

Carl Albert State College
A Component Unit of the State of Oklahoma

Financial Statements
with Independent Auditors' Reports

June 30, 2016



Carl Albert State College
A Component Unit of the State of Oklahoma
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June 30, 2016

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Independent Auditors' Report

Board of Regents
Carl Albert State College
Poteau, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Carl Albert State College, component unit of the State of Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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.

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

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

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of the Carl Albert State College as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1 to the financial statements, the college's beginning net position as of July 1, 2015, has been restated to reflect the implementation of *GASB Statement No. 82 Pension Issues, Amendment of GASB Statements No. 67, No. 68, and No. 73* Accordingly, adjustments have been made to the beginning balance of net position as of July 1, 2015. Our opinion is not modified with respect to this matter.

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

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements of the Carl Albert State College taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements

The schedule of expenditures of federal awards are the responsibility of management and was derived from and relate 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 of federal awards are 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 12, 2016 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carl Albert State College's internal control over financial reporting and compliance

Hill & Company, P.C.

Tulsa, Oklahoma
October 12, 2016



CARL ALBERT

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A Component Unit of the State of Oklahoma Management's Discussion and Analysis Years Ended June 30, 2015 and 2016

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, 2015 and 2016. 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, Statement of Revenues, Expenses and Changes in Net Position, and Statement 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 non-financial 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, 2016, CASC's net position increased by \$472,595 to \$8,089,920. As shown below in the chart "Operating Results" and in the financial statements on page 5 *Statement of Revenues, Expenses, and Changes in Net Position*, this is impacted significantly by the adoption of a new accounting standard required by GASB 72 & 76. Operating expenses for the fiscal year ended June 30, 2016, were \$25,313,152, a decrease of approximately \$255,438 from fiscal year 2015, due primarily to a decrease in state appropriations which required The College to reduce expenditures in almost all categories. Operating revenue totaled \$9,054,518, an increase of approximately \$551,945 from fiscal 2015. This is due primarily to increases in tuition related to increased enrollment, increased indirect revenue from federal grants, and improved revenue from auxiliary enterprises, again related to an increase in enrollment. Operating revenue includes tuition and fees, federal and state grants and contracts, and auxiliary services. Non-operating revenues include state appropriations, and some federal and state grants. State appropriations decreased by \$840,623 and net non-operating revenues as a whole decreased \$1,120,413 as compared to fiscal 2015.

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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 \$8,648,000 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 paid by students.

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. Non-financial 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 (please note the discussion above related to implementation of GASB 68 when reviewing this information):

Statement of Net Position at June 30

	2016	2015
Current Assets	\$ 13,424,307	\$ 12,703,542
Noncurrent Assets	23,788,682	24,982,501
Total Assets	37,212,989	37,686,043
Deferred Outflows of Resources	2,486,157	1,854,817
Current Liabilities	1,791,001	2,036,077
Noncurrent Liabilities	27,722,023	25,886,957
Total Liabilities	29,513,024	27,923,034
Deferred Inflow of Resources	2,096,202	4,000,501
Net Investment in Capital Assets	10,764,397	11,212,402
Restricted	3,123,647	3,233,609
Unrestricted	(5,798,124)	(6,828,686)
Total Net Position	\$ 8,089,920	\$ 7,617,325

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Account Analysis

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

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

Liabilities

Liabilities are also separated into current and non-current classifications. Current liabilities are those obligations that are due immediately and will be paid from current resources. Current liabilities are less than fiscal year 2015 due primarily to decreased current maturities of capital leases and long-term debt.

Non-current 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 non-current 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. Non-current liabilities (with the exception of the OTRS liability) decreased from 2015 as a result of the continued pay-down of these obligations.

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:

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Operating Results for Years Ended June 30

	2016	2015
Operating Revenues		
Tuition and fees, net	\$ 2,220,432	\$ 2,198,848
Federal grants and contracts	2,282,204	2,116,399
State and private grants	2,400,485	2,569,882
Auxiliary enterprises	1,786,468	1,411,580
Other	364,929	205,864
Total Operating Revenues	9,054,518	8,502,573
Operating Expenses	(25,313,152)	(25,568,590)
Operating Loss	(16,258,634)	(17,066,017)
Nonoperating Revenues (Expenses)		
State appropriations	5,749,051	6,589,674
Federal grants	8,717,758	8,797,084
State grants	809,832	893,964
On-behalf payments for OTRS	832,110	758,861
Interest income	5,200	8,080
Interest on capital asset-related debt	(795,136)	(599,161)
Contributions other nonoperating expenses	556,063	546,789
Net nonoperating revenues	15,874,878	16,995,291
Income (Loss) Before Other Revenues	(383,756)	(70,726)
Other Revenues	1,499,781	1,299,169
Net Increase (Decrease) in Net Position	1,116,025	1,228,443
Net Position, Beginning of Year	7,617,325	23,019,263
Adjustment To Net Position, GASB 68	(643,430)	(16,630,381)
Net Position, End of Year	8,089,920	\$ 7,617,325

