

Eastern Oklahoma State College
A Component Unit of the State of Oklahoma

Financial Statements
with Independent Auditors' Reports

June 30, 2014



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
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June 30, 2014

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Independent Auditors' Report

Board of Regents
Eastern Oklahoma State College
Wilburton, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Eastern Oklahoma State College as of and for the year ended June 30, 2014, 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, 2014, 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.

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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 October 30, 2014 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
October 30, 2014





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, 2014, with comparison to the previous year. Since the management's discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the College's basic financial statements and the footnotes.

Using This Report

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

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

The purpose of the Statement of Net Assets for the College is to report the financial position of the College at a point in time, the report date. The Statement of Net Assets reports assets, liabilities, and net assets in a single column, separating current and noncurrent assets and current and noncurrent liabilities, as well as deferred, inflow and outflow revenues. Net assets report 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 Assets 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 assets. The Statement of Cash Flows presents the sources and uses of cash and cash equivalents and a reconciliation of these flows to net operating revenues.

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

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

Financial Highlights

The College's net assets at June 30, 2014 and 201 were \$13,283,393 and \$14,113,942, respectively, a decrease of \$830,549.

Operating revenues decrease less than 3%, from \$9.4 million to \$7.7 million for fiscal year 2014. Tuition and fee revenues, a major component of operating revenues, which includes only tuition and fees paid directly by students increased \$66,103 for fiscal year 2014. The tuition and mandatory fees increased \$4.23 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 41,300 to 37,477. In addition, Federal, state and private grants and contracts revenue decreased by approximately \$1,077,000, for fiscal year 2014. Other operating revenues by decrease to \$822,475; other revenue sources include royalties, grant indirect cost revenue earned, loan fund interest earned, fines, finance charges, and sales from educational departments.

Operating expenses decreased, from \$22 million to \$20.8 million for fiscal year 2014. Compensation, a major component of operating expenses, increased from \$11.7 million to \$11.4 million. Contractual Services expenses decreased from \$544,028, to \$107,969. Supplies and materials expense decreased, from \$3.0 million to \$2.3 million mainly due to grant expenditures. Other Operating Expenses decreased, from \$1.6 million to \$600,000.

Non-operating revenues consist primarily of state appropriations. Federal and State grants (Financial Aid Grants) decreased by \$787,045, from \$5.713 million to \$4.926 million. On-behalf payments by the State for retirement matching increased by \$38,000 resulting from increased payroll costs. Investment Income and Interest Expense netted a decrease to revenue this year of \$357,555.

Financial Analysis of the College as a Whole

Statement of Net Assets

| | 2014 | 2013 |
|---|---------------|---------------|
| Assets: | | |
| Current assets | \$ 5,423,348 | \$ 6,547,992 |
| Capital assets, net | 24,987,017 | 25,500,950 |
| Other assets | 438,546 | 344,678 |
| Total assets | 30,848,911 | 32,463,983 |
| Deferred Outflow | 253,678 | 353,450 |
| Liabilities | | |
| Current liabilities | 2,562,225 | 1,994,894 |
| Noncurrent liabilities | 15,028,403 | 16,708,598 |
| Total liabilities | 17,590,628 | 18,663,952 |
| Deferred Inflows | 210,568 | 0 |
| Net assets | | |
| Invested in capital assets, net of debt | 8,893,931 | 8,345,917 |
| Restricted – expendable, debt service | 438,512 | 344,678 |
| Restricted – expendable, Grant funds | 1,178,748 | 1,213,566 |
| Unrestricted | 2,772,202 | 4,209,780 |
| Net Position, End of year | \$ 13,283,393 | \$ 14,113,941 |

Statement of Revenues, Expenses, and Changes in Net Assets

Graphic illustrations follow that report elements of the Statement of Revenues, Expenses, and Changes in Net Assets 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 2014 | Fiscal Year 2013 | Net Change |
|--|---------------------|---------------------|---------------|
| Tuition and fees | \$ 2,376,038 | \$ 2,309,935 | \$ 66,103 |
| Federal grants and contracts | \$ 3,017,229 | \$ 4,094,256 | \$(1,077,027) |
| State grants and contracts | \$ 1,373,276 | \$ 1,153,760 | \$ (219,516) |
| Sales and services of Auxiliary Activities | \$ 938,729 | \$ 1,060,552 | \$ 121,823 |
| Other operating revenues | \$ (17,326) | \$ 805,148 | \$ 787,822 |

Operating Expenses by Natural Classifications

| Classification | Fiscal Year 2014 | Fiscal Year 2013 | Net Change |
|------------------------------|---------------------|---------------------|----------------|
| Compensation | \$ 11,428,546 | \$ 11,074,964 | \$ 353,582 |
| Contractual services | \$ 2,074,025 | \$ 2,181,995 | \$ (107,970) |
| Supplies and materials | \$ 2,361,628 | \$ 2,994,638 | \$ (633,010) |
| Communication | \$ 136,440 | \$ 141,179 | \$ (4,739) |
| Depreciation | \$ 1,268,085 | \$ 1,208,572 | \$ 59,513 |
| Utilities | \$ 628,336 | \$ 542,765 | \$ 85,571 |
| Scholarships and fellowships | \$ 2,394,298 | \$ 2,259,694 | \$ 134,604 |
| Other operating expense | \$ 584,241 | \$ 1,624,496 | \$ (1,040,256) |

Non-operating Revenues (Expenses)

| Revenues (Expenses) | Fiscal Year 2014 | Fiscal Year 2013 | Net Change |
|--|---------------------|---------------------|---------------|
| State appropriations | \$ 6,686,987 | \$ 6,561,771 | \$ 125,216 |
| State Payments - ARRA | \$ 0 | \$ 0 | \$ 0 |
| Federal and state grants | \$ 4,925,994 | \$ 5,713,039 | \$ (787,045) |
| On-behalf Teachers' Retirement System Contributions | \$ 535,000 | \$ 531,200 | \$ 3,800 |
| Investment income | \$ 51,203 | \$ 83,319 | \$ (32,116) |
| Interest expense | \$ (999,446) | \$ (674,008) | \$ (325,438) |

Statement of Cash Flows

Cash at June 30, 2014 was \$11,316,343 compared to \$5,898,913 at June 30, 2013, an increase of \$5,417,430 as explained below.

