



**Financial Statements
with Independent Auditors' Reports**

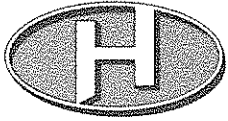
June 30, 2013 and 2012



Eastern Oklahoma State College
Table of Contents
June 30, 2013 and 2012

Independent Auditors' Report	1
Management's Discussion and Analysis	i
Financial Statements	
Statements of Net Position.....	3
Statements of Revenues, Expenses, and Changes in Net Position.....	4
Statements of Cash Flows	5
Notes to Financial Statements	7
Reports Required by <i>Government Auditing Standards</i>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37
Reports Required by OMB Circular A-133	
Independent Auditors' Report on Compliance on Each Major Program and on Internal Control over Compliance required by OMB Circular A-133	39
Schedule of Expenditures of Federal Awards	41
Notes to Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	43
Summary Schedule of Prior Audit Findings.....	44





**HINKLE &
COMPANY**
PC

Strategic
Business Advisors

Independent Auditors' Report

Board of Regents
Eastern Oklahoma State College
Eastern Oklahoma, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Eastern Oklahoma State College as of and for the year ended June 30, 2013, the related notes to the financial statements, which collectively, comprise the Eastern Oklahoma State College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of the Eastern Oklahoma State College as of June 30, 2013, and the changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

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 vii 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 Eastern Oklahoma State College taken as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2013 on our consideration of the Eastern Oklahoma State College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hill & Company, PC

Tulsa, Oklahoma
September 19, 2013





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

This discussion and analysis of Eastern Oklahoma State College's (College) financial statements provides an overview of the College's financial performance during the fiscal year ended June 30, 2013, with comparison to the previous year. Since the management's discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the College's basic financial statements and the footnotes.

Using This Report

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

The College adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* in the Fiscal year 2005. This Statement requires public institutions with fund-raising foundations or other affiliated organizations to include them as component units in the institution's financial statements, under certain circumstances. As a result, the College has concluded the Eastern Oklahoma State College Development Foundation is a component unit of the College. New this fiscal year is the combining of the College's and the Foundation's statements into one comprehensive statement. This is a result of GASB Statement No. 63. The Foundation statements are discussed in Note 13. Refer to their independent financial statements for appropriate interpretation and analysis since management neither prepares nor oversees those financial results.

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

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

The College follows the accrual method of accounting, reporting revenues and expenses as they occur rather than when cash is received or expended. The College engaged a firm in fiscal year 2001 to inventory and value all fixed assets. That evaluation serves as a basis for the cost and accumulated depreciation for fixed assets reported in the financial statements prior to the current year. The College records the cost of fixed assets when purchased and the disposal when assets are disposed of.

Depreciation is recorded on all depreciable assets on a straight-line basis and according to the guidelines established by the College for depreciable lives. (See Note 1 for more information on these guidelines.)

Financial Highlights

The College's net position at June 30, 2013 and 2012 were \$14,113,942 and \$13,885,268, respectively, an increase of \$228,674, or 2%.

Operating revenues increased less than 5%, from \$8.7 million to \$9.4 million for fiscal year 2013. Tuition and fee revenues, a major component of operating revenues, which includes only tuition and fees paid directly by students decreased \$53,536 for fiscal year 2013. The tuition and mandatory fees increased \$5.33 per credit hour. Tuition and fee revenue includes only tuition and fees paid directly by the student or third parties, and do not include tuition and fees paid by financial aid. Tuition and fees paid by other than the student or third parties are reported as revenue from the source that paid those fees. Total student credit hours billed decreased from 42,545 to 41,300. In addition, Federal, state and private grants and contracts revenue increased by approximately \$1,313,400, or 25% for fiscal year 2013. Other operating revenues decreased by \$490,321, or 38%; other revenue sources include royalties, grant indirect cost revenue earned, loan fund interest earned, fines, finance charges, and sales from educational departments.

Operating expenses increased 4%, from \$21.2 million to \$22 million for fiscal year 2013. Compensation, a major component of operating expenses, increased less than 1.0%, from \$11 million to \$11.1 million. Contractual Services expenses increased \$288,471, or 13% from the prior year. Supplies and materials expense increased 13%, from \$2.6 million to \$3.0 million mainly due to grant expenditures. Other Operating Expenses increased 33%, from \$1.1 million to \$1.6 million.

Non-operating revenues consist primarily of state appropriations. Our non-operating Federal and State grants (Financial Aid Grants) decreased by \$405,345, from \$6.118 million to \$5.713 million. On-behalf payments by the State for retirement matching increased by \$18,600 resulting from increased payroll costs. Investment Income and Interest Expense netted a decrease to revenue this year of \$590,689.

Financial Analysis of the College as a Whole

Statement of Net Position

	2013	2012
Assets:		
Current assets	\$ 6,578,815	\$ 7,161,054
Capital assets, net	25,500,950	25,241,487
Other assets	344,678	953,060
Total assets	32,424,443	33,355,601
Total deferred outflows	353,450	471,086
Liabilities		
Current liabilities	1,994,894	2,282,976
Noncurrent liabilities	16,669,058	17,658,443
Total liabilities	18,663,952	19,941,419
Net Position		
Invested in capital assets, net of debt	8,345,917	8,048,900
Restricted – expendable, debt service	344,678	333,419
Restricted – expendable, Grant funds	1,213,566	836,039
Unrestricted	4,209,780	4,666,910
Net Position, End of year	\$ 14,113,941	\$ 13,885,268

Statement of Revenues, Expenses, and Changes in Net Position

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

Operating Revenues

Source of Revenue	Fiscal Year 2013	Fiscal Year 2012	Net Change
Tuition and fees	\$ 2,309,935	\$ 2,363,471	\$ (53,536)
Federal grants and contracts	\$ 4,094,256	\$ 2,885,598	\$ 1,208,658
State grants and contracts	\$ 1,153,760	\$ 1,049,018	\$ 104,742
Sales and services of Auxiliary Activities	\$ 1,060,552	\$ 1,075,263	\$ (14,711)
Other operating revenues	\$ 805,148	\$ 1,295,469	\$ (490,321)

Operating Expenses by Natural Classifications

Classification	Fiscal Year 2013	Fiscal Year 2012	Net Change
Compensation	\$ 11,074,964	\$ 11,025,498	\$ 49,466
Contractual services	\$ 2,181,995	\$ 1,893,525	\$ 288,470
Supplies and materials	\$ 2,994,638	\$ 2,599,911	\$ 394,727
Communication	\$ 141,179	\$ 118,379	\$ 22,800
Depreciation	\$ 1,208,572	\$ 1,109,794	\$ 98,778
Utilities	\$ 542,765	\$ 604,783	\$ (62,018)
Scholarships and fellowships	\$ 2,259,694	\$ 2,782,552	\$ (522,858)
Other operating expense	\$ 1,624,497	\$ 1,092,520	\$ 531,977

Non-operating Revenues (Expenses)

Revenues (Expenses)	Fiscal Year 2013	Fiscal Year 2012	Net Change
State appropriations	\$ 6,561,771	\$ 6,457,267	\$ 104,504
State Payments - ARRA	\$ 0	\$ 0	\$ 0
Federal and state grants	\$ 5,713,039	\$ 6,118,385	\$ (405,346)
On-behalf Teachers' Retirement System Contributions	\$ 531,200	\$ 512,600	\$ 18,600
Investment income	\$ 83,319	\$ 89,366	\$ (6,047)
Interest expense	\$ (674,008)	\$ (663,402)	\$ (10,606)

Statement of Cash Flows

Cash at June 30, 2013 was \$5,898,913 compared to \$6,296,729 at June 30, 2012, a decrease of \$397,816 as explained below.