Revenues

Revenues are classified as either operating or non-operating. As noted above, operating revenues for 2016 increased by \$551,945 from 2015 while non-operating revenues decreased \$1,120,413 from 2015. Federal, state, and private grants and contracts made up 52% of total operating revenues in 2016. Tuition and fees accounted for 25% of total operating revenues. Auxiliary revenue accounts for 20% of operating revenues. State appropriations accounted for 36% of non-operating revenues in 2016. Federal and state grants comprised 60% of non-operating revenues.

Expenses

Expenses are classified as either operating or non-operating. As with most organizations, employee compensation represents the largest category of expense. Total compensation (salaries and benefits) represented 50.4% of total operating expenses for 2016.

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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

	2016	2015
Cash Flows Provided (Used) By		
Operating activities	\$ (14,961,989)	\$ (15,152,761)
Noncapital financing activities	15,276,641	16,280,722
Investing activities	0	0
Capital and related financing activities	597,192	(398,453)
Net Increase (Decrease) in Cash	911,844	729,508
Cash and Equivalents, Beginning of Year	11,291,074	10,561,566
Cash and Equivalents, End of Year	\$ 12,202,918	\$ 11,291,074

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. FY16 resulted in a decrease in state appropriations, as did FY17. With that, the CASC Board of Regents were asked to increase tuition and fees for the FY16 academic year and again in FY17. However, enrollment for the Fall 2015 semester increased at CASC and Fall 2016 recorded a small increase in credit hour production. The future appears to hold stable or slightly increasing enrollment numbers as CASC reaches further into online education. CASC maintains a very strong cash reserve and effectively manages all funds per budget plans. Carl Albert State College also actively pursues non-state sources of revenue to provide programs and educational opportunities. So while the financial outlook for the State of Oklahoma as a whole may appear dismal, Carl Albert State College remains a viable and financially sound institution of higher learning.

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: Tony Crouch, 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, 2016

	Carl Albert State College	Carl Albert State College Foundation
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 9,403,769	\$ 309,762
Restricted cash and cash equivalents	2,799,149	
Investments	—	6,018,426
Accounts receivable, net of allowance for doubtful accounts	476,317	28,308
Grant receivables	304,799	—
Loans to students, net	75,360	—
Inventories	261,785	—
Interest receivable – student loans	103,128	—
Total Current Assets	13,424,307	6,356,496
<i>Noncurrent Assets</i>		
Loans to students, net	249,138	—
Capital assets, net of accumulated depreciation	23,539,544	1,926,995
Total Noncurrent Assets	23,788,682	1,926,995
Total Assets	37,212,989	8,283,491
Deferred Outflows of Resources		
Deferred cost on OCIA lease restructure	—	—
Deferred amounts related to pensions	2,486,157	—
Total Deferred Outflows of Resources	2,486,157	—
Liabilities		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	380,391	5,505
Unearned revenue	426,981	—
Payable to LCEA	—	—
Due to student groups and organizations	—	—
Current portion of noncurrent liabilities	983,629	—
Total Current Liabilities	1,791,001	5,505
<i>Noncurrent Liabilities, net of current portion</i>		
Net OTRS pension liability	16,198,996	—
Capital lease obligations	11,523,027	—
Total noncurrent liabilities	27,722,023	—
Total liabilities	29,513,024	5,505
Deferred Inflows of Resources		
Deferred gain on OCIA lease restructure	407,132	—
Deferred amounts related to pension	1,689,070	—
Total Deferred Inflows of Resources	2,096,202	—
Net Position		
Net investment in capital assets	10,764,397	—
Permanently restricted	—	1,945,764
Temporarily restricted		
Educational programs	—	2,440,348
Capital projects	2,799,149	—
Other	324,498	—
Unrestricted	(5,798,124)	3,891,874
Total Net Position	\$ 8,089,920	\$ 8,277,986