Cash used in operating activities increased \$3,409,964 from \$11,177,889 to \$14,587,853 for the years ended June 30, 2013 and 2014, 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 decrease in cash used in operating activities was the result of an increase in cash received in other receipts and auxiliary enterprises. In addition a decrease in payments made to employees vendors, along with the decrease in tuition and fees also contributed to this significant change.

Cash provided by non-capital financing activities increased by \$259,052, primarily due to an increase in non-operating grants.

Cash used in capital and related financing activities, which includes receipts for the purchase of capital assets offset by the purchase of capital assets or payment of principal and interest, increased \$391,464. This was mainly due to an increase in capital appropriations of \$1,733,209 and an increase in purchases of capital assets.

Cash provided by investing activities increased by \$9,031 due to an increase in the interest rate earned by investments.

Capital Assets

In recent years, the College has made significant investments in capital assets. As of June 30, 2014, the College had a net book value of fixed assets of \$24,987,017 compared to \$25,500,950 the previous year-end, a decrease of \$513,933. Investments for the current year included \$29,056,717 in construction and major repair of buildings and improvements for the purchase of equipment, livestock, and library books. Depreciation recorded for 2014 and 2013, was \$1,268,085 and \$1,208,572 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, 2014 was \$1,645,000. 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, 2014 and 2013, the net revenue from pledged sources before debt service payments was \$296,583 and \$275,686. Required payments for the years ended June 30, 2014 and 2013 was \$217,000 for both years of principal, plus \$87,963 and \$98,800 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, 2014 for the 1999 series were \$358,372 and the 2006 series were \$7,446,588 extending through the period ending 2031. For the years ended June 30, 2014 and 2013, the Oklahoma State Regents for Higher Education made on-behalf payments of \$539,538 and \$98,988 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, 2014, the remaining principal obligation was \$1,908,333 and interest obligation was \$513,575, 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,

2014, the remaining principal obligation was \$466,167 and interest obligation was \$133,352.72, 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, 2012, the remaining principal obligation was \$2,785,175 and the interest obligation was \$1,710,410, due through 2031.

The College has four 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, 2014, the remaining principal obligation was \$12,956 and interest obligation was \$772, due through 2015. During the fiscal year 2011, the College entered into 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 \$249,583 for computer hardware and software. At June 30, 2014, the remaining principal obligation was \$65,952 and interest obligation was \$3,289.74, 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, 2014, the remaining principal obligation was \$182,931 and the interest obligation was \$19,700 due through 2019.

Net Assets

Investment in capital assets increased \$548,013 in 2014, to a balance of \$8.894 million. This increase is primarily a result of a decrease in current and noncurrent liabilities.

Restricted net assets for debt service increased by \$98,834 for the year ended June 30, 2014. These net assets are comprised of cash and cash equivalents with restrictions for debt service funds. Restricted net assets for grant funds decreased by \$34,818 which is a result of a decrease in cash and grant receivables.

Unrestricted net assets include net assets other than restricted assets and capital assets. Unrestricted net assets decreased by \$1,437,577 to \$2.8 million at June 30, 2014 mainly due to a decrease in cash.

Net Position

| Net Position | Fiscal Year 2014 | Fiscal Year 2013 | Net Change |
|---------------------------------|---------------------|---------------------|----------------|
| Invested in capital assets, net | \$ 8,893,931 | \$ 8,345,917 | \$ 548,014 |
| Restricted for loans | \$ - | \$ - | \$ 0 |
| Restricted for capital projects | \$ - | \$ - | \$ 0 |
| Restricted for debt service | \$ 438,512 | \$ 334,678 | \$ 103,834 |
| Restricted for Grant funds | \$ 1,178,748 | \$ 1,213,566 | \$ 34,818 |
| Unrestricted | \$ 2,772,202 | \$ 4,209,780 | \$ (1,437,578) |

Economic Outlook

During fiscal year 2003, the College, as well as most state agencies of Oklahoma, began receiving reductions in state appropriations. During fiscal years 2003 through 2005, the College's reductions in state appropriations amounted to approximately \$983,000. The declining trend reversed with the beginning of 2006, as the College received a 1.4 million increase in state appropriations over the next four years (2006 through 2009). In 2010 after numerous monthly reductions the College's final state appropriation amount including Federal ARRA Stimulus Funds was reduced by \$83,255. In 2011 the College's final state appropriation when combined with Federal ARRA stimulus was decreased by \$9,252. In 2012, the College's state appropriation was decreased again by \$393,569. There were no ARRA funds for 2012. Tuition and fee increases were approximately 5% per credit hour in both fiscal years 2006 and 2007, 7.8% in 2008, 9.9% in 2009, 0% in 2010, 5.5% in 2011, and 7% in 2012 helped to offset this net decrease in state appropriations and the dramatic increase of mandatory expenses over the past several fiscal years. In FY 2013 the rate was for tuition and fees were \$400 and in FY 2014 rates increased slightly to \$ 500.

