Net Cash Provided by (Used) in Operating Activities	<u>(10,900,635)</u>	<u>(25,778)</u>
Cash Flows from Non-capital Financing Activities		
Permanently restricted contributions	—	—
State appropriations	6,573,371	—
Non-operating grants	<u>6,902,081</u>	—
Net Cash Provided by Noncapital Financing Activities	<u>13,475,452</u>	—
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(1,826,894)	(111,308)
Capital appropriations received	436,941	—
Proceeds from issuance of long term debt	—	—
Repayments of long term debt	(215,583)	(100,000)
Interest paid on capital debt and leases	<u>(225,418)</u>	—
Net Cash Used in Capital and Related Financing Activities	<u>(1,830,954)</u>	<u>(211,308)</u>
Cash Flows from Investing Activities		
Purchase of investments	—	(775,073)
Proceeds from sales and maturities of investments	—	857,540
Interest received on investments	—	155,137
Net Cash Provided by (Used) by Investing Activities	<u>—</u>	<u>237,604</u>
Net Increase in Cash and Cash Equivalents	743,863	518
Cash and Cash Equivalents, Beginning of Year	<u>9,817,703</u>	<u>213,552</u>
Cash and Cash Equivalents, End of Year	<u>\$10,561,566</u>	<u>\$ 214,070</u>



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Statements of Cash Flows
Year Ended June 30, 2014

(Continued)

	Carl Albert State College	Carl Albert State College Foundation
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents	\$ 7,794,467	\$ 214,070
Restricted cash and cash equivalents	<u>2,767,099</u>	<u>—</u>
Net Cash Used in Operating Activities	<u>\$ 10,561,566</u>	<u>\$ 214,070</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$(14,092,541)	\$ (422,439)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,559,995	78,579
Contributions	629,678	263,238
Investment income	—	375
State of Oklahoma on-behalf contributions to teachers' retirement system	714,869	—
Changes in net assets and liabilities:		
Accounts receivables	163,028	—
Grant receivables	132,674	783
Inventories	(86,730)	—
Accounts payable and accrued expenses	33,677	53,686
Deferred revenue	33,438	—
Compensated absences	<u>11,277</u>	<u>—</u>
Net Cash Used in Operating Activities	<u>\$ (10,900,635)</u>	<u>\$ (25,778)</u>
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities		
Principal and interest on capital debt paid by state agency on behalf of the College	<u>\$ 463,481</u>	<u>\$ —</u>



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Carl Albert State College (the "College"), is a two-year State supported college operating under the jurisdiction of the Board of Regents of Carl Albert State College (the "Board of Regents"). The College is part of the Oklahoma System of Higher Education, which is under the governance of the Oklahoma State Regents for Higher Education (the "State Regents"). The College is accredited by the North Central Association of Colleges and Schools.

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*, 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 accompanying financial statements include the accounts and funds of the College. The College is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State as part of the higher education component unit.

Carl Albert State College Foundation, Inc. (the "Foundation") is a 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. Separate financial statements of the Foundation can be requested from the Foundation's controller.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board ("FASB") standards over accounting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from 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.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Cash Equivalents

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

Deposits and Investment

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

Inventories

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

Accounts Receivable and Other Receivables

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



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Other Receivables (Continued)

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

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

Restricted Cash and Investments

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

Capital assets

Capital assets are stated at cost, or fair value if acquired by gift, less accumulated depreciation. Effective July 1, 2008, the College's capitalization policy for equipment was changed to include all items with a unit cost of \$5,000 or more and a useful life of greater than one year. All previously capitalized equipment items costing less than \$5,000, and their accumulated depreciation, were deleted from the capital assets listing and treated as a retirement during the year ended June 30, 2009. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Depreciation is provided using the straight-line method over the estimates of useful lives of the assets, generally 30 years for buildings and improvements, 3-7 years for computers and other equipment, and 10 years for furniture, vehicles, and library materials. Routine repairs and maintenance are charged to operating expense in the year in which the expense occurs.