Cash used in operating activities increased \$719,578 from \$10,458,311 to \$11,177,889, for the years ended June 30, 2012 and 2013, respectively. Inflows of cash included receipts from tuition and fees, grants and contracts, and auxiliary enterprise sales. Outflows of cash consisted of payments to employees and suppliers. This increase in cash used in operating activities was the result of a decrease in cash received in other receipts and auxiliary enterprises of \$501 thousand combined with an increase in payments made to employees and vendors of \$1.65 million and an increase in tuition and fees and grants and contracts of \$1.4 million.

Cash provided by non-capital financing activities decreased by \$297,248, primarily due to a decrease in grant revenue.

Cash used in capital and related financing activities, which includes receipts for the purchase of capital assets offset by the purchase of capital assets or payment of principal and interest, decreased \$102,606. This was mainly due to a decrease in purchases of capital assets.

Cash provided by investing activities decreased by \$6,047, due to a decrease in the interest earned by our investments.

Capital Assets

In recent years, the College has made significant investments in capital assets. As of June 30, 2013, the College had a net book value of fixed assets of \$25,500,950 compared to \$25,241,487 the previous year-end, an increase of \$259,463. Investments for the current year included \$341,309 in construction and major repair of buildings and infrastructure and \$541,642 for the purchase of equipment, livestock, and library books. Depreciation recorded for 2013 and 2012, was \$1,208,572 and \$1,109,794 respectively.

Capital Financing

The College has secured financing for capital expenditures through four separate processes. The College has issued two Revenue Bond Series. The "Student Facilities Revenue Bonds, Series 1997" were issued to remodel and improve the student union and a residence hall. During 2004, the "Oklahoma Development Finance Authority Eastern Oklahoma State College-Capital Improvement Projects, Series 2004" were issued to construct a second classroom building at the McAlester Campus. The remaining principal due on these two bonds at June 30, 2013 was \$1,875,000. Interest rates on these bonds range from 2.4% to 10%. Funds used to repay these bonds come from revenues pledged including a student facility fee assessed to students on a per credit hour basis, currently \$11.35 per hour, supplemented by net revenues of certain auxiliary enterprises if necessary, and a pledge of Section 13 Offset funds for the 2004 bond repayment. For the years ended June 30, 2013 and 2012, the net revenue from pledged sources before debt service payments was \$386,741 and \$296,583. Required payments for the years ended June 30, 2013 and 2012 amounted to \$217,000 and \$195,000 of principal, plus \$98,800 and \$108,075 of interest, respectively.

The College has two capital lease obligations through the OCIA to finance capital expenditures -- under the 1999 series and the 2005 series. Proceeds from the 1999 series debt were used to finance an addition to the library/administration building, while the 2005 series was used to fund construction of the new Student Center, construction of various ADA /infrastructure projects and to purchase a new integrated campus-wide ERP software system. The Oklahoma State Legislature appropriates revenues each year to fund the amount of principal and interest due for that year. The College is required to pay any principal and interest due and not appropriated by the legislature because of a lack of funding. The capital lease obligations at June 30, 2013 for the 1999 series were \$418,553 and the 2005 series were \$7,446,588 extending through the period ending 2031. For the years ended June 30, 2013 and 2012, the Oklahoma State Regents for Higher Education made on-behalf payments of \$181,063 and \$166,635 for the total principal and interest due for the year. Accordingly, the College did not make any payments this year.

At this time the College has four Equipment Master Lease/Purchase agreements with the ODFA (Oklahoma Development Finance Authority, an agency of the State of Oklahoma). The College obtained funds through a Master Lease/Purchase agreement with the ODFA in 2005 for the purpose of financing \$2,951,180 in equipment related to the conservation of energy on the campus. At June 30, 2013, the remaining principal obligation was \$2,043,750 and interest obligation was \$597,671, due through 2025. The College obtained additional funding through Master Lease/Purchase agreements with ODFA in fiscal year 2011. The 2010A Master Lease/Purchase was for the purpose of financing \$400,000 to remodel the College's Apartments. The 2011A Equipment Master Lease/Purchase was for the purpose of acquiring certain equipment items. The College obtained these funds for the purpose of financing \$550,000 to

remodel two classroom buildings on campus and \$50,000 to purchase dorm furnishings. At June 30, 2013, the remaining principal obligation was \$849,917 and interest obligation was \$219,998, due through 2026. During fiscal year 2012 the college obtained funds through the Master Lease/Purchase agreement with the ODFA for a total amount of \$4,900,000. This Master Lease/Purchase was for the purpose of remodeling the Administration building, Pratt Hall, Gunning Hall, Baker Hall, for the construction of the Regency Court Apartments, and for certain equipment and furnishings. At June 30, 2013, the remaining principal obligation was \$4,532,667 and the interest obligation was \$2,015,097, due through 2031.

The College has three Lease/Purchase agreements. The College obtained funds through a Lease/Purchase agreement with Vision Bank in 2010 for the purpose of financing \$74,200 to obtain a 1999 Blue Bird LTC40 47 Passenger Coach. At June 30, 2013, the remaining principal obligation was \$28,312 and interest obligation was \$2,280, due through 2015. During the fiscal year 2011, the College entered into lease purchase agreements with Government Capital Corporation/Security State Bank of Wewoka. These agreements were entered into to provide lease purchase financing in the amount of \$45,000 for a street sweeper and in the amount of \$249,583 for computer hardware and software. During fiscal year 2013 the street sweeper was sold and the lease purchase agreement was paid in full. At June 30, 2013, the remaining principal obligation for the computer equipment was \$128,772 and interest obligation was \$9,713, due through 2015. During the fiscal year 2012, the College entered into a lease purchase agreement with Government Capital Corporation/Security State Bank of Wewoka. This agreement was entered into to provide lease purchase financing in the amount of \$247,750 for the installation of baseball lights. At June 30, 2013, the remaining principal obligation was \$215,887 and the interest obligation was \$27,234, due through 2019.

Net Position

Investment in capital assets increased \$297,017 in 2013, to a balance of \$8.345 million. This increase is primarily a result of a decrease in current and noncurrent liabilities.

Restricted net assets for debt service increased by \$11,259 for the year ended June 30, 2013. These net assets are comprised of cash and cash equivalents with restrictions for debt service funds. Restricted net assets for grant funds increased by \$377,527 which is a result of an increase in cash and grant receivables.

Unrestricted net assets include net assets other than restricted assets and capital assets. Unrestricted net assets decreased by \$457,130 to \$4.2 million at June 30, 2013 mainly due to a decrease in cash.

Net Position

Net Position	Fiscal Year 2013	Fiscal Year 2012	Net Change
Invested in capital assets, net	\$ 8,345,917	\$ 8,048,900	\$ 297,017
Restricted for loans	\$ -	\$ -	\$ 0
Restricted for capital projects	\$ -	\$ -	\$ 0
Restricted for debt service	\$ 344,678	\$ 333,419	\$ 11,259
Restricted for Grant funds	\$ 1,213,566	\$ 836,039	\$ 377,527
Unrestricted	\$ 4,209,780	\$ 4,666,910	\$ (457,130)

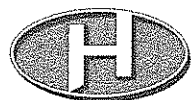
Economic Outlook

During fiscal year 2003, the College, as well as most state agencies of Oklahoma, began receiving reductions in state appropriations. Since 2002, the College has only received a net increase in State appropriated dollars of \$13,331. To try to offset the small amount of dollars coming from the State and the dramatic increase in mandatory expenses in that same time frame, Tuition and Mandatory fees have been increased \$61.80 per credit hour or 123%. Fiscal Year 2013's increase was \$5.33 or 5%.