Given the overall reductions in state appropriations and the related impact on the current budget base, the College continued to develop scenarios to hold down costs while preserving the ability to deliver quality instructional programs to its students. The College is anticipating no change in fiscal year 2014. While the state appropriated dollars have declined the last several years, our student numbers were rising. These increases in Student credit hours up to this point have enabled the college to minimize the impact of our budget cuts on departmental budgets. The college is hopeful that Spring 2015 enrollment will rebound so that our upward trend will continue. The Economic forecast for 2016 is mixed at this time. The College is trying to safeguard its reserves so that if needed it will be available in the upcoming years. However, the college is continuing to look for ways to effectively allocate resources while supporting 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
A Component Unit of the State of Oklahoma
Statements of Net Position
June 30, 2014

| | Eastern Oklahoma State College | Eastern Oklahoma State College Development Foundation |
|--|--------------------------------------|---|
| Assets | | |
| <i>Current Assets</i> | | |
| Cash and cash equivalents | \$ 3,884,677 | \$ 492,394 |
| Restricted investments | 723,757 | 3,409,657 |
| Accounts receivable, net of allowance for doubtful accounts | 313,517 | 1,495 |
| Federal and state grants receivable | 454,991 | — |
| Prepaid expenses | 46,406 | — |
| Total Current Assets | <u>5,423,348</u> | <u>3,903,546</u> |
| <i>Noncurrent Assets</i> | | |
| Restricted investments | 339,739 | — |
| Perkins Loans | 98,807 | — |
| Capital assets, net of accumulated depreciation | 24,987,017 | — |
| Total Noncurrent Assets | <u>25,425,563</u> | <u>—</u> |
| Total Assets | <u>30,848,911</u> | <u>3,903,546</u> |
| Deferred Outflows | | |
| Deferred cost on lease restructuring | 235,678 | — |
| Total Deferred Outflows | <u>235,678</u> | <u>—</u> |
| Liabilities | | |
| <i>Current Liabilities</i> | | |
| Accounts payable | 527,767 | 1,235 |
| Accrued liabilities | 105,035 | — |
| Accrued interest | 31,923 | — |
| Accrued compensated absences | 178,543 | — |
| Unearned revenue | 180,998 | — |
| Deposits held in custody for others | 86,576 | — |
| Current portion of long-term debt | 1,451,383 | — |
| Total Current Liabilities | <u>2,562,225</u> | <u>1,235</u> |
| <i>Noncurrent Liabilities, net of current portion</i> | | |
| Accrued compensated absences | 150,988 | — |
| Long-term debt | 14,877,415 | — |
| Total Noncurrent Liabilities | <u>15,028,403</u> | <u>—</u> |
| Total Liabilities | <u>17,590,628</u> | <u>1,235</u> |
| Deferred Inflows | | |
| Deferred gain on lease restructuring | 210,568 | — |
| Total Deferred Inflows | <u>210,568</u> | <u>—</u> |
| Net Position | | |
| Net, investments in capital assets | 8,893,931 | — |
| Nonexpendable for Scholarships | — | 1,980,613 |
| Restricted expendable for | — | — |
| Debt service | 438,512 | — |
| Scholarships | — | 1,914,137 |
| Grants | 1,178,748 | — |
| Unrestricted | <u>2,772,202</u> | <u>7,561</u> |
| Total Net Position | <u>\$ 13,283,393</u> | <u>\$ 3,902,311</u> |



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2014

| | Eastern Oklahoma State College | Eastern Oklahoma State College Development Foundation |
|--|--------------------------------------|---|
| Operating Revenues | | |
| Tuition and fees, net | \$ 2,376,038 | — |
| Federal grants and contracts | 3,017,229 | — |
| State and private grants and contracts | 1,373,276 | — |
| Sales and services of auxiliary enterprise, net | 938,729 | — |
| Other operating revenues | <u>(17,325)</u> | <u>104,646</u> |
| Total Operating Revenues | <u>7,687,945</u> | <u>104,646</u> |
| Operating Expenses | | |
| Compensation and benefits | 11,428,546 | — |
| Contractual services | 2,074,025 | — |
| Supplies and materials | 2,361,628 | — |
| Scholarships and fellowships | 2,394,298 | 214,642 |
| Communications | 136,440 | — |
| Depreciation | 1,268,085 | — |
| Utilities | 628,336 | — |
| Support to University | — | 130,070 |
| Other | <u>584,241</u> | <u>127,742</u> |
| Total Operating Expenses | <u>20,875,599</u> | <u>472,454</u> |
| Operating Loss | <u>(13,187,654)</u> | <u>(367,808)</u> |
| Non-operating Revenues (Expenses) | | |
| State appropriations | 6,686,987 | — |
| Federal and state grants | 4,925,994 | — |
| Contributions & other receipts | — | 217,511 |
| OTRS on-behalf contributions | 535,000 | — |
| Investment income | 51,203 | 429,975 |
| Interest on capital asset-related debt | <u>(999,446)</u> | <u>—</u> |
| Net Non-operating Revenues | <u>11,199,738</u> | <u>647,486</u> |
| Income Before Other Revenues, Expenses, Gains, Losses and Transfers | <u>(1,987,916)</u> | <u>279,678</u> |
| State appropriations restricted for capital purposes | 436,941 | — |
| OCIA on-behalf state appropriations | <u>720,427</u> | <u>—</u> |
| Net Increase in Net Position | <u>(830,548)</u> | <u>279,678</u> |
| Net Position, Beginning of Year | <u>14,113,941</u> | <u>3,622,633</u> |
| Net Position, at End of Year | <u>\$ 13,283,393</u> | <u>\$ 3,902,311</u> |