See Notes to Financial Statements

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, 2016

	Carl Albert State College	Carl Albert State College Foundation
Operating Revenues		
Tuition and fees, net of scholarship allowances of \$2,969,000	\$ 2,220,432	\$ —
Federal grants and contracts	2,282,204	—
State and local grants and contracts	2,400,485	—
Auxiliary enterprise charges, Net of scholarship allowance of \$1,063,000	1,786,468	—
Other operating revenues	<u>364,929</u>	<u>325,303</u>
Total Operating Revenues	<u>9,054,518</u>	<u>325,303</u>
Operating Expenses		
Compensation	12,760,546	—
Contractual services	360,013	—
Supplies and materials	3,004,563	—
Utilities	565,439	38,049
Other operating expenses	1,497,278	218,669
Scholarships and fellowships	5,719,498	247,286
Depreciation expense	<u>1,405,815</u>	<u>90,752</u>
Total Operating Expenses	<u>25,313,152</u>	<u>594,756</u>
Operating Loss	<u>(16,258,634)</u>	<u>(269,453)</u>
Non-operating Revenues (Expenses)		
State appropriations	5,749,051	—
On-behalf contributions for Teachers' Retirement System	832,110	—
Federal grants – non-operating	8,717,758	—
State grants – non-operating	809,832	—
Investment income	5,200	284,875
Contributions and other nonoperating revenues	556,063	224,160
Interest expense	<u>(795,136)</u>	<u>—</u>
Net Non-Operating Revenues	<u>15,874,878</u>	<u>509,035</u>
Loss Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(383,756)</u>	<u>239,582</u>
State appropriations restricted for capital purposes	380,144	—
OCIA On-behalf state appropriations	<u>1,119,637</u>	<u>—</u>
Net Increase in Net Position	<u>1,116,025</u>	<u>239,582</u>
Net Position, Beginning of Year	<u>7,617,325</u>	<u>8,038,404</u>
Adjustment to Net Position for Adoption of New Accounting Principal	<u>(643,430)</u>	<u>—</u>
Net Position, Beginning of Year, Restated	<u>6,973,895</u>	<u>—</u>
Net Position, at End of Year	<u>\$ 8,089,920</u>	<u>\$ 8,277,986</u>



Carl Albert State College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
For The Year Ended June 30, 2016

	Carl Albert State College	Carl Albert State College Foundation
Cash Flows from Operating Activities		
Tuition and fees	\$ 2,176,833	\$ —
Grants and contracts	4,791,923	—
Contributions	556,063	169,189
Auxiliary enterprises charges	2,058,028	—
Other operating receipts	364,929	472,924
Payments to employees for salaries and benefits, net on-behalf payments	(12,859,299)	—
Payments for scholarships	—	(247,286)
Payments to suppliers	(12,050,466)	(254,094)
Net Cash Provided by (Used) in Operating Activities	<u>(14,961,989)</u>	<u>140,733</u>
Cash Flows from Non-capital Financing Activities		
Permanently restricted contributions	—	—
State appropriations	5,749,051	—
Non-operating grants	<u>9,527,590</u>	<u>—</u>
Net Cash Provided by Noncapital Financing Activities	<u>15,276,641</u>	<u>—</u>
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(421,076)	—
Capital appropriations received	380,144	—
Capital assets retired	1,114,811	—
Payment to LECA	—	(93,868)
Contribution restricted from endowment	—	54,971
Repayments of long term debt	(225,583)	—
Interest paid on capital debt and leases	<u>(251,104)</u>	<u>—</u>
Net Cash Used in Capital and Related Financing Activities	<u>597,192</u>	<u>(38,897)</u>
Cash Flows from Investing Activities		
Purchase of investments	—	(2,144,645)
Proceeds from sales and maturities of investments	—	2,022,432
Interest received on investments	—	—
Net Cash Provided by (Used) by Investing Activities	<u>—</u>	<u>(122,213)</u>
Net Increase in Cash and Cash Equivalents	911,844	(20,377)
Cash and Cash Equivalents, Beginning of Year	<u>11,291,074</u>	<u>330,139</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,202,918</u>	<u>\$ 309,762</u>



Carl Albert State College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
Year Ended June 30, 2016