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.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

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 position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

Noncurrent Liabilities

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

Use of Estimates

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

Net Position

The College's net position is classified as follows:

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

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

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



CARL ALBERT STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

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

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

Income Taxes

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

Classification of Revenues

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

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

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



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Scholarship Discounts and Allowances

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

Deferred Outflows of Resource

Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. June 30, 2014, the College's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure.

Deferred Inflows of Resource

Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. June 30, 2014, the College's deferred inflows of resources were comprised of deferred charges on an OCIA lease restructure.

New Accounting Pronouncement Adopted in Fiscal Year 2014

The College adopted the following new accounting pronouncement during the year ended June 30, 2014, as follows:

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

GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and it is legally released, it should recognize revenue as a result of this release. The provisions of the Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. During the year ended June 30, 2014, the College did not have any such qualifying transactions.



CARL ALBERT STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement Issued Not Yet Adopted

The GASB has also issued several new accounting pronouncements which will be effective to the College in subsequent years. A description of the new pronouncements, the fiscal year in which they are effective, and the College's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2015

Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance is expected to be issued in November 2013. Although the College has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

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

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

Subsequent Events

Subsequent events have been evaluated through October 8, 2014, which is the date the financial statements were issued.



CARL ALBERT STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

Note 2: 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 Treasurer may determine, in the State's name.

The College requires that balances on deposit with financial institutions 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.

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 (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the State Treasurer.

Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* total \$3,934,464 at June 30, 2014.

For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents. At June 30, 2014, the distribution of deposits in OK INVEST was as follows:

<u>OK INVEST Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. Agency securities	\$1,805,145	\$1,801,635
Money market mutual funds	189,963	189,963
End of day commercial paper sweep	82,797	82,797
Certificates of deposits	102,133	102,133
Mortgage backed agency securities	1,616,315	1,649,666
Municipal bonds	60,361	66,850
Foreign bonds	30,909	30,909
U.S. Treasury obligations	46,841	57,987
Total	<u>\$3,934,464</u>	<u>\$3,981,940</u>



CARL ALBERT STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

Note 2: 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 and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the 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 three years. OK INVEST maintains an overall weighted average maturity of less than 270 days.

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



CARL ALBERT STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

Note 2: 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.

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. However, the majority of the investments are in mutual funds and investments guaranteed by the U.S. Government.

Note 3: Accounts Receivable

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

Student tuition and fees	\$ 363,100
Auxiliary enterprises and other operating activities	<u>167,896</u>
	530,996
Less: Allowance for doubtful accounts	<u>(79,648)</u>
Net accounts receivable	\$ <u>451,348</u>
Due from grantors	\$ <u>452,440</u>



CARL ALBERT STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

Note 4: Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets not being depreciated				
Land	\$ 1,867,052	\$ 775,000	\$ —	\$ 2,642,052
Total not being depreciated	<u>\$ 1,867,052</u>	<u>\$ 775,000</u>	<u>\$ —</u>	<u>\$ 2,642,052</u>
Other Capital Assets				
Building and improvement	\$ 33,475,595	609,204	—	\$ 34,084,799
Infrastructure	1,318,904	—	—	1,318,904
Furniture & Equipment	6,507,614	433,382	(37,776)	6,903,220
Library Materials	1,748,685	9,308	(4,432)	1,753,561
Total other capital assets	<u>43,050,798</u>	<u>1,051,894</u>	<u>(42,208)</u>	<u>44,060,484</u>
Less accumulated depreciation for				
Buildings and improvements	(11,128,726)	(942,585)	—	(12,071,311)
Infrastructure	(1,220,482)	(17,685)	—	(1,238,167)
Equipment	(5,753,311)	(559,591)	37,776	(6,275,126)
Library materials	(1,651,131)	(40,134)	4,432	(1,686,833)
Total accumulated depreciation	<u>(19,753,650)</u>	<u>(1,559,995)</u>	<u>42,208</u>	<u>(21,271,437)</u>
Other capital assets, net	<u>\$ 23,297,148</u>	<u>\$ (508,101)</u>	<u>\$ —</u>	<u>\$ 22,789,047</u>
Capital Asset Summary:				
Capital assets not being depreciated	\$ 1,867,052	\$ 775,000	\$ —	\$ 2,642,052
Other capital assets, at cost	<u>43,050,798</u>	<u>1,051,894</u>	<u>(42,208)</u>	<u>44,060,484</u>
Total cost of capital assets	44,917,850	1,826,894	(42,208)	46,702,536
Less accumulated depreciation	<u>(19,753,650)</u>	<u>(1,559,995)</u>	<u>42,208</u>	<u>(21,271,437)</u>
Capital Assets, net	<u>\$ 25,164,200</u>	<u>\$ 266,899</u>	<u>\$ —</u>	<u>\$ 25,431,099</u>