Given the overall reduction in the percent of our budget being funded by state appropriations and the related impact on the current budget base, the College has had to and continues to develop scenarios to hold down costs while preserving the ability to deliver quality instructional programs to its students. While the state appropriated dollars have declined the last several years, our student numbers have ebbed and flowed with the economy but all the while staying relatively stable. Even though the Student Credit hours are consistent with Fiscal Year 2002, the College has seen a slight decrease starting last fiscal year. The college is hopeful that Spring 2014 enrollment will be the start of an upward trend. The Economic forecast for 2014 is mixed at this time. The College is trying to safeguard its reserves and only use it for things considered absolutely necessary so that if it is needed it will continue to be available in the upcoming years. However, the college is continuing to look for ways to effectively allocate resources to support the excellent programs offered at the College, while at the same time looking for areas that expenses can be reduced with a minimal impact on student programs and services.

Eastern Oklahoma State College
Statements of Net Position
June 30, 2013 and 2012

	2013		2012	
	<u>Eastern Oklahoma State College</u>	<u>Eastern Oklahoma State College Foundation</u>	<u>Eastern Oklahoma State College</u>	<u>Eastern Oklahoma State College Foundation</u>
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$4,717,204	\$ 479,856	\$ 5,423,500	\$ 339,523
Restricted investments	837,031	3,105,652	539,810	2,869,644
Accounts Receivable, <i>net of allowance for doubtful accounts of \$1,958,000 in 2013 and \$1,728,000 in 2012</i>	579,584	37,745	767,813	60,072
Grants receivable	376,535	—	296,229	—
Inventories	37,638	—	41,844	—
Other	—	—	58,248	—
Total Current Assets	<u>6,547,992</u>	<u>3,623,253</u>	<u>7,127,444</u>	<u>3,269,239</u>
<i>Noncurrent Assets</i>				
Restricted investments	344,678	—	333,419	—
Receivable from ODFA/OCIA	—	—	619,641	—
Bond discounts	70,363	—	75,348	—
Capital assets, net of accumulated depreciation	<u>25,500,950</u>	—	<u>25,241,487</u>	—
Total Noncurrent Assets	<u>25,915,991</u>	—	<u>26,269,895</u>	—
Total Assets	<u>32,463,983</u>	<u>3,623,253</u>	<u>33,397,339</u>	<u>3,269,239</u>
DEFERRED OUTFLOWS				
Deferred cost on OCIA lease restructure	<u>353,450</u>	—	<u>471,086</u>	—
Total Deferred Outflows	<u>353,450</u>	—	<u>471,086</u>	—
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable	247,525	620	957,989	773
Accrued liabilities	269,894	—	43,387	—
Accrued interest	31,923	—	31,923	—
Accrued compensated absences	175,712	—	173,391	—
Unearned revenue	170,984	—	205,677	—
Long-term liabilities, current portion	1,014,012	—	779,958	—
Deposits held in custody for others	84,844	—	90,651	—
Total Current Liabilities	<u>1,994,894</u>	<u>620</u>	<u>2,282,976</u>	<u>773</u>
<i>Noncurrent Liabilities</i>				
Accrued compensated absences	143,764	—	115,594	—
Capital leases	14,860,294	—	15,679,849	—
Premium discounts	39,540	—	41,738	—
Revenue Bonds	<u>1,665,000</u>	—	<u>1,863,000</u>	—
Total Noncurrent Liabilities	<u>16,708,598</u>	—	<u>17,700,181</u>	—
Total Liabilities	<u>18,703,492</u>	<u>620</u>	<u>19,983,157</u>	<u>773</u>
NET POSITION				
Net Investment in capital assets	8,345,917	—	8,048,900	—
Restricted for:				
Nonexpendable				
Scholarships	—	1,950,248	—	1,922,793
Expendable				
Debt service	344,678	—	333,419	—
Grants	1,213,566	—	836,039	—
Scholarships	—	1,738,644	—	1,361,509
Unrestricted	<u>4,209,780</u>	<u>(66,259)</u>	<u>4,666,910</u>	<u>(15,836)</u>
Total Net Position	<u>\$14,113,941</u>	<u>\$ 3,622,633</u>	<u>\$ 13,885,268</u>	<u>\$ 3,268,466</u>



Eastern Oklahoma State College
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2013 and 2012

	2013		2012	
	Eastern Oklahoma State College	Eastern Oklahoma State College Foundation	Eastern Oklahoma State College	Eastern Oklahoma State College Foundation
Operating Revenues				
Student tuition and fees, <i>net of scholarship allowances of \$794,022 for 2013 and \$708,778 for 2012 (revenues of \$386,741 in 2013 and \$296,583 in 2012 are pledged as security for the 1993 Student Center Revenue Bonds)</i>	\$ 2,309,935	—	\$ 2,363,471	—
Federal grants and contracts	4,094,256	—	2,885,598	—
State grants and contracts	1,153,760	—	1,049,018	—
Sales and services of auxiliary activities	1,060,552	—	1,075,263	—
Other operating revenues	<u>805,148</u>	—	<u>1,295,469</u>	—
Total Operating Revenues	<u>9,423,651</u>	—	<u>8,668,819</u>	—
Operating Expenses				
Compensation	11,074,964	—	11,025,498	—
Contractual services	2,181,995	—	1,893,525	—
Supplies and materials	2,994,638	—	2,599,911	—
Communication	141,179	—	118,379	—
Depreciation	1,208,572	—	1,109,794	—
Utilities	542,765	—	604,783	—
Scholarships and fellowships	2,259,694	170,531	2,782,552	189,170
Support paid to College	—	74,895	—	173,500
Other operating expenses	<u>1,624,496</u>	<u>128,232</u>	<u>1,092,520</u>	<u>123,236</u>
Total Operating Expenses	<u>22,028,303</u>	<u>373,658</u>	<u>21,226,962</u>	<u>485,906</u>
Operating Loss	<u>(12,604,652)</u>	<u>(373,658)</u>	<u>(12,558,143)</u>	<u>(485,906)</u>
Nonoperating Revenues (Expenses)				
State appropriations	6,561,771	—	6,457,267	—
Federal and state grants	5,713,039	—	6,118,385	—
On-behalf Teachers' Retirement System contributions	531,200	—	512,600	—
Investment income	83,319	311,138	89,366	62,225
Net appreciation in investments	—	—	—	—
Contributions and non-operating income	—	416,687	—	478,731
Interest expense	<u>(674,008)</u>	—	<u>(663,402)</u>	—
Net Nonoperating Revenues	<u>12,215,321</u>	<u>727,825</u>	<u>12,514,216</u>	<u>540,956</u>
Loss Before Other Revenues, Expenses, Gains, and Losses	<u>(389,331)</u>	<u>354,167</u>	<u>(43,927)</u>	<u>55,050</u>
Other Revenues, Expenses, Gains, and Losses				
On-behalf Oklahoma Capital Improvement Authority contributions	181,063	—	166,635	—
Capital appropriations	<u>436,941</u>	—	<u>436,941</u>	—
Other Revenues and Gains	<u>618,004</u>	—	<u>603,576</u>	—
Change in Net Position	228,673	354,167	559,649	55,050
Net Position, Beginning of Year	<u>13,885,268</u>	<u>3,268,466</u>	<u>13,325,619</u>	<u>3,213,416</u>
Net Position, End of Year	<u>\$ 14,113,941</u>	<u>\$ 3,622,633</u>	<u>\$ 13,885,268</u>	<u>\$ 3,268,466</u>