(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	\$ 9,403,769	\$ 309,762
Restricted cash and cash equivalents	<u>2,799,149</u>	<u>—</u>
Net Cash Used in Operating Activities	<u>\$ 12,202,918</u>	<u>\$ 309,762</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating gain(loss)	\$ (16,258,634)	\$ 239,582
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense, net of retirements	291,004	90,752
Contributions	556,063	(54,791)
Investment income	—	(121,354)
State of Oklahoma on-behalf contributions to teachers' retirement system	832,110	—
Changes in net assets and liabilities:		
Accounts receivables	160,972	—
Grant receivables	109,234	(15,900)
Inventories and other	135,153	—
Accounts payable and accrued expenses	75,983	2,624
Deferred outflows	(1,420,914)	—
Deferred revenue	66,989	—
Deferred inflows	(1,878,636)	—
Pension liability	2,397,424	—
Compensated absences	<u>(28,737)</u>	<u>—</u>
Net Cash Used in Operating Activities	<u>\$ 14,961,989</u>	<u>\$ 140,913</u>
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities		
Principal and interest on capital debt paid by state agency on behalf of the College	<u>\$ 1,119,637</u>	<u>\$ —</u>



Carl Albert State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2016

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, 2016

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, 2016

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 includes 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
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Notes to Financial Statements
June 30, 2016

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 includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Unrestricted net position: Unrestricted net position 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.



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

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

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 non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2015, the College's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure and on deferred amounts related to pensions.

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, 2015, the College's deferred inflows of resources were comprised of deferred charges on an OCIA lease restructure and on deferred amounts related to pensions.

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

Accounting Pronouncements Adopted in Fiscal Year 2016

The College adopted the following accounting pronouncements during the year ended June 30, 2016.

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

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

In June 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB 73). GASB 73 addresses accounting and financial reporting for pensions that do not meet the criteria for applying GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68), and amends certain disclosure requirements of GASB 67 and GASB 68. GASB 73 amendments include restricting additional disclosures related to 10-year schedules required by GASB 67 to be limited to factors over which the plan or government has influence, such as a change in investment policies. Amendments also address payables to a plan that are not separately financed specific liabilities, and the timing of employer recognition of revenue for the support of nonemployer contributing entities.



Carl Albert State College
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Notes to Financial Statements
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Note 1: Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted in Fiscal Year 2016 (Continued)

Certain provisions of GASB 73 are applicable for fiscal years beginning after June 15, 2015, and those provisions were adopted by the College as of July 1, 2015, and did not have a significant impact on the College's financial statements. Other provisions of GASB 73 that are applicable for years beginning after June 15, 2016, are not expected to have a significant impact on the College's financial statements.

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

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

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

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

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

Prior Period Adjustments

Beginning fund balances/net position were restated as of June 30, 2016 as follows:

	Fiscal Year 2016
Beginning net position, as previously reported	\$ 7,617,325
Implementaton of GASB Statement 82	(643,430)
Beginning net position, restated	\$ 6,973,895



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through October 12, 2016, which is the date the financial statements were available to be issued. No events occurred up to October 12, 2016, that required a change to the financial statements.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank or other institution failure, the College's deposits may not be returned or the College will not be able to recover collateral securities in the possession of an outside party. The College deposits its funds with the Office of the State Treasurer. Oklahoma statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's deposits with the State Treasurer are pooled with the funds of other State agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State's name.

Of the \$12,202,918 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2016, \$5,225,764 represents the amount held within *OK INVEST* an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*.

Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. An evaluation of the use and purpose of the Colleges participation in the internal investment pool the amount on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents.



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 3: Accounts Receivable

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

Student tuition and fees	\$ 403,370
Auxiliary enterprises and other operating activities	<u>157,003</u>
	560,373
Less: Allowance for doubtful accounts	<u>(84,056)</u>
Net accounts receivable	<u>\$ 476,317</u>
Due from grantors	<u>\$ 304,799</u>