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
Year Ended June 30, 2014

| | Eastern Oklahoma State College | Eastern Oklahoma State College Development Foundation |
|---|--------------------------------------|---|
| Cash Flows from Operating Activities | | |
| Tuition and fees | \$ 2,617,310 | — |
| Grants and contracts | 1,052,171 | — |
| Auxiliary enterprises sales and services | 1,540,531 | — |
| Payments to suppliers | (9,715,509) | (374,614) |
| Payments to employees | (11,240,623) | — |
| Other operating receipts | 1,158,267 | 44,646 |
| Net Cash Used in Operating Activities | <u>(14,587,853)</u> | <u>(329,968)</u> |
| Cash Flows from Non-capital Financing Activities | | |
| State appropriations | 6,062,085 | — |
| Non-operating grants | 6,465,970 | — |
| Contributions & other receipts | — | 217,511 |
| Net Cash Provided by Noncapital Financing Activities | <u>12,528,055</u> | <u>217,511</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Purchases of capital assets | (2,789,791) | — |
| Receipts from OCIA & ODFA for capital purchases | 870,687 | — |
| Principal paid on capital leases and bonds | (180,038) | — |
| Interest paid on capital leases and bonds | (301,512) | — |
| Purchase of investments | — | (17,021) |
| Proceeds from sale of investments | — | 123,044 |
| Receipts from College | — | — |
| Capital appropriations - state | 436,941 | — |
| Net Cash used in capital and related financing activities | <u>(1,963,713)</u> | <u>106,023</u> |
| Cash Flows from Investing Activities | | |
| Interest received on investments | 92,350 | 18,972 |
| Net Cash Provided by Investing Activities | <u>92,350</u> | <u>18,972</u> |
| Net Increase in Cash and Cash Equivalents | (3,931,161) | 12,538 |
| Cash and Cash Equivalents, Beginning of Year | <u>15,247,504</u> | <u>479,856</u> |
| Cash and Cash Equivalents, End of Year | <u>\$11,316,343</u> | <u>\$ 492,394</u> |



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
Year Ended June 30, 2014

(Continued)

| | Eastern Oklahoma State College | Eastern Oklahoma State College Development Foundation |
|---|--------------------------------------|---|
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities | | |
| Operating loss | \$ (15,784,850) | \$ (367,808) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation expense | 1,030,459 | — |
| Net loss on disposal of fixed assets | 69,958 | — |
| Provision for loan losses | — | 37,225 |
| State of Oklahoma on-behalf contributions to teachers' retirement system | 619,000 | — |
| Changes in net assets and liabilities | | |
| Student accounts receivables | 47,776 | — |
| Other receivables | (776,870) | — |
| Other assets | (2,654) | — |
| Prepaid expenses | (106,323) | — |
| Accounts payable and other accrued liabilities | 94,673 | 615 |
| Deferred revenue | 140,204 | — |
| Room deposits payable | (32,184) | — |
| Compensated absences | 112,958 | — |
| Net Cash Used in Operating Activities | <u>\$ (14,587,853)</u> | <u>\$ (329,968)</u> |
| Noncash Investing, Noncapital Financing and Capital and Related Financing Activities | | |
| Principal and interest on capital debt paid by state agency on behalf of the College | <u>\$ 800,069</u> | <u>\$ —</u> |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 11,117,110 | \$ 429,394 |
| Noncurrent assets | | |
| Restricted cash and cash equivalents | <u>199,233</u> | <u>—</u> |
| | <u>\$ 11,316,343</u> | <u>\$ 429,394</u> |



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Eastern Oklahoma State College (the "College") is a two-year, state supported College operating under the jurisdiction of the Board of Regents of Eastern Oklahoma State College (the Board of Regents) and the Oklahoma State Regents for Higher Education. The College is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State of Oklahoma. The College has two primary campuses located in Wilburton and in McAlester.

Reporting Entity

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

The Eastern Oklahoma State College Foundation, Inc. (the "Foundation") is reported as legally separate, tax-exempt component unit of the College. The Foundation is organized for the purpose of receiving and administering gifts intended for the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Cash Equivalents

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

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 statement of net position.

Deposits and Investments

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

Accounts Receivable and Other Receivables

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



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Cash and Investments

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

Capital assets

Capital assets are stated at cost, or fair value if acquired by gift, less accumulated depreciation. For equipment, the College's capitalization policy includes all items with a unit cost of \$500 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense occurs. Livestock is stated at fair market value. Library books and livestock are not depreciated.

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

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

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

Unearned Revenues

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

Compensated Absences

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

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 and other liabilities that will not be paid within the next fiscal year.



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Net Assets

The College's net position is classified as follows:

Invested in capital assets, net of related debt

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

Restricted net position – expendable

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

Restricted net position – nonexpendable

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

Unrestricted net position

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

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

Income Taxes

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



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

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

Subsequent Events

Subsequent events have been evaluated through October 30, 2014, 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:



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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

The College requires that balances on deposit with financial institutions be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the College's name.

The carrying amount and related bank balances of the College's deposits was \$3,884,677 and \$4,640,385, respectively, at June 30, 2014.

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the State Treasurer. Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* total \$1,625,988 at June 30, 2014.

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

| <u>OK INVEST Portfolio</u> | <u>Cost</u> | <u>Market Value</u> |
|-----------------------------------|---------------------|---------------------|
| U.S. Agency securities | \$ 737,114 | \$ 735,681 |
| Money market mutual funds | 77,570 | 77,570 |
| Certificates of deposit | 33,809 | 33,809 |
| Tri-party repurchase agreements | 41,705 | 41,705 |
| Mortgage backed agency securities | 660,007 | 673,626 |
| Municipal bonds | 24,648 | 27,298 |
| Foreign bonds | 12,621 | 12,621 |
| U.S. Treasury Obligations | 19,128 | 23,678 |
| TOTAL | <u>\$ 1,606,602</u> | <u>\$ 1,625,988</u> |



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. OK INVEST maintains an overall weighted average maturity of less than 270 days.