The College has acquired certain capital assets, including buildings, under various capital lease-purchase contracts and other capital lease agreements. The cost of College assets held under capital leases totaled \$10,248,435 as of June 30, 2014.



CARL ALBERT STATE COLLEGE
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Notes to Financial Statements
June 30, 2014

Note 5: Long-Term Liabilities

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

	<u>Interest Rate</u>	<u>Maturity Through</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<i>Capital Lease Obligations</i>							
OCIA 2004A Series		8/1/2019	289,322	—	(41,373)	247,949	41,373
OCIA 2005F Series		7/1/2015	5,166,430	—	(4,677,721)	488,709	238,872
OCIA 2010A Series		7/1/2018	2,068,878	—	—	2,068,878	118,548
OCIA 2010B Series		7/1/2015	667,447	—	—	667,447	389,248
OCIA 2014A Series		7/1/2030	—	4,215,797	—	4,215,797	—
ODFA master lease 2010A	2.75	6/1/2023	<u>6,547,083</u>	<u>—</u>	<u>(215,583)</u>	<u>6,331,500</u>	<u>222,250</u>
Total capital lease obligations			<u>14,739,160</u>	<u>4,215,797</u>	<u>(4,934,677)</u>	<u>14,020,280</u>	<u>1,010,291</u>
Other Liabilities:							
Premium on bonds and capital leases			161,723	—	(9,876)	151,847	9,876
Accrued compensated absences			<u>150,137</u>	<u>161,414</u>	<u>(150,137)</u>	<u>161,414</u>	<u>161,414</u>
Total other liabilities			<u>311,860</u>	<u>161,414</u>	<u>(160,013)</u>	<u>313,261</u>	<u>171,290</u>
Total long term liabilities			<u>\$ 15,051,020</u>	<u>\$ 4,377,211</u>	<u>\$ (5,094,690)</u>	<u>\$ 14,333,541</u>	<u>\$ 1,181,581</u>

Capital Lease Obligations

Oklahoma Capital Improvement Authority Lease Obligations

In September 1999, the OCIA issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the State Regents allocated \$700,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent leases are to provide for the construction of the Learning Technology Center. Lease principal and interest payments to OCIA totaling \$56,328 during the year ended June 30, 2014, 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 position.



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Notes to Financial Statements
June 30, 2014

Note 5: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. Consequently, the amortization of the 1999A bond issue ended in 2010. The lease agreement will no longer secure the 1999A bond issue but will now act as security for the 2004A bond issue over the term of the lease through the year 2020. As a result, there are two amortization schedules, which have been combined, related to this one lease agreement.

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 \$8,648,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2011, the OCIA 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 \$876,867 on restructuring as a deferred cost that will be amortized over a period of 6 years, beginning in fiscal year 2011. Lease principal and interest payments to OCIA totaling \$301,046 during the year ended June 30, 2014, 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 position.

Lease payments to OCIA totaling \$106,615 during the year ended June 30, 2014, 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 position.