See Notes to Financial Statements

Eastern Oklahoma State College
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013		2012	
	Eastern Oklahoma State College	Eastern Oklahoma State College Foundation	Eastern Oklahoma State College	Eastern Oklahoma State College Foundation
Cash Flows from Operating Activities				
Tuition and fees	\$ 2,463,471	—	\$ 2,156,122	—
Grants and contracts	5,167,710	—	4,042,698	—
Payments to employees	(9,078,194)	—	(8,554,027)	—
Payments to vendors	(11,600,782)	(68,384)	(10,473,836)	(62,463)
Payments to College	—	(74,896)	—	(173,500)
Payments for scholarships	—	(170,531)	—	(189,170)
Auxiliary enterprise	1,064,758	—	1,075,263	—
Other receipts	805,148	—	1,295,469	—
Net Cash Used in Operating Activities	<u>(11,177,889)</u>	<u>(313,811)</u>	<u>(10,458,311)</u>	<u>(425,133)</u>
Noncapital Financing Activities				
State appropriations	6,561,771	—	6,457,267	—
Federal and state grants	5,713,039	—	6,118,385	—
Contributions & other receipts	—	356,687	—	418,731
Federal Direct Loan receipts	4,490,134	—	4,617,700	—
Federal Direct Loan disbursements	(4,490,134)	—	(4,617,700)	—
Agency transactions, net	(5,807)	—	(9,401)	—
Net Cash Provided by Noncapital Financing Activities	<u>12,269,003</u>	<u>356,687</u>	<u>12,566,251</u>	<u>418,731</u>
Capital and Related Financing Activities				
Capital appropriations	1,056,582	—	436,941	—
Payments on bonds and lease payable	(727,278)	—	(615,212)	—
Proceeds from capital lease obligations	—	—	4,866,940	—
Interest paid on capital assets	(428,271)	—	(427,612)	—
Purchases of capital assets	(1,473,282)	—	(5,935,912)	—
Net Cash Used in Capital and Related Financing Activities	<u>(1,572,249)</u>	<u>—</u>	<u>(1,674,855)</u>	<u>—</u>
Investing Activities				
Change in loans receivable, net	—	22,327	—	16,940
Additions to funds held by others	—	(32,135)	—	(67,077)
Proceeds from funds held by others	—	24,561	—	53,478
Interest on investments	83,319	82,704	89,366	30,960
Net Cash Provided by (Used in) Investing Activities	<u>83,319</u>	<u>97,457</u>	<u>89,366</u>	<u>34,301</u>
Net Increase (Decrease) in Cash	(397,816)	140,333	522,451	27,899
Cash and Cash Equivalents, Beginning of Year	<u>6,296,729</u>	<u>339,523</u>	<u>5,774,278</u>	<u>311,624</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,898,913</u>	<u>\$ 479,856</u>	<u>\$ 6,296,729</u>	<u>\$ 339,523</u>



Eastern Oklahoma State College
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

(Continued)

	2013		2012	
	<u>Eastern Oklahoma State College</u>	<u>Eastern Oklahoma State College Foundation</u>	<u>Eastern Oklahoma State College</u>	<u>Eastern Oklahoma State College Foundation</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities				
Operating loss	\$ (12,604,652)	\$ (373,658)	\$(12,558,143)	\$ (485,906)
Adjustments to reconcile operating loss to net cash used in operating activities				
Depreciation expense	1,208,572	—	1,109,794	—
On-behalf Teachers' Retirement System contributions	531,200	—	512,600	—
Loss on disposal of assets	5,247	—	—	—
Contribution in-kind	—	60,000	—	60,000
Changes in assets and liabilities				
Receivables, net	107,923	—	(60,508)	—
Inventory	4,206	—	10,331	—
Prepaid expenses	57,774	—	(48,946)	—
Accounts payable	(483,957)	(153)	574,855	773
Compensated absences	30,491	—	40,465	—
Unearned revenues	(34,693)	—	(38,759)	—
Net Cash Used in Operating Activities	<u>\$ (11,177,889)</u>	<u>\$ (313,811)</u>	<u>\$(10,458,311)</u>	<u>\$ (425,133)</u>
Supplemental Cash Flow Information				
Interest paid by OCIA	<u>\$ 124,840</u>		<u>\$ 31,063</u>	
Principal paid by OCIA	<u>\$ 56,223</u>		<u>\$ 50,848</u>	
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets				
Cash and cash equivalents	\$ 4,717,204		\$ 4,635,680	
Restricted short-term investments	837,031		805,151	
Restricted non-current investments	<u>344,678</u>		<u>333,447</u>	
	<u>\$ 5,898,913</u>		<u>\$ 5,774,278</u>	



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Eastern Oklahoma State College (the "College") is a two year college operating under the jurisdiction of the Board of Regents of Eastern Oklahoma State College, (the "Board of Regents"), and is part of the Oklahoma System of Higher Education.

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 College is governed by the Board of Regents of the College of Oklahoma, and is part of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education. The College is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the state as part of the higher education component unit.

Eastern Oklahoma 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 its financial statements are separately presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting 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.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The College's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

Under GASB Statement No. 34 and GASB Statement No. 35, the College is required to present a statement of net assets classified between current and noncurrent assets and liabilities; a statement of revenues, expenses, and changes in net assets with separate presentation for operating and nonoperating revenues and expenses; and a statement of cash flows using the direct method.

Basis of Accounting

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

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

Cash 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 are considered cash equivalents.

Deposits and Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures and Amendment of GASB Statement No. 3*, the College has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

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

Noncurrent Cash and Investments

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

Unearned Revenues

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

Capital Assets

Capital assets are recorded at cost on the date of acquisition or fair value if acquired by gift. Livestock is stated at estimated fair value. For equipment, the College's capitalization policy includes all items with a unit cost of \$500 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements which significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of each asset.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

The following estimated useful lives are utilized by the College:

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

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

Noncurrent Liabilities

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

Net Position

The College's net assets are classified as follows:

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

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



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

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

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

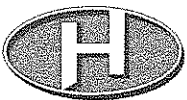
Classification of Revenues

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

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

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB 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 statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

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

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.

Subsequent Events

Subsequent events have been evaluated through September 19, 2013, which is the date the financial statements were issued.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

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

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

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

At June 30, 2013 and 2012, the carrying amount of the College's deposits was \$4,717,204 and \$5,423,500, respectively. These amounts consisted of deposits with the State Treasurer \$5,571,962 and \$5,773,857 at June 30, 2013 and 2012, respectively.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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 banks or invested as the treasurer may determine, in the State's name. Some deposits with the OST are placed in the OST's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the OST. Of the funds on deposit with the OST, amounts invested in *OK INVEST* total \$3,195,011 in 2013.

For financial reporting purposes, deposits with the OST that are invested in *OK INVEST* are classified as cash equivalents. The distribution of deposits in *OK INVEST* is as follows:

<i>OK INVEST</i> Portfolio	Cost	Market Value
U.S. Agency securities	\$ 1,250,595	\$ 1,255,905
Certificates of deposit	81,618	81,618
Comercial paper	67,154	67,154
Money market mutual fund	299,809	299,809
Mortgage Backed Agency Securities	1,379,648	1,372,908
Foreign Bonds	25,222	25,237
Municipal Bonds	59,581	53,825
U. S. Treasury Obligations	47,050	38,555
Totals	\$ 3,210,677	\$ 3,195,011

Interest Rate Risk

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

Credit Risk

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



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 2: Deposits and Investments (Continued)

Concentration of Credit Risk

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

Note 3: Accounts Receivable, Net

Accounts receivable consisted of the following at June 30:

	2013	2012
Student tuition and fees	\$ 2,537,147	\$ 2,495,782
Less allowance for doubtful accounts	<u>(1,957,563)</u>	<u>(1,727,970)</u>
	<u>\$ 579,584</u>	<u>\$ 767,812</u>

The College also has \$0 and \$630,514 of receivables restricted for capital projects as of June 30, 2013 and 2012, respectively, which relate to capital lease contracts for ongoing and planned capital projects at the College. These receivable balances are classified as noncurrent assets in the statements of net assets as they are restricted for long-term purposes.

Note 4: Loans Receivable

Student loans made through the Federal Perkins Loan Program (the Program) comprise all of the loans receivable at June 30, 2013. There were no federal or institutional contributions to the Program during 2013. The Program provides for cancellation of a note at rates of 15% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the College's loan funds for amounts cancelled under these provisions.