Participants in OK INVEST maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that OK INVEST will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law.

Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in OK INVEST is not insured or guaranteed by the State, the FDIC or any other government agency.

Investments

Investments are recorded at fair value, as determined by quoted market prices. At June 30, 2014, the College had recorded a restricted investment of \$339,739 on the statement of net assets. These investments are in U. S. Treasury securities or U.S. Treasury funds.

Investments in the State Treasurer's Internal Investment Pool are classified as cash equivalents in the accompanying statement of net assets. The underlying collateral for amounts invested with the State Treasurer's internal investment pool are U.S. Treasury obligations, U.S. Agency obligations, and Tri-Party repurchase agreements.



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 2: Deposits and Investments (Continued)

Interest Rate Risk

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

Concentration of Credit Risk

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

Note 3: Accounts Receivable

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

| | |
|---------------------------------------|--------------------|
| Student tuition and fees | \$ 2,605,572 |
| Less: Allowance for doubtful accounts | <u>(2,292,055)</u> |
| Net accounts receivable | <u>\$ 313,517</u> |

Note 4: Loans Receivable

Student loans made through the Federal Perkins Loan Program (the Program) comprise all of the loans receivable at June 30, 2014. There were no federal or institutional contributions to the program during 2014. 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 \$101,000 at June 30, 2014.



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 5: Capital Assets

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|--------------------|------------------|---------------------------|
| Capital Assets not being depreciated: | | | | | |
| Land | \$ 1,238,008 | \$ - | \$ - | \$ - | \$ 1,238,008 |
| Livestock | 236,600 | 14,100 | - | - | 250,700 |
| Construction in progress | 5,370 | - | - | - | 5,370 |
| Total Capital Assets not being depreciated | <u>1,479,978</u> | <u>14,100</u> | <u>-</u> | <u>-</u> | <u>1,494,078</u> |
| Capital Assets being depreciated: | | | | | |
| Land Improvements | 2,356,830 | 73,387 | - | - | 2,430,217 |
| Buildings & Improvements | 29,056,717 | 61,365 | - | - | 29,118,082 |
| Equipment | 9,668,124 | 548,669 | - | - | 10,216,793 |
| Library materials | 990,263 | 8,929 | - | - | 999,192 |
| Infrastructure | 729,708 | 47,702 | - | - | 777,410 |
| Total Capital Assets being depreciated | <u>42,801,642</u> | <u>740,052</u> | <u>-</u> | <u>-</u> | <u>43,541,694</u> |
| Less: Accumulated Depreciation for: | | | | | |
| Land Improvements | (1,566,959) | (37,075) | - | - | (1,604,034) |
| Buildings & Improvements | (7,397,798) | (524,797) | - | - | (7,922,595) |
| Equipment | (8,240,767) | (688,741) | - | - | (8,929,508) |
| Library materials | (891,481) | (12,228) | - | - | (903,709) |
| Infrastructure | (683,665) | (5,244) | - | - | (688,909) |
| Total Accumulated Depreciation | <u>(18,780,670)</u> | <u>(1,268,085)</u> | <u>-</u> | <u>-</u> | <u>(20,048,755)</u> |
| Total Capital Assets being depreciation, net | <u>24,020,972</u> | <u>(528,033)</u> | <u>-</u> | <u>-</u> | <u>23,492,939</u> |
| Total Capital Assets | <u>25,500,950</u> | <u>(513,933)</u> | <u>-</u> | <u>-</u> | <u>24,987,017</u> |
| Capital Asset Summary | | | | | |
| Capital Assets not being depreciated | 1,479,978 | 14,100 | - | - | 1,494,078 |
| Capital Assets being depreciated | 42,801,642 | 740,052 | - | - | 43,541,694 |
| Total Capital Assets | <u>44,281,620</u> | <u>754,152</u> | <u>-</u> | <u>-</u> | <u>45,035,772</u> |
| Less: Accumulated Depreciation | <u>(18,780,670)</u> | <u>(1,268,085)</u> | <u>-</u> | <u>-</u> | <u>(20,048,755)</u> |
| Total Capital Assets, net | <u>\$ 25,500,950</u> | <u>\$ (513,933)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 24,987,017</u> |



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 6: Long-Term Liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|------------------------------------|--------------------------|-------------------------|---------------------------|--------------------------|-------------------------|
| Capital Lease Obligations: | | | | | |
| OCIA Series 1999A/2004A | \$ 418,553 | \$ - | \$ (59,181) | \$ 359,372 | \$ 62,317 |
| OCIA Series 2005F | 4,828,721 | - | (4,309,477) | 519,244 | 253,549 |
| OCIA Series 2010A | 1,908,844 | - | - | 1,908,844 | - |
| OCIA Series 2010B | 709,023 | - | - | 709,023 | 413,165 |
| OCIA Series 2014A | - | 3,853,603 | - | 3,853,603 | - |
| ODFA Master Lease 2005A | 2,043,750 | - | (135,417) | 1,908,333 | 140,833 |
| ODFA Master Lease 2010A | 336,000 | - | (24,083) | 311,917 | 25,083 |
| ODFA Master Lease 2011A | 5,046,583 | - | (232,166) | 4,814,417 | 223,417 |
| | <u>15,291,474</u> | <u>3,853,603</u> | <u>(4,760,324)</u> | <u>14,384,753</u> | <u>1,118,364</u> |
| Other Long Term Debt | | | | | |
| 1997 Revenue Bonds | 480,000 | - | (130,000) | 350,000 | 115,000 |
| 2004 Revenue Bonds | 1,395,000 | - | (100,000) | 1,295,000 | 105,000 |
| Other capital leases | 372,832 | - | (111,130) | 261,702 | 113,019 |
| Bond premium | 39,540 | - | (2,197) | 37,343 | - |
| Compensated absences | 319,476 | 185,767 | (175,712) | 329,531 | 178,543 |
| | <u>2,606,848</u> | <u>185,767</u> | <u>(519,039)</u> | <u>2,273,576</u> | <u>511,562</u> |
| Total Long-term Liabilities | <u><u>17,898,322</u></u> | <u><u>4,039,370</u></u> | <u><u>(5,279,363)</u></u> | <u><u>16,658,329</u></u> | <u><u>1,629,926</u></u> |

