

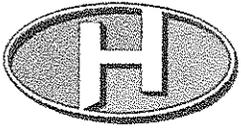
Murray State College
Financial Statements
with Independent Auditors' Reports
June 30, 2015



Murray State College
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June 30, 2015

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Independent Auditors' Report

Board of Regents
Murray State College
Tishomingo, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Murray State College as of and for the year ended June 30, 2015, the related notes to the financial statements, which collectively, comprise the Murray State College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of the Seminole State College as of June 30, 2015, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Seminole 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 26, 2015 on our consideration of the Murray 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 26, 2015



Management's Discussion and Analysis
Murray State College
For Year Ended June 30, 2015

OVERVIEW

The discussion and analysis of Murray State College's financial statements provides an overview of the financial activities for the year ended June 30, 2015. Since the management's discussion and analysis is designed to focus on current activities, resulting change and current known fact, it should be read in conjunction with the transmittal letters, the basic financial statements and the notes to the financial statements from the annual independent auditor's report. FY2014 financial data is provided in some cases along with FY2015 for comparison purposes.

During 2015, the College implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Due to the fact that complete prior year information was not available, the 2014 column in the basic financial statements and information presented in the MD&A have not been restated for comparative purposes.

As a whole, the financial position for Murray State College increased from operations for fiscal year ended June 2015 even though the overall net position decreased from FY14 to FY15 due to the implementation of GASB Statement No. 68.

USING THIS REPORT

In June 1999, the Government Accounting Standards Board (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 one-line look at the entity as a whole and capitalization of assets and 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 and its agencies adopted these standards early in preparation for the actual required date of fiscal year ending 2003. The GASB standards require several changes to the basic financial statements as well as the requirement for the recording of depreciation expense for fixed assets.

Report statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is consistent with the accounting used by private sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

FINANCIAL HIGHLIGHTS

The report that follows consists mainly of three basic financial statements:

1. **Statement of Net Position**
2. **Statement of Revenues, Expenses, and Changes in Net Position**
3. **Statement of Cash Flows**

The **Statement of Net Position, and, the Statement of Revenues, Expenses and Changes in Net Position** report information on the College as a whole and will reflect whether the institution is better off or worse off as a result of the year's activities. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses reflect the College's operating results. These two statements report the College's net position and changes in it.

Current assets represent resources that are available to meet current operational needs. Non-current assets represent resources that are not available to meet current obligations. Cash and investments designated for construction or other capital projects are included in this category. The major component of this category is the College's investment in property, buildings and equipment. The financial statements contain a summary of capital asset activity.

Liabilities are also separated into current and non-current classifications. Current liabilities are those obligations that are due within the current year and will be paid from current resources. Non-current liabilities are primarily made up of long-term debt. The financial statements provide detail related to Long-term liabilities.

Net Position – the difference between assets, deferred outflows, liabilities and deferred inflows – reflect one way to measure the institution's financial health, or financial position. Over time, increases or decreases in the net position is one indicator of whether financial health is improving or deteriorating. Other non-financial factors including freshman class size, student retention, programmatic offerings, etc. must be considered as well to assess the **overall** health of the institution.

The **Statement of Cash Flows** is another way to assess the financial health of an institution. The primary purpose of the statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess an entity's ability to generate future net cash flow, its ability to meet obligations as they come due and its need for external financing.

Statement of Net Position

Schedule A is prepared from the College's Statement of Net Position and summarizes the assets, deferred outflows, liabilities, deferred inflows and net position as of June 30. Comparative data for preceding years is provided.

Schedule A Condensed Statement of Net Position As of June 30, 2015 and 2014

	2015	2014 *
Current Assets	24,285,479	27,244,325
Non Current Assets		
Capital Assets, Net of Depreciation	22,658,479	20,275,769
Other	821,351	224,375
Total Assets	47,765,309	47,744,469
Deferred Outflows	1,477,256	364,803
Current Liabilities	2,537,920	3,227,976
Noncurrent Liabilities		
Compensated Absences	23,523	23,523
Net pension obligation	11,452,416	-
Lease Payable	17,813,776	19,132,949
Total Liabilities	31,827,635	22,384,448
Deferred Inflows	3,120,410	156,574
Net Position		
Net Investment in Capital Assets	12,685,753	11,507,886
Restricted	4,529,820	3,749,479
Unrestricted	(2,921,053)	10,310,885
Total Net Position	14,294,520	25,568,250