As the College determines loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The College has provided an allowance for uncollectible loans, which in management's opinion, is sufficient to absorb loans which will ultimately be written off. The allowance for uncollectible loans was \$109,397 and \$109,397 at June 30, 2013 and 2012, respectively.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 5: Capital Assets, Net

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance 2012	Additions	Transfers	Retirements	Balance 2013
Capital assets not being depreciated					
Land	\$ 1,238,008	\$ —	\$ —	\$ —	\$ 1,238,008
Livestock	212,150	24,450	—	—	236,600
Construction in progress	5,679,080	452,070	(6,125,780)	—	5,370
Total capital assets not being depreciated	<u>\$ 7,129,238</u>	<u>\$ 476,520</u>	<u>\$ (6,125,780)</u>	<u>\$ —</u>	<u>\$ 1,479,978</u>
Other capital assets					
Land improvements	\$ 2,029,109	\$ 23,848	\$ 303,873	\$ —	\$ 2,356,830
Building and facilities	22,790,467	455,722	5,821,907	(11,379)	29,056,717
Equipment and vehicles	9,170,763	499,092	—	(1,731)	9,668,124
Library materials	977,911	12,352	—	—	990,263
Infrastructure	723,960	5,748	—	—	729,708
Total other capital assets	<u>\$ 35,692,210</u>	<u>\$ 996,762</u>	<u>\$ 6,125,780</u>	<u>\$ (13,110)</u>	<u>\$ 42,801,642</u>
Less accumulated depreciation for					
Land improvements	\$ (1,531,358)	\$ (35,601)	\$ —	\$ —	\$ (1,566,959)
Building and facilities	(6,881,816)	(522,897)	—	6,915	(7,397,798)
Equipment and vehicles	(7,607,458)	(634,257)	—	948	(8,240,767)
Library materials	(879,583)	(11,898)	—	—	(891,481)
Infrastructure	(679,746)	(3,919)	—	—	(683,665)
Total accumulated depreciation	<u>(17,579,961)</u>	<u>(1,208,572)</u>	<u>6,125,780</u>	<u>7,863</u>	<u>(18,780,670)</u>
Other capital assets, net	<u>\$ 18,112,249</u>	<u>\$ (211,810)</u>	<u>\$ 6,125,780</u>	<u>\$ (5,247)</u>	<u>\$ 24,020,972</u>
Total Capital Assets, net	<u>\$ 25,241,487</u>	<u>\$ 264,710</u>	<u>\$ —</u>	<u>\$ (5,247)</u>	<u>\$ 25,500,950</u>

Following are the changes in capital assets for the year ended June 30, 2012:

	Balance 2011	Additions	Transfers	Retirements	Balance 2012
Capital assets not being depreciated					
Land	\$ 1,238,008	\$ —	\$ —	\$ —	\$ 1,238,008
Livestock	206,000	6,150	—	—	212,150
Construction in progress	454,405	5,224,675	—	—	5,679,080
Total capital assets not being depreciated	<u>\$ 1,898,413</u>	<u>\$ 5,230,825</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,129,238</u>
Other capital assets					
Land improvements	\$ 1,640,010	\$ 389,099	\$ —	\$ —	\$ 2,029,109
Building and facilities	22,698,153	92,314	—	—	22,790,467
Equipment and vehicles	8,798,163	441,973	—	(69,373)	9,170,763
Library materials	964,635	13,276	—	—	977,911
Infrastructure	707,785	16,175	—	—	723,960
Total other capital assets	<u>\$ 34,808,746</u>	<u>\$ 952,837</u>	<u>\$ —</u>	<u>\$ (69,373)</u>	<u>\$ 35,692,210</u>
Less accumulated depreciation for					
Land improvements	\$ (1,513,677)	\$ (17,681)	\$ —	\$ —	\$ (1,531,358)
Building and facilities	(6,440,887)	(440,929)	—	—	(6,881,816)
Equipment and vehicles	(7,040,052)	(636,779)	—	69,373	(7,607,458)
Library materials	(868,540)	(11,043)	—	—	(879,583)
Infrastructure	(676,384)	(3,362)	—	—	(679,746)
Total accumulated depreciation	<u>(16,539,540)</u>	<u>(1,109,794)</u>	<u>—</u>	<u>69,373</u>	<u>(17,579,961)</u>
Other capital assets, net	<u>\$ 18,269,206</u>	<u>\$ (156,957)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 18,112,249</u>
Total Capital Assets, net	<u>\$ 20,167,619</u>	<u>\$ 5,073,868</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25,241,487</u>



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 5: Capital Assets, Net (Continued)

At June 30, 2013 and 2012 the cost of assets held under capital lease obligations and included in capital assets was \$14,020,794 and \$14,133,327, respectively. Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

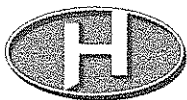
Note 6: Long-term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Due Within One Year
<i>Bonds and capital lease obligations, net of bond premium or discount</i>					
Revenue bond payable	\$ 2,080,000	\$ —	\$ (205,000)	\$ 1,875,000	\$ 210,000
OCIA capital lease obligations	7,921,228	—	(56,223)	7,865,005	301,214
ODFA master lease revenue bonds	7,810,998	—	(384,667)	7,426,331	391,667
Other capital leases	<u>510,580</u>	<u>—</u>	<u>(137,610)</u>	<u>372,970</u>	<u>111,131</u>
Total bonds and capital lease	<u>18,322,806</u>	<u>—</u>	<u>(783,500)</u>	<u>17,538,305</u>	<u>1,014,012</u>
<i>Other liabilities</i>					
Accrued compensated absences	<u>288,985</u>	<u>205,882</u>	<u>(175,391)</u>	<u>319,476</u>	<u>175,712</u>
Total other liabilities	<u>288,985</u>	<u>205,882</u>	<u>(175,391)</u>	<u>319,476</u>	<u>175,712</u>
Total long-term liabilities	<u>\$ 18,611,791</u>	<u>\$ 205,882</u>	<u>\$ (959,892)</u>	<u>\$ 17,857,781</u>	<u>\$ 1,184,996</u>

Long-term liability activity for the year ended June 30, 2012, was as follows:

	June 30, 2011	Additions	Reductions	June 30, 2012	Due Within One Year
<i>Bonds and capital lease obligations, net of bond premium or discount</i>					
Revenue bond payable	\$ 2,275,000	\$ —	\$ (195,000)	\$ 2,080,000	\$ 217,000
OCIA capital lease obligations	7,974,685	—	(53,457)	7,921,228	56,223
ODFA master lease revenue bonds	3,258,512	4,927,933	(375,446)	7,810,999	384,667
Other capital leases	<u>353,725</u>	<u>247,750</u>	<u>(90,895)</u>	<u>510,580</u>	<u>122,068</u>
Total bonds and capital lease	<u>13,861,922</u>	<u>5,175,683</u>	<u>(714,798)</u>	<u>18,322,807</u>	<u>779,958</u>
<i>Other liabilities</i>					
Accrued compensated absences	<u>248,520</u>	<u>189,577</u>	<u>(149,112)</u>	<u>288,985</u>	<u>173,391</u>
Total other liabilities	<u>248,520</u>	<u>189,577</u>	<u>(149,112)</u>	<u>288,985</u>	<u>173,391</u>
Total long-term liabilities	<u>\$ 14,110,442</u>	<u>\$ 5,365,260</u>	<u>\$ (863,910)</u>	<u>\$ 18,611,792</u>	<u>\$ 953,349</u>



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 6: Long-term Liabilities (Continued)

Student Facilities Revenue Bonds

The Board of Regents authorized the College to issue the Student Facilities Revenue Bonds, Series 1997 (the "Series 1997 Bonds") dated December 1, 1997, in the amounts of \$1,600,000. The Series 1997 Bonds mature May 1 of each year beginning June 1, 1997 through June 1, 2017, in annual amounts varying from \$40,000 to \$130,000, interest rates ranging from 5.05% to 10%. The remaining balance outstanding was \$480,000 and \$585,000 at June 30, 2013 and 2012, respectively. The Series 1997 Bonds are payable from pledged revenues derived from a student union fee and other ancillary services, and the reserve account held by the bond trustees. The College paid \$105,000 and \$100,000 in principle and \$35,685 and \$31,328 in related interest on these bonds during 2013 and 2012, respectively.