Capital Lease Obligations

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. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. Lease principal and interest payments to OCIA, totaling \$81,901 during the year ended June 30, 2014, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses and changes in net assets.



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately \$7,671,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA for capital improvements being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 25 years. Lease principal and interest payments to OCIA totaling \$242,219 during the year ended June 30, 2014, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses and changes in net assets.

In 2011, the OCIA issued Bond Series 2010A and 2010B to partially refund the Series 2005F Revenue Bonds. The advance partial refunding was to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service. As a result, the total liability of the remaining 2005F bonds combined with the new 2010A and 2010B bond issues will be more than the original outstanding liability for the 2005F bonds. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring that has been recorded as a charge of \$706,629 on restructuring as a deferred cost that will be amortized over a period of 6 years, beginning in fiscal year 2012. The unamortized amount of the deferred lease restructuring cost at June 30, 2014 was \$235,678. Lease principal and interest payments to OCIA totaling \$98,938 during the year ended June 30, 2014, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses and changes in net assets.

In 2014, the OCIA issued bond series 2014A that refunded a significant portion of the 2005F bonds. Consequently, the amortization of the 2005F bond issue will end in 2016. The lease agreement will no longer secure the 2005F bond issue but will now act as security for the 2014A bond issue over the term of the lease through the year 2031. This lease restructuring has resulted in a gain on restructuring that has been recorded as a gain of \$213,841 on restructuring as a deferred inflow of resources that will be amortized over a period of 18 years. The unamortized amount of the deferred lease restructuring gain at June 30, 2014 was \$210,568. Lease principal and interest payments to OCIA totaling \$297,369 during the year ended June 30, 2014, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses and changes in net assets.



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

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

| | <u>Building</u> | <u>Equipment</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|-------------------|
| Cost | \$ 301,215 | \$ - | \$ 301,215 |
| Less: accumulated depreciation | 22,957 | - | 22,957 |
| | <u>\$ 278,258</u> | <u>\$ -</u> | <u>\$ 278,258</u> |

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

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------|---------------------|---------------------|---------------------|
| Years Ending June 30: | | | |
| 2015 | \$ 729,031 | \$ 320,909 | \$ 1,049,940 |
| 2016 | 1,011,624 | 290,884 | 1,302,508 |
| 2017 | 467,928 | 264,864 | 732,792 |
| 2018 | 765,550 | 244,330 | 1,009,880 |
| 2019 | 780,168 | 209,205 | 989,373 |
| 2020-2024 | 1,057,877 | 804,648 | 1,862,525 |
| 2025-2029 | 2,063,866 | 423,246 | 2,487,112 |
| 2030-2034 | <u>474,042</u> | <u>23,418</u> | <u>497,460</u> |
| Total | <u>\$ 7,350,086</u> | <u>\$ 2,581,504</u> | <u>\$ 9,931,590</u> |

Oklahoma Development Finance Authority Lease Obligations

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



Eastern Oklahoma State College
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Notes to Financial Statements
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Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Development Finance Authority Lease Obligations (Continued)

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. Lease principal and interest payments to ODFA totaling \$219,511 during the year ended June 30, 2014.

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 remodeled apartments on the College's campus.

The lease agreement with ODFA provides for monthly payments to ODFA ranging from \$2,793 to \$3,177 for 15 years through May 15, 2025, or until the ODFA bonds and related interest are paid. The monthly lease payments are funded through additional apartment rent realized after the project was completed. Lease principal and interest payments to ODFA totaling \$33,462 during the year ended June 30, 2014.

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
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Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Development Finance Authority Lease Obligations (Continued)

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. Lease principal and interest payments to ODFA totaling \$432,543 during the year ended June 30, 2014.

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

| | Building | Equipment | Total |
|--------------------------------|--------------------|------------------|---------------------|
| Cost | \$4,866,914 | \$ 50,000 | \$ 4,916,914 |
| Less: accumulated depreciation | (135,422) | (30,000) | (165,422) |
| | <u>\$4,731,492</u> | <u>\$ 20,000</u> | <u>\$ 4,916,914</u> |

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

| | Principal | Interest | Total |
|-----------------------|---------------------|---------------------|---------------------|
| Years Ending June 30: | | | |
| 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 | 444,333 | 227,962 | 672,295 |
| 2020-2024 | 2,502,333 | 855,266 | 3,357,599 |
| 2025-2029 | 1,791,334 | 364,492 | 2,155,826 |
| 2030-2034 | <u>657,084</u> | <u>44,006</u> | <u>701,090</u> |
| Total | <u>\$ 7,034,667</u> | <u>\$ 2,538,916</u> | <u>\$ 9,573,583</u> |



Eastern Oklahoma State College
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Notes to Financial Statements
June 30, 2014

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (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 \$350,000 at June 30, 2014. 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 \$130,000 and \$29,280 in related principal and interest on these bonds during 2014, 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 \$1,295,000 at June 30, 2014. 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 \$100,000 and \$59,415 in related principal and interest on these bonds during 2014, respectively.