* prior year amounts not restated for MD&A purposes

Deferred outflows increased 305%, Deferred Inflows increased 1893%, and Net Pension Obligation increased 100% all due to the implementation of GASB No. 68 in regards to accounting for pensions. Unrestricted Net Position also decreased dramatically due to the implementation of GASB No. 68, including a prior period adjustment of \$13,915,747.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the College's results of operations for the year and the effect on net position. Operating revenues and expenses are generated from exchange transactions that arise in the course of normal activity for the organization. Tuition and fees, sales of services and merchandise, and similar transactions are considered operating revenues and all of the expenses required to provide these services are considered operating expenses. Nonoperating revenue and expenses are characterized as non-exchange and include such items as gifts and contributions, investment income or expense, Federal Pell grants, and most significantly, state appropriations.

Schedule B is prepared from the College's Statement of Revenues, Expenses and Changes in Net Position.

Schedule B Condensed Statement of Revenues, Expenses and Changes in Net Position As of June 30, 2015 and 2014

Operating Revenue	<u>2015</u>	<u>2014 *</u>
Tuition and Fees	3,178,275	2,753,886
Sales, service, and other revenue	1,551,668	1,248,159
Operating gifts, grants and contract	3,628,027	2,989,962
Total	<u>8,357,970</u>	<u>6,992,007</u>
Less Operating Expense	<u>(21,117,708)</u>	<u>(22,776,857)</u>
Net Operating Loss	<u>(12,759,738)</u>	<u>(15,784,850)</u>
Non Operating Revenue & Expense		
Governmental appropriations	6,550,004	6,499,026
On-behalf payment for OCIA Debt	1,069,448	800,069
On-behalf payment for OTRS	629,696	619,000
Interest Income	49,833	88,038
Interest Expense	(861,758)	(918,730)
Non Operating Grants	7,964,532	6,465,970
Total	<u>15,401,755</u>	<u>13,553,373</u>
Change in Net Assets	2,642,017	(2,231,477)
Net Assets, Beginning of Year (restated)	<u>11,652,503</u>	<u>27,799,727</u>
Net Assets, End of Year	<u>14,294,520</u>	<u>25,568,250</u>

* prior year amounts not restated for MD&A purposes

Tuition and fees and sales and service revenue increased during FY15 due to a increased credit hours and increased sales at the MoM stores. On-behalf payments for OCIA debt increased 34% due to additional principal and interest payments made on the College's behalf in FY15.

Schedule C is prepared from the College's Statement of Revenues, Expenses and Changes in Net Position.

**Schedule C
Operating Expenses Detail
As of June 30, 2015 and 2014**

Operating Expense	<u>2015</u>	<u>2014 *</u>
Salaries	8,466,866	9,056,289
Fringe Benefits	2,849,323	2,912,681
Professional Services	185,885	338,869
Contractual Services	1,109,635	1,008,361
Supplies & Materials	2,963,473	2,414,673
Travel	391,011	294,645
Miscellaneous	1,077,268	1,207,759
Communication	135,004	121,752
Scholarships & Student Aid	2,436,745	4,043,514
Utilities	394,984	347,855
Depreciation	1,107,514	1,030,459
Total	<u>21,117,708</u>	<u>22,776,857</u>

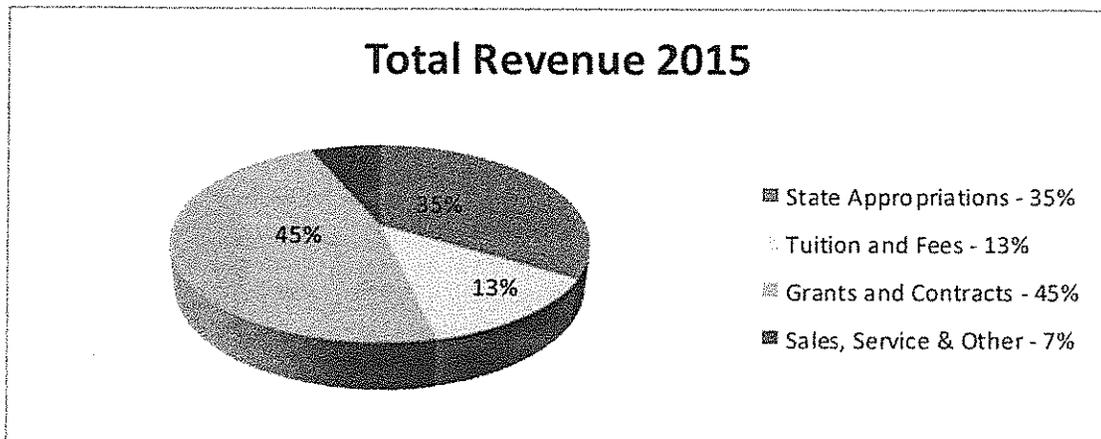
* prior year amounts not restated for MD&A purposes