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Notes to Financial Statements
June 30, 2014

Note 5: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

On April 9, 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired was a gain on restructuring of \$461,925, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2014, the unamortized gain totaled \$436,261. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$553,556, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA, totaling \$210,866 during the year ended June 30, 2014, were made by the State of Oklahoma on behalf of the College. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

Oklahoma Development Finance Authority Lease Obligations

On September 15, 2010, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2010A in the amount of \$7,121,000. Total lease payments over the term of the agreement, beginning October 15, 2010 through May 25, 2035, will be \$10,903,644. Payments will be made annually of approximately \$36,800. Proceeds from the obligation were used for the construction of a new science and math building.

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

Years ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,010,291	\$ 522,561	\$ 1,532,852
2016	1,515,834	527,906	2,043,740
2017	1,026,802	476,557	1,503,359
2018	1,060,190	433,765	1,493,955
2019	298,421	389,792	688,213
2020-2024	2,525,016	1,759,462	4,284,478
2025-2029	3,830,420	1,105,779	4,936,199
2030-2034	2,406,012	344,371	2,750,383
2035-2039	388,667	16,033	404,700
Total	<u>\$ 14,061,653</u>	<u>\$ 5,576,226</u>	<u>\$ 19,637,879</u>



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Note 6: Retirement Plans

The College's academic and non-academic personnel are covered by various retirement plans. The plans available to College personnel include the Oklahoma Teachers' Retirement System (the "OTRS"), which is a State of Oklahoma public employee's retirement system. The College also sponsors a 403(b) annuity plan, a defined contribution plan. The College does not maintain the accounting records, hold the investments for, or administer these plans.

Oklahoma Teachers' Retirement System

Plan Description

The College contributes to the OTRS, a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members.

The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma statutes, Sections 17-101 through 116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. OTRS does not provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS website at www.tr.s.state.ok.us.

Funding Policy

The College is required by state statute to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate, as determined by state statute, was 9.50% for 2014, 2013, and 2012 and was applied to annual compensation.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7.5% of covered salaries and fringe benefits in 2014, 2013, and 2012. These contributions were made directly by the College for all three years.

The College's contribution to OTRS for the years ended June 30, 2014, 2013, and 2012, were approximately \$683,000, \$1,873,000, and \$1,667,000, respectively, equal to the required contribution for each year. These contributions included the College's statutory contribution and the share of the employees' contribution paid directly by the College.



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Note 6: Retirement Plans (Continued)

Funding Policy (Continued)

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2012, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes to OTRS on behalf of participating employers. The College has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. For the year ended June 30, 2014, the total amount contributed to OTRS by the State of Oklahoma on behalf of the College was approximately \$715,000. This on-behalf payment has been recorded as nonoperating state appropriations revenue and as operating compensation and employee benefits expense in the statement of revenues, expenses and changes in net position.

Teachers Insurance and Annuity Association (TIAA)

All eligible full-time employees of the College enrolled in the OTRS, are eligible to make employee voluntary contributions to the Teachers Insurance and Annuity Association (TIAA), a defined contribution pension plan (the Plan) administered by the College's Board of Regents. Eligible employees are not required to make contributions to the Plan. The Plan provides retirement benefits to eligible employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the Plan document and were established and can be amended by the action of the College's Board of Regents. The College does not make employer contributions to the Plan.

Note 7: 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 \$262,125 for the year ended June 30, 2014.



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Notes to Financial Statements
June 30, 2014

Note 8: 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.

IN July 2010, the College began participating in the Federal Direct Student Loan Program (Direct Lending Program) that replaced the FFEL Program. The Direct Lending Program requires the College to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. Failure to perform such functions may require the College to reimburse the U.S. Department of Education. For the year ended June 30, 2014, approximately \$1,566,000 of Direct Loan Program loans was provided to College students.

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, 2014, that management believes would result in a material loss to the College in the event of an adverse outcome.

Note 9: Risk Management

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

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

The College is self-insured for unemployment liabilities. Payments are made to the State Employment Security Commission on a claims paid basis. No reserve for potential liability for unemployment claims has been established. Any such liability would be paid from current operations.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 10: Carl Albert State College Educational Foundation, Inc.