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

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|---------------------|-------------------|---------------------|
| 2015 | 220,000 | 77,026 | 297,026 |
| 2016 | 235,000 | 65,584 | 300,584 |
| 2017 | 225,000 | 53,937 | 278,937 |
| 2018 | 120,000 | 42,085 | 162,085 |
| 2019 | 125,000 | 37,165 | 162,165 |
| 2020-2024 | <u>720,000</u> | <u>99,458</u> | <u>819,458</u> |
| | <u>\$ 1,645,000</u> | <u>\$ 375,255</u> | <u>\$ 2,020,255</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).



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Notes to Financial Statements
June 30, 2014

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Other Capital Leases

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 2014, the College made \$15,356 and \$1,508 in principal and interest payments, respectively.

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 2014, the College made \$62,819 and \$6,423 in principal and interest payments, respectively.

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 2014, the College made \$32,956 and \$7,564 in principal and interest payments, respectively.

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

| | Equipment |
|--------------------------------|------------|
| Cost | \$ 571,533 |
| Less: accumulated depreciation | (74,618) |
| | \$ 496,915 |



Eastern Oklahoma State College
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Notes to Financial Statements
June 30, 2014

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Other Capital Leases (Continued)

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

| Years Ending June 30: | Principal | Interest | Total |
|-----------------------|-------------------|------------------|-------------------|
| 2015 | \$ 113,019 | \$ 10,471 | \$ 123,490 |
| 2016 | 35,306 | 5,214 | 40,520 |
| 2017 | 36,543 | 3,977 | 40,520 |
| 2018 | 37,823 | 2,697 | 40,520 |
| 2019 | 39,011 | 1,372 | 40,383 |
| Total | <u>\$ 261,702</u> | <u>\$ 23,731</u> | <u>\$ 285,433</u> |

Note 7: Retirement Plans

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.

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.



Eastern Oklahoma State College
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Notes to Financial Statements
June 30, 2014

Note 7: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (Continued)

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 2012, 2011 and 2010 was 9.5%. The College's contribution to OTRS for the years ended June 30, 2014, 2013 and 2012 was approximately \$1,428,000, \$1,475,000 and \$1,396,000 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 2014, was approximately \$535,000, and is recognized in revenues and expenses

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.



Eastern Oklahoma State College
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Notes to Financial Statements
June 30, 2014

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 entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in exchange for scholarships to College students totaling approximately \$215,000 for the year ended June 30, 2014.

Note 9: Commitments and Contingencies

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

Through June 30, 2010, the College participated in the Federal Family Education Loan Program (the "FFEL Program"), which included the Federal Stafford Loan Program and Federal Parents Loans for Undergraduate Students Program. The FFEL Program did not require the College to draw down cash; however, the College was required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may have required the College to reimburse the loan guarantee agencies.

In July 2011, the College began participating in the Federal Direct Student Loan Program (Direct Lending Program). For the year ended June 30, 2014, approximately \$3,493,000 of Direct Lending Program loans was provided to College students.

During the year ended June 30, 2014, the U.S. Department of Education (ED) began a program review of the College's compliance with Student Financial Aid grant requirements. While ED has issued a preliminary report, to which the College has responded, a final determination letter has not been issued.

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits to claims against the College at June 30, 2014, that management believes would result in a material loss to the College in the event of an adverse outcome.



Eastern Oklahoma State College
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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
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: Eastern Oklahoma State College Foundation, Inc.

Note 1: Summary of Significant Accounting Policies

Organization

Eastern Oklahoma State College Foundation, Inc. (the Foundation) is a nonprofit organization incorporated in the State of Oklahoma in 1979 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.

Eastern Oklahoma State College Foundation Student Housing, LLC (Student Housing) is a nonprofit limited liability organization organized in August 2003 for the sole purpose of constructing and financing housing facilities for the benefit of the College. The sole member of Student Housing is the Foundation. The College manages, collects revenues and pays all expenses of the Student Housing, including debt service expenditures. In addition, the revenues and expenses of the housing project are recorded in the accounting records of the College. Due to the fact that the Student Housing is not controlled by the Foundation, it is not consolidated in these financial statements.

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.



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: Eastern Oklahoma State College Foundation, Inc. (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 \$213,262 as of June 30, 2014 were held in financial institutions.

Investments

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

Tax Status

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

Property and Equipment

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

Allocated Expenses

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



Eastern Oklahoma State College
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Notes to Financial Statements
June 30, 2014

Note 11: Eastern Oklahoma State College Foundation, Inc. (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

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

Management Estimates

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

Subsequent Events

Subsequent events have been evaluated through October 30, 2014, which is the date the financial statements were issued.

The Foundation maintains several bank accounts. The table below is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured at June 30, 2014. FDIC regulations state time and savings accounts are insured up to a \$250,000 maximum.

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

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

Category 3 – Uninsured and uncollateralized.