Note 4: Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets not being depreciated				
Land	\$ 2,642,052	\$ —	\$ —	\$ 2,642,052
Total not being depreciated	<u>\$ 2,642,052</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,642,052</u>
Other Capital Assets				
Building and improvement	\$ 34,359,829	246,378	—	\$ 34,606,207
Infrastructure	1,398,398	—	—	1,398,398
Furniture & Equipment	6,899,536	166,938	(1,114,677)	5,951,797
Library Materials	<u>1,761,416</u>	<u>7,760</u>	<u>(134)</u>	<u>1,769,042</u>
Total other capital assets	<u>44,419,179</u>	<u>421,076</u>	<u>(1,114,811)</u>	<u>43,725,444</u>
Less accumulated depreciation for				
Buildings and improvements	(13,017,639)	(970,966)	—	(13,988,605)
Infrastructure	(1,263,800)	(25,632)	—	(1,289,432)
Equipment	(6,533,508)	(372,489)	1,114,677	(5,791,320)
Library materials	<u>(1,722,001)</u>	<u>(36,728)</u>	<u>134</u>	<u>(1,758,595)</u>
Total accumulated depreciation	<u>(22,536,948)</u>	<u>(1,405,815)</u>	<u>1,114,811</u>	<u>(22,827,952)</u>
Other capital assets, net	<u>\$ 21,882,231</u>	<u>\$ (984,739)</u>	<u>\$ —</u>	<u>\$ 20,897,492</u>
Capital Asset Summary:				
Capital assets not being depreciated	\$ 2,642,052	\$ —	\$ —	\$ 2,642,052
Other capital assets, at cost	<u>44,419,179</u>	<u>421,076</u>	<u>(1,114,811)</u>	<u>43,725,444</u>
Total cost of capital assets	47,061,231	421,076	(1,114,811)	46,367,496
Less accumulated depreciation	<u>(22,536,948)</u>	<u>(1,405,815)</u>	<u>1,114,811</u>	<u>(22,827,952)</u>
Capital Assets, net	<u>\$ 24,524,283</u>	<u>\$ (984,739)</u>	<u>\$ —</u>	<u>\$ 23,539,544</u>



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 5: Long-Term Liabilities

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

	<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 2005F Series	7/1/2015	249,837	—	(249,837)	—	—
OCIA 2010A Series	7/1/2018	2,068,878	—	(118,547)	1,950,331	436,211
OCIA 2010B Series	7/1/2015	278,199	—	(278,199)	—	—
OCIA 2014A Series	7/1/2030	4,215,797	—	—	4,215,797	—
OCIA 2014B Series Building	7/1/2030	74,176	—	(13,019)	61,157	14,517
OCIA 2014B Series Land	7/1/2030	151,576	—	(26,604)	124,972	29,666
ODFA master lease 2010A	6/1/2023	6,109,250	—	(225,583)	5,883,667	232,500
Total capital lease obligations		<u>13,147,713</u>	<u>—</u>	<u>(911,789)</u>	<u>12,235,924</u>	<u>712,894</u>
Other Liabilities:						
Premium on bonds and capital leases		141,971	—	(9,876)	132,095	9,876
Accrued compensated absences		<u>167,378</u>	<u>138,640</u>	<u>(167,378)</u>	<u>138,640</u>	<u>138,640</u>
Total other liabilities		<u>309,349</u>	<u>138,640</u>	<u>(177,254)</u>	<u>270,735</u>	<u>148,516</u>
Total long term liabilities		<u>\$ 13,457,062</u>	<u>\$ 138,640</u>	<u>\$ (1,089,043)</u>	<u>\$ 12,506,659</u>	<u>\$ 861,410</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 College. There were no lease principal and interest on behalf payments to OCIA for the 1999 series during the year ended June 30, 2016.

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.



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Notes to Financial Statements
June 30, 2016

Note 5: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

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 \$490,500 during the year ended June 30, 2016, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses and changes in net position.

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, 2016, the unamortized gain totaled \$407,132. 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 \$327,241 during the year ended June 30, 2016, 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.

In 2014, the College's remaining 2004A lease agreement with OCIA was restructured through OCIA issued new bonds, Series 2014B Building Renovation and Series 2014B Land Purchase, to accomplish the refunding. As a result, the total liability of the remaining 2004A bonds was paid off. 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 \$22,196, which approximates the economic savings of the transaction.



Carl Albert State College
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Notes to Financial Statements
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Note 5: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

Lease principal and interest payments to OCIA, totaling \$1,119,637 during the year ended June 30, 2016, 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 on principle will be made annually of approximately \$225,000. 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, 2016, are as follows:

Years ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,005,403	\$ 490,610	\$ 1,496,013
2018	1,051,419	465,259	1,516,678
2019	1,070,794	423,465	1,494,259
2020	309,636	378,562	688,198
2021	267,543	370,157	637,700
2022-2026	3,446,476	1,552,614	4,999,090
2027-2031	3,650,996	765,459	4,416,455
2032-2035	1,565,751	162,563	1,728,314
Total	<u>\$ 12,368,018</u>	<u>\$ 4,608,689</u>	<u>\$ 16,976,707</u>

Note 6: Retirement Plans

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

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



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June 30, 2016

Note 6: Retirement Plans (Continued)

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefits the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service. Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

At the election of each eligible member initiating receipt of retirement benefits, the System remits between \$100 and \$105 per month per eligible retiree to the Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2014.