The following are significant disclosures of the Foundation:

Note A: Summary of Significant Accounting Policies

Organization: Carl Albert State College Development Foundation, Inc., (the "Foundation") is organized for the benefit of Carl Albert State College (the "College"), Poteau, Oklahoma, its faculty, its student body, and its programs. The Foundation provides scholarships and support and enhances the further development of the College. The Foundation receives contributions from the public which are generally to be used for the benefit of the College. The Foundation also receives certain program service revenues which support the various departmental activities at the College.

Although the College does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the College. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Accounting Standards Codification: The Foundation follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The ASC provides the single source of authoritative accounting principles generally accepted in the United States of America ("U.S. GAAP") for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance.

Basis of Accounting: The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP, and accordingly reflect all significant receivables, payables and other assets and liabilities. To ensure the observance of limitations and restrictions placed on the use of available resources, the Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the process by which resources for various purposes are classified for accounting purposes into funds that are maintained in accordance with the activities or objectives of the Foundation.

Net Asset Classifications: The Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") was enacted in the state of Oklahoma effective November 1, 2007 ("OK UPMIFA"). The Foundation's Board of Trustees' (the "Trustees") interpretation of OK UPMIFA and other required endowment disclosures are included in Note 7.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 10: Carl Albert State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets: Net assets for which there are no donor-imposed restrictions that the assets be used for a specific purpose or held for a certain period of time.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the period received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises, which are received by the Foundation prior to fulfilling these conditions, are recorded as a liability (i.e. unearned revenue) until the conditions are substantially met. Contributions of assets other than cash are recorded at the estimated fair value on the gift date. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate which will commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class and fund as the original contribution. An allowance is made for uncollectable contributions based upon management's judgement and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 10: Carl Albert State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Contributions are reported as increases in the appropriate net asset category. Expenses are reported as decreases in unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the assets must be used or how long the assets must be held, in which case the gift is recorded as restricted support. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributed services are recognized when (1) they create or enhance a nonfinancial asset and/or (2) required specialized skills, are provided by individuals possessing those skills and would typically need to be purchased had they not been provided by contributions. Many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services. The Foundation received no significant contributed services meeting the specified criteria in 2014 or 2013.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less when purchased, excluding cash and cash equivalent funds held in the Foundation's investment portfolio, to be cash equivalents. Unvested cash held in managed investment accounts is not considered cash or cash equivalents as these funds are not readily available for paying the Foundation expenses.

Investments: Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividends, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Property and Equipment: It is the Foundation's policy to capitalize property and equipment additions with a cost basis, or fair value on the gift date if donated, which exceed \$500. Property and equipment is depreciated using the straight-line methods as follows:

Dormitory	30 years
Building improvements	30 years
Computer equipment	5 years



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 10: Carl Albert State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Investment Revenue: Income and gains on investments are reported as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment require such amounts be added to the permanent endowment. Income and gains are reported as increases in temporarily restricted net assets if the terms of the gift or applicable law imposed restrictions on the use of the income and as increases in unrestricted net assets in all other cases, except in the case of income earned on donor-restricted endowment funds which is classified as temporarily or permanently restricted dependent upon the donor's restriction(s). Generally, losses on investments of endowments reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on the net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets. Subsequent investment gains are applied first to unrestricted net assets to the extent that losses have previously been recognized, and then to temporarily restricted net assets.

Income Tax Status: The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Generally, all revenue earned outside the purpose for which the Foundation is created is taxable as earned income.

Marketable Securities: Marketable securities are stated at fair value. Fair values are generally determined based upon quoted market prices. Realized gains and losses on sales of marketable securities are computed on the first-in, first-out basis.

The Foundation utilizes various investment instruments. Marketable securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially.

Fair Value Measurements The Foundation follows ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 10: Carl Albert State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

The hierarchy gives highest priority to unadjusted quotes prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

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

The Foundation has certain investments which are measured at net asset value per share ("NAV"). If the Foundation has the ability to redeem its investment with the investee at NAV at the measurement date or within ninety days of the measurement date, the fair value of the asset is categorized as a Level 2 fair value measurement. If the Foundation will never have the ability to redeem its investment with the investee at NAV or the Foundation cannot redeem its investment within ninety days of the measurement date, the Foundation categorizes the asset as a Level 3 measurement.