The Board of Regents authorized the College to issue the Student Facilities Revenue Bonds, Series 2004 (the "Series 2004 Bonds") dated May 1, 2004, in the amounts of \$2,200,000. The Series 2004 Bonds mature June 1 of each year beginning June 1, 2005 through June 1, 2024, in annual amounts varying from \$85,000 to \$160,000, interest rates ranging from 2.40% to 4.45%. The remaining balance outstanding was \$1,395,000 and \$1,495,000 at June 30, 2013 and 2012, respectively. The Series 1997 Bonds are payable from pledged revenues derived from a student union fee and other ancillary services, and the reserve account held by the bond trustees. The College paid \$105,000 and \$95,000 in principle and \$63,115 and \$66,440 in related interest on these bonds during 2013 and 2012, respectively.

The schedule of maturities of the bonds is as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	210,000	87,963	297,963
2015	220,000	77,026	297,026
2016	235,000	65,584	300,584
2017	245,000	53,937	298,937
2018	120,000	42,085	162,085
2019-2023	685,000	129,503	814,503
2024	<u>160,000</u>	<u>7,120</u>	<u>167,120</u>
	<u>\$ 1,875,000</u>	<u>\$ 463,218</u>	<u>\$ 2,338,218</u>

The trust agreements for the Revenue Bonds Series provide that bond proceeds and pledged revenues be used to establish various bond sinking funds and reserve funds (see Note 2).

Oklahoma Capital Improvement Authority Lease Obligations

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



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 6: Long-term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

The College's property under the 1999 Series capital lease is summarized as follows:

	Building	Equipment	Total
Cost	\$ 998,794	\$ 1,206	\$ 1,000,000
Less: accumulated depreciation	(255,247)	(1,206)	(256,453)
	<u>\$ 743,547</u>	<u>\$ -</u>	<u>\$ 743,547</u>

In November 2005, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents for Higher Education allocated \$7,671,000 to the College. Concurrently with the allocation, the College entered into an individual lease agreement with OCIA, representing the project being funded by the OCIA bonds.

In August 2010 the College's 2005 Series F lease agreement with the Oklahoma Capital Improvement Authority (OCIA) was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA 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. The College has recorded a charge of \$706,629 on restructuring as a deferred cost that will be amortized over a period of 6 years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$706,629 also approximates the economic cost of the lease restructuring.

The College's assets under the 2006 series capital lease are summarized as follows:

Student Center & ADA & Technology Upgrades & Equipment	\$ 9,058,431
Less: Accumulated Depreciation	<u>(1,297,466)</u>
	<u>\$ 7,760,965</u>

During the years ended June 30, 2013 and 2012, OCIA made lease principal and interest payments totaling \$181,063 and \$166,635 respectively, on behalf of the College. These payments have been recorded as on-behalf OCIA contributions in the statements of revenues, expenses, and changes in net assets.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 6: Long-term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

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

Years Ending June 30,	Principal	Interest	Total
2014	\$ 301,215	\$ 375,835	\$ 667,050
2015	729,031	361,041	1,090,072
2016	753,273	337,848	1,091,121
2017	724,320	296,265	1,020,585
2018	757,496	263,174	1,020,670
2019-2023	1,161,479	983,373	2,144,852
2024-2028	1,990,083	667,519	2,657,602
2019-2023	<u>1,448,108</u>	<u>146,319</u>	<u>1,594,427</u>
	<u>\$ 7,865,005</u>	<u>\$ 3,431,374</u>	<u>\$ 11,296,379</u>

The OCIA Series 2005 bonds were issued at a premium. The College's pro rata portion of the premium was \$239,030. During 2011, the unamortized bond premium was eliminated. The unamortized bond premium for 2010 is included in the OCIA capital lease obligation in the accompanying financial statements.

During the year ending June 30, 2013 and 2012, the College recognized \$117,771 of amortization on the deferred cost of lease restructuring on the OCIA Series 2005F lease obligation, leaving a balance of the unamortized deferred costs of \$353,450. The unamortized deferred cost is included in the OCIA capital lease obligation in the accompanying financial statements.

Oklahoma Development Finance Authority Master Lease

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

The lease agreement with ODFA provides for monthly payments to ODFA ranging from \$17,862 to \$19,330 for 20 years through May 15, 2025, or until the ODFA bonds and related interest are paid. The monthly lease payments were expected to be funded through energy savings realized from the project. During 2013 and 2012, there was \$130,417 and \$125,417 respectively, in principal paid on the lease and \$93,279 and \$97,429 respectively, in related interest paid.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 6: Long-term Liabilities (Continued)

Oklahoma Development Finance Authority Master Lease (Continued)

The College's assets under the master lease are summarized as follows:

Building improvements at cost	\$ 2,983,330
Less: accumulated depreciation	<u>(505,446)</u>
Building improvements, net	2,477,884
Master lease issuance cost, net of accumulated amortization	<u>32,292</u>
	<u>\$ 2,510,196</u>

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

The lease agreement with ODFA provides for monthly payments to ODFA ranging from \$2,793 to \$3,177 for 15 years through May 15, 2025, or until the ODFA bonds and related interest are paid. The monthly lease payments are funded through additional apartment rent realized after the project was completed. During 2013 and 2012, there was \$23,083 and \$17,917, respectively, in principal paid on the lease and \$10,791 and \$8,669, respectively, in related interest paid.

The College's assets under the master lease are summarized as follows:

Building improvements at cost	\$ 400,000
Less: accumulated depreciation	<u>(8,889)</u>
Building improvements, net	391,111
Master lease issuance cost, net of accumulated amortization	<u>812</u>
	<u>\$ 391,923</u>

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

In May 2011, the College entered into a 3 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Equipment Lease Revenue Bonds, Series 2011A. The College financed \$50,000, for furniture in the College's dorm.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 6: Long-term Liabilities (Continued)

Oklahoma Development Finance Authority Master Lease (Continued)

Through June 30, 2011, the College has remaining \$0 to be drawn from its total allotment for expenditures incurred in connection with these projects. The expenditures have been capitalized as investments in capital assets in accordance with College policy. The College has recorded a lease obligation payable to ODFA for the total amount of the allotment, less repayment made.

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. The College paid \$47,833 and \$141,333 in principal, and \$22,072 and \$108,054 in related interest on these bonds during 2013 and 2012, respectively.

The College has also recorded an asset for its pro rata share of the bond issuance costs, and is amortizing that asset over the term of the lease agreement. At June 30, 2013 and 2012, the unamortized bond issuance costs totaled \$26,536 and \$2,809, respectively.