Compensation expense decreased by 7% in FY15 due to the implementation of GASB No. 68 in regards to accounting for pensions.

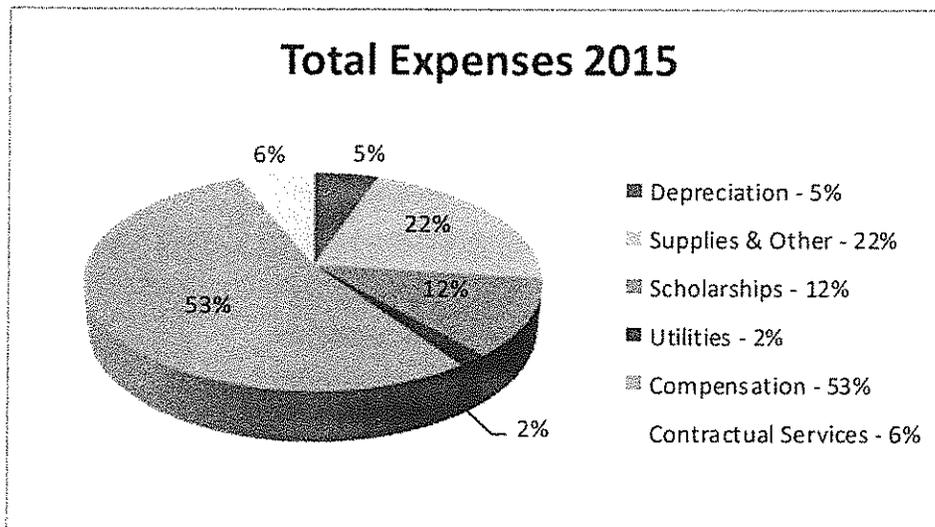
Revenues and Expenses

Revenues and Expenses impact total Net Position. Operating revenue which includes Tuition/Fees, Auxiliary operations, Gifts/Grants/Other Contracts plus non-operating revenue which includes state appropriations, on-behalf payments and interest less expenses will result in a change to total net position. As a result of increased operating revenue, Net Position at the end of the year increased by 2,642,017 from the previous year.

The following graph represents sources and percentages of revenue during the year.



The following graph represents sources and percentages of expenses during the year.



Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and distributions of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

Schedule D is a summary of the cash flows for the year compared to the previous year and is prepared from the Statement of Cash Flows.

Schedule D
Statement of Cash Flows
As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash provided (used) by		
Operating Activities	(12,612,508)	(14,587,853)
Non Capital Financing Activities	12,577,595	12,528,055
Capital and Related Financing	(1,005,738)	(1,963,713)
Investing Activities	50,003	92,350
Net Increase (Decrease) in Cash	(990,648)	(3,931,161)
Cash, Beginning of Year	11,316,343	15,247,504
Cash, End of Year	<u>10,325,695</u>	<u>11,316,343</u>

Capital Assets

At year end, the College had approximately \$38.4 million invested in capital assets, net of accumulated depreciation of more than \$15.7 million. Details of balances of capital assets are shown below in Schedule E.

Schedule E
Capital Assets, Net
As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Capital Assets		
Land	99,860	99,860
Land Improvements	84,344	59,541
Building	22,884,743	20,914,919
Equipment	8,658,217	8,085,466
Library Materials	244,367	249,673
Livestock	270,300	294,600
Infrastructure	1,353,959	1,353,959
Construction In Progress	4,789,093	3,836,641
Total	38,384,883	34,894,659
Less Accumulated Depreciation	(15,726,404)	(14,618,890)
Net Capital Assets	<u>22,658,479</u>	<u>20,275,769</u>

COMPONENT UNIT

The Murray State College Foundation is a nonprofit organization incorporated in the State of Oklahoma in 1979 to promote the education, scientific and benevolent purposes of Murray State College. It is considered a component unit of Murray State College and the financials are presented discreetly in the audit of the college. The Murray State College Foundation Student Housing LLC is a nonprofit limited liability organization organized in 2003. The sole member of the LLC is the Murray State College Foundation. The LLC was formed for the purpose of constructing student housing on property owned by Murray State College. The LLC financials are also presently discreetly as a component unit in the audit of the college.