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June 30, 2016

Note 6: Retirement Plans (Continued)

Contributions

The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay; however, the College currently pays the employee's share of the contribution. Additionally, participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. The employer's share of contributions to the pension plan from the College was \$1,130,508, which includes the employer pick up of employee contributions. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$832,110 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2015, the College reported a liability of \$16,198,996 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the College's proportion was .26675 percent.

For the year ended June 30, 2016, the College recognized pension expense of \$1,060,491. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 550,216
Changes of assumptions	775,660	
Net difference between projected and actual earnings on pension plan investments		1,098,920
Changes in College's proportionate share of contributions	579,989	
Differences between College contributions and proportionate share of contributions		39,934
College contributions subsequent to the measurement date	1,130,508	-
Total	<u>\$ 2,486,157</u>	<u>\$ 1,689,070</u>



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Note 6: Retirement Plans (Continued)

\$1,130,508 was reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$	(352,818)
2018		(352,818)
2019		(352,818)
2020		515,461
2021		169,216
Thereafter		40,356
	<u>\$</u>	<u>(333,421)</u>

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

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



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 6: Retirement Plans (Continued)

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

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

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

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

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	\$ 22,393,426	\$ 16,198,996	\$ 10,992,296



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 6: Retirement Plans (Continued)

Pension Plan Fiduciary Net Position

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

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 \$69,178 for the year ended June 30, 2016.

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, 2016, approximately \$1,764,000 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, 2016, that management believes would result in a material loss to the College in the event of an adverse outcome.



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

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.

Note 10: Accounting Standards Issued Not Yet Adopted

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

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

GASB No. 74 was issued in June 2015, and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The College has not yet determined the impact that implementation of GASB 75 will have on its net position.



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 10: Accounting Standards Issued Not Yet Adopted (Continued)

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

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

- *GASB Statement No. 77, Tax Abatement Disclosures*

GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The College has not yet determined the impact that implementation of GASB 75 will have on its net position.

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

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



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June 30, 2016

Note 10: Accounting Standards Issued Not Yet Adopted (Continued)

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

GASB 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the College is unknown.

- *GASB Statement No. 80, Blending Requirements for Certain Component Units*

An Amendment of GASB Statement No. 14 – GASB 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the College is unknown.

- *GASB Statement No. 81, Irrevocable Split-Interest Agreements*

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



Carl Albert State College
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Notes to Financial Statements
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Note 11: Carl Albert State College Educational Foundation, Inc.

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 Presentation

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 8.



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 11: Carl Albert State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Net Asset Classifications (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
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Notes to Financial Statements
June 30, 2016

Note 11: 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 2016 or 2015.

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 a lower 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.



Carl Albert State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2016

Note 11: 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.

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

Income Taxes

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.



Carl Albert State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2016

Note 11: Carl Albert State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Marketable Securities (Continued)

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.

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.



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 11: Carl Albert State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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, 2016 and 2015.

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, 2012.

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 October 3, 2016, 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.



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 11: Carl Albert State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Management Estimates (Continued)

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, 2016 and 2015. 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.

Type of Deposits	Bank Balance	Carrying Balance	Custody Credit Risk Category		
			1	2	3
June 30, 2016					
Demand Deposits	\$ 312,094	\$ 309,762	\$ 250,000	\$ —	\$ 62,094
Money Market Funds	<u>598,006</u>	<u>598,006</u>	<u>—</u>	<u>—</u>	<u>598,006</u>
Totals	<u>\$ 910,100</u>	<u>\$ 907,768</u>	<u>\$ 250,000</u>	<u>\$ —</u>	<u>\$ 660,100</u>
June 30, 2015					
Demand Deposits	\$ 353,823	\$ 330,139	\$ 250,000	\$ —	\$ 103,823
Money Market Funds	<u>226,265</u>	<u>226,265</u>	<u>—</u>	<u>—</u>	<u>226,265</u>
Totals	<u>\$ 580,088</u>	<u>\$ 556,404</u>	<u>\$ 250,000</u>	<u>\$ —</u>	<u>\$ 330,088</u>



Carl Albert State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2016

Note 11: Carl Albert State College Educational Foundation, Inc. (Continued)

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.