The schedule of maturities of the bonds is as follows:

Years Ending June 30,	Principal	Interest	Total
2014	\$ 391,667	\$ 293,850	\$ 685,527
2015	389,333	281,270	670,603
2016	405,000	268,862	673,862
2017	416,917	255,402	672,319
2018	428,333	241,656	669,989
2019 – 2023	2,402,333	953,740	3,356,073
2024 – 2028	2,014,416	449,955	2,464,371
2029 – 2031	<u>978,332</u>	<u>88,031</u>	<u>1,066,363</u>
	<u>\$ 7,426,331</u>	<u>\$ 2,832,766</u>	<u>\$ 10,259,097</u>

Notes Payable

During 2010, the College entered into a lease purchase agreement with Government Capital Corporation in the amount of \$74,200. Government Capital Corporation later assigned its rights to Vision Bank. This agreement was entered into to provide lease purchase financing for a 1999 Blue Bird LTC40 47 Passenger Coach. The College uses this Bus to transport its students to and from college sponsored activities. The lease agreement provides for yearly payments to Vision Bank of \$16,864 for 5 years through September 15, 2014. During 2013 and 2012, the College made \$14,653 and \$13,983 in principal payments and \$2,210 and \$2,881 in interest payments, respectively.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 6: Long-term Liabilities (Continued)

Notes Payable (Continued)

The College's assets under the capital lease are summarized as follows:

Equipment at cost	\$ 84,200
Less: accumulated depreciation	<u>(31,800)</u>
	<u>\$ 52,400</u>

During 2011, the College entered into a lease purchase agreement with Government Capital Corporation in the amount of \$47,195. Government Capital Corporation later assigned its rights to Security State Bank of Wewoka. This agreement was entered into to provide lease purchase financing for a street sweeper. The College uses this street sweep to clean and maintain campus streets and parking lots. The lease agreement provides for yearly payments to Security State Bank of \$17,410 for 3 years through September 24, 2013. During 2013 the College sold the street sweeper for \$18,000 and paid off the remaining balance due of \$16,968.

During 2011, the College entered into a lease purchase agreement with Government Capital Corporation in the amount of \$249,583. Government Capital Corporation later assigned its rights to Security State Bank of Wewoka. This agreement was entered into to provide lease purchase financing for computer hardware and software. The College uses this to upgrade our computer network, which has allowed us to expand our online class capabilities. The lease agreement provides for yearly payments to Security State Bank of \$69,242 for 4 years through October 15, 2014. During 2013 and 2012, the College made \$59,834 and \$61,977 in principal payments and \$9,408 and \$7,265 in interest payments, respectively.

The College's assets under the capital lease are summarized as follows:

Equipment at cost	\$ 247,083
Less: accumulated depreciation	<u>(137,180)</u>
	109,903
Lease Purchase issuance cost, net of accumulated amortization	<u>1,450</u>
	<u>\$ 111,353</u>



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 6: Long-term Liabilities (Continued)

Notes Payable

During 2012, the College entered into a lease purchase agreement with Government Capital Corporation in the amount of \$247,750. Government Capital Corporation later assigned its rights to Security State Bank of Wewoka. This agreement was entered into to provide lease purchase financing for lights in the baseball stadium. The lease agreement provides for yearly payments to Security State Bank of \$40,520 for 7 years through March 15, 2019. During 2013 and 2012, the College made \$31,863 and \$0 in principal payments and \$8,657 and \$0 in interest payments, respectively.

The College's assets under the capital lease are summarized as follows:

Equipment at cost	\$ 247,750
Less: accumulated depreciation	<u>(18,581)</u>
	<u>\$229,169</u>

The scheduled principal and interest payments related to the lease are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	\$ 32,956	\$ 7,564	\$ 40,520
2015	34,110	6,410	40,520
2016	35,306	5,214	40,520
2017	36,543	3,977	40,520
2018 – 2019	<u>76,971</u>	<u>4,069</u>	<u>81,040</u>
	<u>\$ 215,886</u>	<u>\$ 27,234</u>	<u>\$ 243,120</u>

Note 7: Retirement Programs

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



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 7: Retirement Programs (Continued)

Oklahoma Teachers' Retirement System

Plan Description

The College contributes to the OTRS, a cost-sharing multiple-employer defined-benefit pension plan sponsored by the State of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of the OTRS. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for the OTRS. That annual report may be obtained by writing to the OTRS, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS web site at www.trs.state.ok.us.

Funding Policy

The authority to define or amend employer contribution rates is given to the OTRS Board of Trustees by Oklahoma Statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma State Legislature. OTRS members are required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The College is required to contribute a fixed percentage of annual compensation on behalf of active OTRS members (i.e., Employer Statutory Contribution Rate). This contribution rate for 2013, 2012 and 2011 was 9.5%. The College's contribution to OTRS for the years ended June 30, 2013, 2012 and 2011 was approximately \$1,474,924, \$1,396,000 and \$1,403,000 respectively, which equaled the required contributions for the respective year for both the Member Contribution and the Statutory fee.

Oklahoma statutes require the state of Oklahoma to contribute to OTRS a defined percentage of the natural and casing head gas tax (the dedicated tax) collected each year. The dedicated tax contribution to OTRS is used toward the College's required fixed percentage contribution. The College recognizes these on-behalf payments made to OTRS by the state of Oklahoma under the provisions of GASB Statement No. 24. These on-behalf payments do not represent a direct or indirect obligation of the College. The College's prorated share of these payments for the year ended June 2013 and 2012, was approximately \$531,200 and \$512,600 respectively, and is recognized in revenues and expenses.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 7: Retirement Programs (Continued)

Supplemental Retirement Benefit Plan (SRB)

Plan description

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

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

Note 8: 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 an agreement with the Foundation whereby the College absorbs the costs certain administrative services incurred by the Foundation. The following transactions occurred between the College and the Foundation during the years ended June 30:

	2013	2012
Scholarship funds awarded to the College	\$ <u>170,530</u>	\$ <u>189,170</u>



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 9: Commitments and Contingencies

The College is party to litigation and claims arising in the normal course of business. In the opinion of management, liabilities, if any, resulting from such litigation and claims will not be material to the College.

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

The College participates in the Federal Family Education Loan Program (the "FFEL Program"), which includes the Federal Stafford Loan Program and Federal Parents Loan for Undergraduate Students programs. The FFEL program does not require the College to draw down cash; however, the College is required to perform certain administrative functions under the FFEL program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the years ended June 30, 2013 and 2012, approximately \$4,475,000 and \$4,618,000 of Direct Loans and FFEL program loans were provided to College students.

Note 10: Risk Management

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

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

The College also participates in the College Association of Liability Management (CALM) Workers' Compensation Plan for its workers' compensation coverage. CALM is an interlocal cooperative act agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through CompSource. CALM is a political subdivision of the State of Oklahoma and is governed by a board of trustees elected from members of the participating colleges and universities.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 11: Accounting Standards Issued Not Yet Adopted

Fiscal Year Ended June 30, 2015

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

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the College has not yet determined the impact that implementation of GASB No. 68 will have on its net pension.

Note 12: Eastern Oklahoma State College Educational Developmental Foundation, Inc.

The following are significant disclosures of the Foundation:

Note A: Summary of Significant Accounting Policies

Organization

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

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

Contributions

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



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 12: Eastern Oklahoma State College Educational Developmental Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Net Assets

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

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

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

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

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

Cash and Cash Equivalents

The Foundation defines cash and cash equivalents to be all cash and certificates of deposit with original maturities of three months or less. Cash equivalents of \$339,523 and \$311,624 as of June 30, 2013 and 2012, respectively, were held in financial institutions.

Investments

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

Tax Status

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



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 12: Eastern Oklahoma State College Educational Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Property and Equipment

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

Allocated Expenses

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

Concentrations of Credit Risk

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

Management Estimates

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

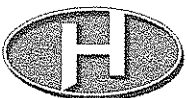
Subsequent Events

Subsequent events have been evaluated through September 19, 2013, which is the date the financial statements were issued.

Note B: Cash and Cash Equivalents

The Foundation maintains several bank accounts. The table below is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured at June 30, 2013 and 2012. FDIC regulations state time and savings accounts are insured up to a \$250,000 maximum.

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



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 12: Eastern Oklahoma State College Educational Foundation, Inc. (Continued)

Note B: Cash and Cash Equivalents (Continued)

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.