ECONOMIC OUTLOOK

Even though the current financial position of Murray State College is positive, the economic position of all state agencies is closely tied to that of the State of Oklahoma. State appropriated funds make up a large portion of the Murray State College operating budget. Appropriation cuts in FY2003 totaled almost 10%; FY2004 cuts totaled 3%; FY2005 budget included the first increase in several years and allowed us to make some much overdue salary adjustments as well as fill a few critical positions that had been frozen for a period of time. The FY 2006 appropriation included an increase of 8% including a base increase of over \$300,000 as a result of being in the lower percentile of budget needs funded. FY 2007 budget appropriations provided funding necessary to cover anticipated mandatory cost increases. FY 2008 and FY 2009 funding increased only slightly with differences in revenue and expense offset by increases in tuition and fees. Mid-year reductions were made to state appropriations with the expectation funds would be replaced in the next fiscal year. FY 2010 funding decreased statewide by approximately 6% and was offset by allocation of federal stimulus funds. Stimulus funds allocated for FY 2010 totaled \$462,132. No tuition and fee increases were implemented for FY 2010 as a compromise between the legislative and state regents staff to hold budget reductions to a minimum so that tuition would not have to be increased for the year. As a result of this decision and appropriation of stimulus funds, Murray State received a net increase of 4.47% for operational expenses.

FY 2011 funding was reduced 2% which was less than other state agencies budgets were cut. Along with decreases in funding, federal stimulus monies were no longer available. FY 2012, 2013, 2014 & 2015 funding remained virtually unchanged. FY 2016 funding was cut by over 3%. Projections for FY 2017 and beyond are uncertain as the State's economy has seen both positive and negative years mostly depended upon the energy industry. Recovery will continue to be slow and extended over a period of several years.

ECONOMIC OUTLOOK – Continued

Projections for enrollment during the same period remain guarded. Historically, as the economy improves and the job market expands, community colleges suffer decreases in enrollment. The College continues to use all resources available to ensure those changes are minimalized.

Mandatory costs including utility costs and insurance for property, tort and medical are escalating dramatically and will continue to have a big impact on current budgets and in the years to come. In addition, unfunded mandates such as Title IX requirements continue to place pressure on the College budget.

The current budgetary climate is challenging and the College is relying on the experience of our management team and our team approach to problem solving to meet these challenges. We believe that many of the actions that have been taken in the recent past and those planned for the future will help us weather the current crisis and result in a stronger more efficient and effective organization. We realize that serving our students and maintaining quality academic programs is dependent on receiving an adequate level of state and federal appropriations in the future and we plan to work diligently toward that objective.

Murray State College
Statements of Net Position
June 30, 2015

	Murray State College	Murray State College Development Foundation
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 10,029,486	\$ 158,782
Accounts receivable, net of allowance for doubtful accounts	533,517	1,500,000
Federal and state grants receivable	3,151,200	—
Pledges receivable	500,000	—
Other asset	120,748	865
Receivable from ODFA	9,123,238	—
Investments	—	3,977,080
Inventories	827,290	—
Total Current Assets	<u>24,285,479</u>	<u>5,636,727</u>
<i>Noncurrent Assets</i>		
Restricted cash and cash equivalents	296,209	—
Restricted investments	25,142	—
Pledges receivable	500,000	—
Capital assets, net of accumulated depreciation	22,658,479	3,017,952
Total Noncurrent Assets	<u>23,479,830</u>	<u>3,017,952</u>
Total Assets	<u>47,765,309</u>	<u>8,654,679</u>
Deferred Outflows		
Deferred cost on lease restructuring	182,402	—
Deferred amount related to pensions	1,294,854	—
Total deferred outflows	<u>1,477,256</u>	<u>—</u>
Liabilities		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	538,603	—
Accrued compensated absences	363,786	—
Unearned revenue	330,901	—
Room deposits payable	—	1,175
Current portion of long-term debt	1,304,630	57,659
Total Current Liabilities	<u>2,537,920</u>	<u>58,834</u>
<i>Noncurrent Liabilities, net of current portion</i>		
Accrued compensated absences	23,523	—
Net pension obligation	11,452,416	—
Long-term debt	17,813,776	3,593,738
Total Noncurrent Liabilities	<u>29,289,715</u>	<u>3,593,738</u>
Total Liabilities	<u>31,827,635</u>	<u>3,652,572</u>
Deferred Outflows		
Deferred gain on lease restructuring	159,960	—
Deferred amount related to pensions	2,960,450	—
Total deferred outflows	<u>3,120,410</u>	<u>—</u>
Net Position		
Net, investments in capital assets	12,685,753	(637,764)
Nonexpendable for Scholarships	—	1,723,863
Restricted expendable for	—	—
Scholarships	3,233,611	3,613,646
Capital projects	1,296,209	—
Unrestricted	(2,921,053)	302,362
Total Net Position	<u>\$ 14,294,520</u>	<u>\$ 5,002,107</u>