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

Accounting for Uncertain Tax Positions: Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that required adjustment to or disclosure in the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ending on or before June 30, 2010.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 10: Carl Albert State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

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

Subsequent Events: Subsequent events have been evaluated through September 26, 2014, which is the date the financial statements were issued.

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

Estimates that are particularly susceptible to significant change include the valuation of investments, beneficial interest in perpetual trust, and contributions receivable. Investments and beneficial interest in perpetual trust are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonable possible that changes in the values of these assets will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially. Management's estimate of contributions receivable and the related allowance for doubtful accounts is based on considerations of all relevant available information and an analysis of the collectability of individual contributions, which arise primarily from pledges at the financial statement date.

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, 2014 and 2013. FDIC regulations state time and savings accounts are insured up to a \$100,000 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.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 10: Carl Albert State College Educational Foundation, Inc. (Continued)

Note B: Cash and Cash Equivalents (Continued)

Type of Deposits	Bank Balance	Carrying Balance	Custody Credit Risk Category		
			1	2	3
June 30, 2014					
Demand Deposits	\$ 252,240	\$ 214,070	\$ 250,000	\$ —	\$ 2,240
Money Market Funds	<u>403,880</u>	<u>403,880</u>	<u>—</u>	<u>—</u>	<u>403,880</u>
Totals	\$ <u>656,120</u>	\$ <u>617,950</u>	\$ <u>250,000</u>	\$ <u>—</u>	\$ <u>406,120</u>

Note C: Fair Value Measurement

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

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

Cash surrender value of life insurance: The Foundation is the beneficiary of a number of life insurance policies. The carrying value of the life insurance policies is the cash surrender value on the policies and as such approximates fair value.

Accounts receivable: Accounts receivable are carried at cost due to its short maturity (less than one year).

Investments: Investments are carried at fair value and are based on quoted market prices, when available, or the best estimate of fair value as determined by the investment and/or fund manager. Generally, quoted market prices are available for cash and cash equivalents funds, common and preferred stocks, and exchange traded index and mutual funds and as such are classified as Level 1 in the fair value hierarchy. The fair values of certificates of deposit are determined using the income approach. The key inputs include interest rates, maturity dates, and yield curves and as such are classified as Level 1 or Level 2 depending on the maturity date. The fair value of the annuity contract is determined using the income approach and is based on the current cash surrender value as determined by the investment manager and is classified as Level 3.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 10: Carl Albert State College Educational Foundation, Inc. (Continued)

Note C: Fair Value Measurement (Continued)

The Foundation's interest in the limited liability company and the pooled funds are based on net asset value ("NAV") per share as provided by the fund manager; however, in certain circumstances, such as when the fund is in liquidation, fair values are determined using the income approach (i.e. estimated future cash flows). If the fair value of the underlying assets are transparent and have readily determinable fair values and the Foundation can redeem the investment at NAV within ninety days of the measurement date, the funds are classified as Level 2 and in all other cases are classified as Level 3.

Structured investments in unsecured notes are valued using the market approach or the income approach and are provided to the Foundation by the investment manager. Whenever possible, fair values are determined using the market approach and the key inputs are based on an underlying index and maturity or by analysis of documented trade history in the exact security and as such are classified as Level 2. In all other cases, fair values are determined using the income approach and are valued using fundamental analysis of investments based on information provided by fund manager and are classified as Level 3.

Pledges receivable: The asset is carried at cost net of a discount to net present value using a rate which is commensurate with the risk involved on the gift date and an allowance for uncollectible accounts at the financial reporting date. Fair value is the price a market participant would pay to acquire the right to receive the cash flows inherent in the promise to pay the Foundation and due to inclusion of a discount to net present value and allowance for uncollectible accounts the carrying value approximates fair value.

Accounts payable and accrued liabilities: The carrying amount of current liabilities approximates fair value due to its short maturity.