<u>Type of Deposits</u>	<u>Total Carrying Balance</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>		
			<u>1</u>	<u>2</u>	<u>3</u>
June 30, 2013					
Demand Deposits:					
Wilburton State Bank	\$ 33,130	\$	\$	\$ —	\$ —
First National Bank	106,393				
Certificates of Deposit					
BancFirst	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>—</u>	<u>—</u>
Totals	<u>\$ 339,523</u>	<u>\$</u>	<u>\$</u>	<u>\$ —</u>	<u>\$ —</u>
June 30, 2012					
Demand Deposits:					
Wilburton State Bank	\$ 41,529	\$ 86,399	\$ 86,399	\$ —	\$ —
First National Bank	70,095	70,095	70,095		
Certificates of Deposit					
BancFirst	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>—</u>	<u>—</u>
Totals	<u>\$ 311,624</u>	<u>\$ 356,494</u>	<u>\$ 356,494</u>	<u>\$ —</u>	<u>\$ —</u>

Note C: Investments

Investment income consists of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 77,046	\$ 77,046
Realized gains and losses	85,841	85,841
Unrealized gains and losses	<u>155,451</u>	<u>155,451</u>
	<u>\$ 318,338</u>	<u>\$ 318,338</u>



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 12: Eastern Oklahoma State College Educational Foundation, Inc. (Continued)

Note C: Investments (Continued)

Investments consist of the following at June 30, 2013:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Pooled Investment Fund	\$ 2,601,904	\$ 2,869,664	\$ 2,869,644

Investments consist of the following at June 30, 2012:

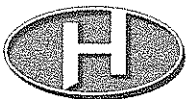
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Pooled investment fund	\$ 2,437,662	\$ 2,824,780	\$ 2,824,780

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

Note D: Endowments

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

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



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 12: Eastern Oklahoma State College Educational Foundation, Inc. (Continued)

Note D: Endowments (Continued)

- (1) The duration and preservation of the fund;
- (2) The purpose of the foundation and the donor-restricted endowment fund;
General economic conditions;
- (3) The possible effect of inflation and deflation;
- (4) The expected total return from income and the appreciation of investments;
- (5) Other resources of the foundation;
- (6) The investment policies of the foundation.

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

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

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



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 12: Eastern Oklahoma State College Educational Foundation, Inc. (Continued)

Note D: Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ —	\$ 1,361,509	\$ 1,922,793
Board-designated endowment funds	<u>—</u>	<u>—</u>	<u>—</u>
Total endowment funds	<u>\$ —</u>	<u>\$ 1,361,509</u>	<u>\$ 1,922,793</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ —	\$ 1,271,226	\$ 1,879,790
Board-designated endowment funds	<u>—</u>	<u>—</u>	<u>—</u>
Total endowment funds	<u>\$ —</u>	<u>\$ 1,271,266</u>	<u>\$ 1,879,790</u>

Changes in Endowment Net Assets for the year ending June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets - beginning	\$ —	\$ 1,271,226	\$ 1,879,790
Investment return		17,627	—
Other income		38,789	—
Contributions		280,502	43,003
Appropriations for expenditure	<u>—</u>	<u>(246,635)</u>	<u>—</u>
Total endowment funds	<u>\$ —</u>	<u>\$ 1,361,509</u>	<u>\$ 1,922,793</u>



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 12: Eastern Oklahoma State College Educational Foundation, Inc. (Continued)

Note D: Endowments (Continued)

Changes in Endowment Net Assets for the years ending June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets - beginning	\$ —	\$ 1,020,188	\$ 1,852,499
Investment return		280,522	—
Other Income		78,960	—
Contributions		204,867	27,291
Appropriations for expenditure	<u>—</u>	<u>(313,911)</u>	<u>—</u>
Total endowment funds	<u>\$ —</u>	<u>\$ 1,271,226</u>	<u>\$ 1,879,790</u>

Note E: Related Party Transactions

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

Note F: Fair Value Measurements

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

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

Cash and Cash Equivalents: The carrying amount approximates the fair value due to the short maturity of such amounts.



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 12: Eastern Oklahoma State College Educational Foundation, Inc. (Continued)

Note F: Fair Value Measurements (Continued)

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

Pledges and Accounts Receivable: The carrying amount of receivables is based on the discounted value of expected future cash flows, which approximate fair value.

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

Accounts Payable and Other Liabilities: The carrying amount approximates fair value due to the short maturity of those amounts.

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

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

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

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



Eastern Oklahoma State College
Notes to Financial Statements
June 30, 2013 and 2012

Note 12: Eastern Oklahoma State College Educational Foundation, Inc. (Continued)

Note F: Fair Value Measurements (Continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements at fair value on a recurring basis and the level within the fair market value hierarchy in which the fair value measurements fall at June 30, 2013.

	As of June 30, 2013			Total
	Level 1	Level 2	Level 3	
Pooled Investment Funds	\$2,869,644	\$ —	\$ —	\$2,869,644
	As of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Pooled Investment funds	\$2,824,780	\$ —	\$ —	\$2,824,780

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

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





**HINKLE &
COMPANY**
PC
*Strategic
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
Eastern Oklahoma State College
Eastern Oklahoma, 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 Eastern Oklahoma State College, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Eastern Oklahoma State College's basic financial statements, and have issued our report thereon dated September 19, 2013.

Internal Control over Financial Reporting

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

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

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

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern Oklahoma 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.

H. H. H. & Company, P.C.

Tulsa, Oklahoma
September 19, 2013





**HINKLE &
COMPANY**

PC
*Strategic
Business Advisors*

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

Board of Regents
Eastern Oklahoma State College
Eastern Oklahoma, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Eastern Oklahoma State College compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a material effect on each of the Eastern Oklahoma State College's major federal award programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Eastern Oklahoma 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, 2013.

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAdvisors.com

Report on Internal Control Over Compliance

Management of the Eastern Oklahoma 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Eastern Oklahoma 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, weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the Eastern Oklahoma State College as of and for the year ended June 30, 2013, and have issued our report thereon dated September 19, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hull & Company, PC

Tulsa, Oklahoma
September 19, 2012



Eastern Oklahoma State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education		
Student Financial Assistance		
Federal Pell Grant	84.063	\$ 4,907,189
Federal Direct Loans	84.268	4,474,634
Federal Supplemental Education Opportunity Grant	84.007	39,700
Federal Work Study	84.033	101,093
Federal Family Education Loans	84.032	15,500
Total Student Financial Aid Cluster		<u>9,538,116</u>
TRIO Program Cluster		
Student Support Services	84.042A	275,498
Total TRIO Program Cluster		<u>275,498</u>
United States Department of Education – Other Programs		
Passed through the Oklahoma Department of Vocational Education		
Carl Perkins Vocational & Technical Funds	84.048	25,890
Native American Serving Non-tribal Institutions	84.031X	576,964
Gear Up Grant	84.334A	2,570,185
Total Other Programs		<u>3,173,039</u>
Total U.S. Department of Education		12,986,653
U.S. Department of Labor		
Passed through State of Oklahoma		
Mine Safety Grant	17.600	263,716
OK Works Grant	17.282	12,477
TOTAL EXPENDITURES FOR FEDERAL AWARDS		<u>\$ 13,262,846</u>



Eastern Oklahoma State College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Note 1: Summary of Significant Accounting Policies

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

Note 2: Federal Family Education Loan Program

The College participates in the Federal Family Education Loan Program, CFDA Number 84.032 (the FFEL Program), which includes the Federal Stafford Loan Program and Federal Parents Loans for Undergraduate students. The FFEL Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies.

Note 3: Subrecipients

During the year ended June 30, 2013, the College did not provide any federal awards to subrecipients.



Eastern Oklahoma State College
Schedule of Findings and Questioned Costs
June 30, 2013

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

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

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

7. The College's major program was:

Program/Cluster	CFDA Number
Student Financial Aid Cluster Native Americans Serving Nontribal Institutions	84.063, 84.032, 84.033, 84.007 and 84,375A 84.031x

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined by OMB Circular A-133.

9. The College does qualify as a low-risk auditee as defined by OMB Circular A-133.

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

No matters are reportable.



Eastern Oklahoma State College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Prior Year Findings

No matters are reportable.