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.



Carl Albert State College
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Notes to Financial Statements
June 30, 2016

Note 11: Carl Albert State College Educational Foundation, Inc. (Continued)

Note C: Fair Value Measurement (Continued)

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, 2016			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 613,611	\$ —	\$ —	\$ 613,611
Equity securities	—	—	—	—
Certificates of deposit	—	590,648	—	590,648
Corporate and other bonds	2,318,268	—	—	2,318,268
Savings Bonds	249,947	—	—	249,947
Mutual funds	2,245,952	—	—	2,245,952
	<u>\$5,427,778</u>	<u>\$590,648</u>	<u>\$ —</u>	<u>\$6,018,426</u>

	As of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 244,618	\$ —	\$ —	\$ 244,618
Equity securities	650,396	—	—	650,396
Certificates of deposit	—	616,610	—	616,610
Corporate and other bonds	2,559,442	—	—	2,559,442
Savings Bonds	257,164	—	—	257,164
Mutual funds	1,446,248	—	—	1,446,248
	<u>\$ 5,157,868</u>	<u>\$ 616,610</u>	<u>\$ —</u>	<u>\$ 5,774,478</u>



Carl Albert State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2016

Note 11: Carl Albert State College Educational Foundation, Inc. (Continued)

Note D: Land, Building, and Equipment

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Dormitories	\$ 2,611,626	\$ 2,611,626
Building and improvements	110,941	110,941
Computer equipment	38,011	38,011
Construction in progress	<u>—</u>	<u>—</u>
	2,760,578	2,760,578
Less accumulated depreciation	<u>(833,582)</u>	<u>(742,831)</u>
	<u>\$ 1,926,996</u>	<u>\$ 2,017,747</u>

Note E: 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.

Note F: 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.



Carl Albert State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2016

Note 11: Carl Albert State College Educational Foundation, Inc. (Continued)

Note F: Endowment Disclosures (Continued)

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.

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.



Carl Albert State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2016

Note 11: Carl Albert State College Educational Foundation, Inc. (Continued)

Note F: Endowment Disclosures (Continued)

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, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 2,440,348	\$ 1,945,764	\$ 4,386,112
Board-designated endowment funds	1,609,374	—	—	1,609,374
Total endowment funds	<u>\$1,609,374</u>	<u>\$2,440,348</u>	<u>\$1,945,764</u>	<u>\$ 5,995,486</u>

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$1,556,630	\$2,334,454	\$1,890,793	\$5,781,877
Investment return	51,244	284,491	971	336,706
Contributions	104,900	68,689	54,000	227,589
Board designation of funds	—	—	—	—
Appropriation of endowment assets for expenditure	(103,400)	(247,286)	—	(350,686)
Endowment net assets, end of year	<u>\$1,609,374</u>	<u>\$ 2,440,348</u>	<u>\$1,945,764</u>	<u>\$ 5,995,486</u>

Endowment net assets composition as of June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 2,334,454	\$ 1,890,552	\$ 4,225,006
Board-designated endowment funds	1,556,630	—	—	1,556,630
Total endowment funds	<u>\$1,556,630</u>	<u>\$ 2,334,454</u>	<u>\$ 1,890,793</u>	<u>5,781,877</u>

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,711,630	\$ 2,437,431	\$ 1,849,552	\$ 5,998,613
Investment return	—	43,853	—	43,853
Contributions	—	148,649	25,000	173,649
Board designation of funds	(155,000)	—	—	(155,000)
Appropriation of endowment assets for expenditure	—	(295,479)	16,241	(279,238)
Endowment net assets, end of year	<u>\$ 1,556,630</u>	<u>\$ 2,334,454</u>	<u>\$ 1,890,793</u>	<u>\$ 5,781,877</u>



Required Supplementary Information



Carl Albert State College
A Component Unit of the State of Oklahoma
Schedule of the College's Proportionate Share of the Net Pension Liability
June 30, 2016

Schedules of Required Supplementary Information

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

OKLAHOMA TEACHERS RETIREMENT SYSTEM

Last 10 Fiscal Years* (Dollar amounts in thousands)

	2015	2016
College's proportion of the net pension liability	0.2565%	0.2667%
College's proportionate share of the net pension liability	\$ 13,801,572	\$ 16,198,996
College's covered-employee payroll	\$ 9,698,001	\$ 10,056,546
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142%	161%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the current and prior fiscal year is presented because 10-year data is not yet available.