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

	As of June 30, 2014			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 407,270	\$ —	\$ —	\$ 407,270
Equity securities	286,443	—	—	286,443
Certificates of deposit	—	399,399	—	399,399
Corporate and other bonds	3,201,020	—	—	3,201,020
Savings Bonds	247,981	—	—	247,981
Mutual funds	1,488,615	—	—	1,488,615
	<u>\$ 5,631,329</u>	<u>\$ 399,399</u>	<u>\$ —</u>	<u>\$6,030,728</u>



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 10: Carl Albert State College Educational Foundation, Inc. (Continued)

Note D: Land, Building, and Equipment

Property and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Dormitories	\$ 2,611,626	\$ 1,881,185
Building and improvements	110,941	110,941
Computer equipment	38,011	38,011
Construction in progress	<u>—</u>	<u>619,134</u>
	2,760,578	2,649,271
Less accumulated depreciation	<u>(664,252)</u>	<u>(585,673)</u>
	<u>\$ 2,096,326</u>	<u>\$ 2,063,598</u>

Note E: Notes Payable

The Foundation entered into a \$100,000 loan agreement with a related party on July 31, 2010, payable in full on November 1, 2013. The loan carried 0% interest and was unsecured. The loan was repaid in full on November 1, 2013.

Note F: Related Party Transactions

Based upon an exchange of service agreement, the College provides the Foundation with the necessary office space at no cost to the Foundation. In exchange, the College received scholarships, funds for capital improvements, and other services from the Foundation. The value of such services has been determined by management to be insignificant and is, therefore, not recorded on the financial statements as in-kind contributions.

The Foundation owns a majority of the dormitories located at the College under a 99 year lease agreement with the College which provides the Foundation with access to the land and build the dormitories. Under the agreement, the College has agreed to lease land to the Foundation for \$10 plus any payments due under a first mortgage or refinancing of attached property. The College has agreed to transfer dormitory rental income to the Foundation for the upkeep and maintenance of the Foundation dormitories used by students of the College.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 10: Carl Albert State College Educational Foundation, Inc. (Continued)

Note G: Endowment Disclosures

The Foundation's endowment consists of approximately 202 endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

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

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- 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 10% annually. Actual returns in any given year may vary from this amount.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 10: Carl Albert State College Educational Foundation, Inc. (Continued)

Note G: Endowment Disclosures (Continued)

Strategies 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

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 1.16% 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 assets composition as of June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 2,437,431	\$ 1,849,552	\$ 4,286,983
Board-designated endowment funds	<u>1,711,297</u>	<u>—</u>	<u>—</u>	<u>1,711,297</u>
Total endowment funds	<u>\$ 1,711,297</u>	<u>\$ 2,437,431</u>	<u>\$ 1,849,552</u>	<u>\$ 5,998,280</u>

Changes in endowment net assets for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,562,879	\$ 2,429,066	\$ 1,847,046	\$ 5,838,991
Investment return	43,151	293,188	2,506	338,845
Contributions	—	263,238	—	263,238
Board designation of funds	115,346	—	—	115,346
Appropriation of endowment assets for expenditure	<u>(10,079)</u>	<u>(548,061)</u>	<u>—</u>	<u>(558,140)</u>
Endowment net assets, end of year	<u>\$ 1,711,297</u>	<u>\$ 2,437,431</u>	<u>\$ 1,849,552</u>	<u>\$ 5,998,280</u>





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

Board of Regents
Carl Albert State College
Poteau, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Carl Albert State College and the separately presented component units as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Carl Albert State College's basic financial statements, and have issued our report thereon dated October 8, 2014. Our report includes a reference to other auditors who audited the financial statements of Carl Albert State College Educational Foundation, Inc., the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carl Albert State 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 Carl Albert State College's internal control. Accordingly, we do not express an opinion on the effectiveness of Carl Albert State College's internal control.