Eastern Oklahoma State College
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Notes to Financial Statements
June 30, 2014

Note 11: Eastern Oklahoma State College Foundation, Inc. (Continued)

Note 2: Cash and Cash Equivalents

| <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, 2014 | | | | | |
| Demand Deposits | \$ 290,890 | \$ 301,396 | \$ 301,396 | \$ — | \$ — |
| Certificates of Deposits | 201,504 | 148,899 | \$ 148,899 | \$ — | \$ — |
| Totals | <u>\$ 492,394</u> | <u>\$ 450,295</u> | <u>\$ 450,295</u> | <u>\$ —</u> | <u>\$ —</u> |

Note 3: Investments

Investment income consists of the following:

| | <u>2014</u> |
|------------------------------|-------------------|
| Interest and dividend income | \$ 55,852 |
| Realized gains and losses | 180,289 |
| Unrealized gains and losses | <u>193,834</u> |
| | <u>\$ 429,975</u> |

Investments consist of the following at June 30, 2014:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Carrying Value</u> |
|--------------------------|---------------------|---------------------|-----------------------|
| Pooled Investment Funds | \$ 2,882,462 | \$ 3,409,657 | \$ 3,409,657 |
| Total Investments | <u>\$ 2,882,462</u> | <u>\$ 3,409,657</u> | <u>\$ 3,409,657</u> |

Note 4: 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.



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: Eastern Oklahoma State College Foundation, Inc. (Continued)

Note 4: Fair Value Measurements (Continued)

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

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

Pledges and Accounts Receivable: The carrying 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
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Notes to Financial Statements
June 30, 2014

Note 11: Eastern Oklahoma State College Foundation, Inc. (Continued)

Note 4: 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, 2014.

| | As of June 30, 2014 | | | Total |
|-------------------------|---------------------|-------------|-------------|--------------------|
| | Level 1 | Level 2 | Level 3 | |
| Pooled Investment Funds | <u>\$3,409,657</u> | <u>—</u> | <u>—</u> | <u>\$3,409,657</u> |
| Total Investments | <u>\$3,409,657</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$3,409,657</u> |

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.

Note 5: 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.



Eastern Oklahoma State College
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Notes to Financial Statements
June 30, 2014

Note 11: Eastern Oklahoma State College Foundation, Inc. (Continued)

Note 6: 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:

- (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.



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 11: Eastern Oklahoma State College Foundation, Inc. (Continued)

Note 6: Endowments (Continued)

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

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year amounts necessary to fund donor-designated uses. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|
| Donor-restricted endowment funds | \$ — | \$ 1,914,137 | \$ 1,914,137 |
| Board-designated endowment funds | — | — | — |
| Total endowment funds | <u>\$ —</u> | <u>\$ 1,914,137</u> | <u>\$ 1,914,137</u> |

Changes in Endowment Net Assets for the year ending June 30, 2014:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|
| Endowment net assets - beginning | \$ — | \$ 1,738,644 | \$ 1,950,248 |
| Investment return | | 255,738 | — |
| Other income | | 45,276 | 30,365 |
| Contributions | | 185,450 | — |
| Appropriations for expenditure | — | (310,971) | — |
| Total endowment funds | <u>\$ —</u> | <u>\$ 1,914,137</u> | <u>\$ 1,980,613</u> |





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

Board of Regents
Eastern Oklahoma State College
Wilburton, 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, 2014, 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 October 30, 2014.

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.

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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*.

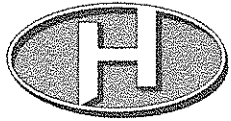
Purpose of this Report

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.

Hick & Company, PC

Tulsa, Oklahoma
October 30, 2014





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

Board of Regents
Eastern Oklahoma State College
Wilburton, 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, 2014. 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, 2014.

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

Hill & Company

Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

| <u>Federal Grantor/Pass Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Federal Expenditures</u> |
|---|------------------------|---------------------------------|
| U.S. Department of Education | | |
| Student Financial Aid Cluster | | |
| Federal Pell Grant Program | 84.063 | \$ 3,781,398 |
| Federal Direct Loan Program | 84.268 | 3,492,916 |
| Federal Supplemental Education Opportunity | 84.007 | 25,000 |
| Federal Family Education Loans | 84.032 | 13,000 |
| Federal Work Study Program | 84.033 | <u>109,933</u> |
| Total Student Financial Aid Cluster | | 7,422,247 |
| TRIO Program Cluster | | |
| Student Support Services | 84.042A | 286,612 |
| Gear Up for Success | 84.334A | 1,775,391 |
| Native American Serving Non-tribal Institutions | 84.031X | 547,959 |
| Oklahoma State Department of Vocational Education | | |
| Carl Perkins Vocational & Technical Funds | 84.048 | <u>22,638</u> |
| Total U.S. Department of Education | | <u>10,054,847</u> |
| U.S. Department of Labor | | |
| Pass-Through Program From: | | |
| State of Oklahoma Mine Health & Safety Administration | | |
| Mine Safety Grant | 17.600 | 237,310 |
| Oklahoma City Community College | | |
| OK Works Grant | 17.282 | <u>114,247</u> |
| Total U. S. Department of Labor | | <u>351,557</u> |
| Total Expenditures of Federal Awards | | <u>\$ 10,406,404</u> |



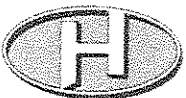
Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Note 1: Summary of Significant Accounting Policies

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

Note 2: Subrecipients

Eastern Oklahoma State College provided no federal awards to subrecipients.



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:
 Unmodified 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:
 Unmodified 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:

| Cluster/Program | CFDA Number |
|---|-------------|
| Student Financial Aid Cluster | |
| Federal Supplemental Education Opportunity Grants | 84.007 |
| Federal Direct Loan Program | 84.268 |
| Federal Work Study | 84.033 |
| Federal Pell Grant | 84.063 |
| Academic Competitiveness Grant | 84.375 |
| Gear Up for Success | 84.334A |



Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

(Continued)

Summary of Auditors' Results (Continued)

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

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

No Item Reportable.