Carl Albert State College
A Component Unit of the State of Oklahoma
Schedule of the College's Contributions
June 30, 2016

Schedules of Required Supplementary Information

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS

OKLAHOMA TEACHERS RETIREMENT SYSTEM

Last 10 Fiscal Years (Dollar amounts in thousands)

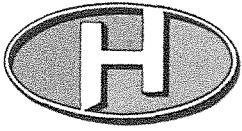
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 1,065,243	\$ 1,130,508
Contributions in relation to the contractually required contribution	<u>1,065,243</u>	<u>1,130,508</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 10,056,546	\$ 10,753,419
Contributions as a percentage of covered-employee payroll	10.59%	10.51%

Notes to Schedule:

Only the current and prior fiscal year is presented because 10-year data is not yet available.

Contribution amount for fiscal year 2015 was restated for the early implementation of GASB Statement No. 82





**HINKLE &
COMPANY**
Strategic PC
Business Advisors

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

Board of Regents
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, as of and for the year ended June 30, 2016, 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 12, 2016.

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.

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*.

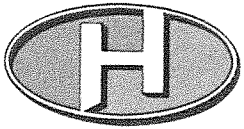
Purpose of this Report

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.

Hick & Company, PC

Tulsa, Oklahoma
October 12, 2016





**HINKLE &
COMPANY**
Strategic PC
Business Advisors

**Report on Compliance for Each Major Federal
Program: Report on Internal Control over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

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 Compliance Supplement* that could have direct and material effect on each of the Carl Albert State College's major federal programs for the year ended June 30, 2016. The Carl Albert State College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2016

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the Carl Albert State College as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 12, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hilsh & Company, PC

Tulsa, Oklahoma
October 12, 2016



Carl Albert State College
A Component Unit of the State of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

<u>Federal Grant/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Entity Identify 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		\$ 5,241,483
Federal Direct Student Loans	84.032		1,764,250
Federal Supplemental Education Opportunity	84.007		78,890
Federal Work Study Program	84.033		<u>196,204</u>
Total Student Financial Aid Cluster			<u>7,280,827</u>
<i>TRIO Cluster</i>			
Office of Postsecondary Education			
Educational Opportunity College	84.066		494,083
Upward Bound	84.047		670,223
Upward Bound - Math	84.047		259,156
Talent Search	84.044A		517,469
Student Support Services	84.042A		<u>403,542</u>
Total Trio Cluster			<u>2,344,472</u>
NASNTI - Title III	84.031x		<u>253,343</u>
Oklahoma Department of Vocational Education			
Carl Perkins – Post Secondary	84.048	V048A60036	<u>35,697</u>
Total U.S. Department of Education			<u>9,914,339</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	310559	213,229
Oklahoma State Regents for Higher Education			
Child Care Development Block Grant			
Scholars for Excellence Program	93.575	1936002309	<u>84,951</u>
Total U. S. Department of Health and Human Services			<u>298,180</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	850197413	<u>511,392</u>
Total U. S. Department of Interior			<u>511,392</u>
Total Expenditures of Federal Awards			<u>\$ 10,723,911</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, 2016

Note A: Basis of Presentation

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

Note B: Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The College administers the origination and disbursement of the loans to eligible students or parents. The College is not responsible for the collection of these loans.
3. The College has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



Carl Albert State College
A Component Unit of the State of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I--Summary of Auditors' Results

- The opinion expressed in the independent accountants' report was:
 Unmodified Qualified Adverse Disclaimed

- The independent accountants' report on internal control over financial reporting described:
Significant deficiencies Yes None reported
Material weaknesses? Yes No

- Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

- The independent auditors' report on internal control over compliance for major federal awards programs disclosed:
Significant deficiencies? Yes None reported
Material weaknesses? Yes No

- The opinion expressed in the independent auditors' report on compliance for major federal awards was:
 Unmodified Qualified Adverse Disclaimed

- The audit disclosed findings required to be reported by the Uniform Guidance? Y No



Carl Albert State College
A Component Unit of the State of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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

- The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.
- Auditee qualified as a low-risk auditee as that term is defined in the Uniform Guidance. Yes No

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

None to report for the June 30, 2016 period.

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

None to report for the June 30, 2016 period.



Carl Albert State College
A Component Unit of the State of Oklahoma
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

None