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

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

5028 E. 101st Street
Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

Compliance and Other Matters

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

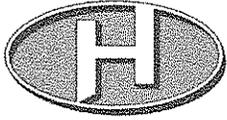
Purpose of this Report

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

Hickel & Company, PC

Tulsa, Oklahoma
October 8, 2014





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

Board of Regents
Carl Albert State College
Poteau, Oklahoma

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

Report on Internal Control Over Compliance

Management of the Carl Albert State 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Carl Albert State College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the Carl Albert State College as of and for the year ended June 30, 2014, and have issued our report thereon dated October 8, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hick & Company, PC

Tulsa, Oklahoma
October 8, 2014



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<u>Federal Grant/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Education		
<i>Student Financial Aid Cluster</i>		
Office of Postsecondary Education		
Federal Pell Grant Program	84.063	\$ 5,922,987
Federal Direct Student Loans	84.032	1,566,081
Federal Supplemental Education Opportunity	84.007	69,313
Federal Work Study Program	84.033	<u>192,883</u>
Total Student Financial Aid Cluster		<u>7,751,264</u>
 <i>TRIO Cluster</i>		
Office of Postsecondary Education		
Educational Opportunity Center	84.031	454,877
Upward Bound	84.047	1,007,440
Talent Search	84.044A	494,870
Student Support Services	84.042A	<u>404,762</u>
Total Trio Cluster		<u>2,361,949</u>
 Higher Education Institutional Aid - Title III		
	84.031	<u>369,253</u>
 Oklahoma Department of Vocational Education		
Carl Perkins – Post Secondary	84.048	<u>42,439</u>
Total U.S. Department of Education		<u>10,524,905</u>
 U.S. Department of Health and Human Services		
National Institutes of Health		
Pass-Through Program From:		
Oklahoma State Department of Human Services		
Temporary Assistance for Needy Families (TANF)	93.558	231,766
Oklahoma State Regents for Higher Education		
Child Care Development Block Grant		
Scholars for Excellence Program	93.575	<u>79,949</u>
Total U. S. Department of Health and Human Services		<u>311,715</u>
 U.S. Department of Interior		
National Institutes of Health		
Pass-Through Program From:		
Oklahoma State Department of Indian Affairs		
Indian Education Higher Education Grant	15,114	<u>517,031</u>
Total U. S. Department of Interior		<u>517,031</u>



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

(Continued)

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CDFA Number</u>	<u>Expenditures</u>
U. S. Department of Labor		
Pass-Through Program From:		
Oklahoma City Community College		
Trade Adjustment Assistance Community College and Career Training	17.282	13,155
Total U. S. Department of Labor		<u>13,155</u>
Total Expenditures of Federal Awards		\$ <u>11,366,806</u>



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Note 1: Summary of Significant Accounting Policies

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

Note 2: Subrecipients

Carl Albert State College provided no federal awards to subrecipients.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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 No

Noncompliance material to the financial statements? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Summary of Auditors' Results (Continued)

- Identification of major programs:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Supplemental Education Opportunity Grants	84.007
Federal Family Education Loans	84.032
Federal Work Study	84.033
Federal Pell Grant	84.063
Academic Competitiveness Grant	84.375
TRIO Cluster	
Educational Opportunity Center	84.031
Upward Bound	84.047
Talent Search	84.044A
Student Support Services	84.042A
Higher Education Institutional Aid – Title III	84.031

- The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
- Auditee qualified as a low-risk auditee as that term is defined in OMB Circular A-133. Yes No

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

None to report for the June 30, 2014 period.

Section III--Findings Required to be Reported in Accordance with OMB Circular A-133

None to report for the June 30, 2014 period.



CARL ALBERT STATE COLLEGE
A Component Unit of the State of Oklahoma
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Prior Year Finding 13-001

Summary of Finding

Even though the College uploaded status information on graduated students, the NSLDS Enrollment Reporting Summary Report was not showing the correct status for 22 of the 25 graduated students selected for testing.

Views of Responsible Officials to Prior Audit Findings

The College implemented a monitoring process to ensure the NSDLS Enrollment Reporting Summary Report contains the correct status information for graduated students.

Status

Agreed, noted all students that were tested for graduation were properly reflected in the NSDLS Enrollment Reporting Summary Report as graduated.