Murray State College
Statements of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015

	Murray State College	Murray State College Development Foundation
Operating Revenues		
Tuition and fees, net	\$ 3,178,275	\$ —
Federal grants and contracts	2,202,258	—
State and private grants and contracts	627,671	—
Sales and services of auxiliary enterprise, net	1,551,668	—
Other operating revenues	<u>798,098</u>	<u>15,019</u>
Total Operating Revenues	<u>8,357,970</u>	<u>15,019</u>
Operating Expenses		
Compensation and benefits	11,316,189	—
Contractual services	1,295,520	—
Supplies and materials	2,963,473	—
Scholarships and fellowships	2,436,745	181,856
Communications	135,004	—
Depreciation	1,107,514	109,268
Utilities	394,984	—
Travel	391,011	—
Other	<u>1,077,268</u>	<u>69,365</u>
Total Operating Expenses	<u>21,117,708</u>	<u>360,489</u>
Operating Loss	<u>(12,759,738)</u>	<u>(345,470)</u>
Non-operating Revenues (Expenses)		
State appropriations	6,113,063	—
Federal grants	4,771,157	—
State grants	1,693,375	—
Contributions & other receipts	—	387,344
OTRS on-behalf contributions	629,696	—
Investment income	49,833	143,152
Receipts from College	—	—
Interest on capital asset-related debt	<u>(861,758)</u>	<u>(162,165)</u>
Net Non-operating Revenues	<u>12,395,366</u>	<u>368,331</u>
Income Before Other Revenues, Expenses, Gains, Losses and Transfers	<u>(364,372)</u>	<u>22,861</u>
Capital contributions	1,500,000	—
State appropriations restricted for capital purposes	436,941	—
OCIA on-behalf state appropriations	<u>1,069,448</u>	<u>—</u>
Net Increase in Net Position	2,642,017	22,861
Net Position, Beginning of Year	<u>25,568,250</u>	<u>4,979,246</u>
Adjustment to Net Position for Adoption of New Accounting Principal	<u>(13,915,747)</u>	<u>—</u>
Net Position, Beginning of Year, Restated	<u>11,652,503</u>	<u>4,979,246</u>
Net Position, at End of Year	<u>\$ 14,294,520</u>	<u>\$ 5,002,107</u>



Murray State College
Statements of Cash Flows
Year Ended June 30, 2015

	Murray State College	Murray State College Development Foundation
Cash Flows from Operating Activities		
Tuition and fees	\$ 3,221,765	\$ —
Grants and contracts	3,168,743	—
Auxiliary enterprises sales and services	1,378,910	—
Payments to suppliers	(9,697,778)	(231,221)
Payments to employees	(11,479,290)	—
Other operating receipts	<u>795,142</u>	<u>15,019</u>
Net Cash Used in Operating Activities	<u>(12,612,508)</u>	<u>(216,202)</u>
Cash Flows from Non-capital Financing Activities		
State appropriations	6,113,063	—
Non-operating grants	6,464,532	—
Contributions & other receipts	<u>—</u>	<u>367,344</u>
Net Cash Provided by Noncapital Financing Activities	<u>12,577,595</u>	<u>367,344</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(3,355,211)	—
Receipts from OCIA & ODFa for capital purchases	2,274,155	—
Principal paid on capital leases and bonds	(323,630)	—
Interest paid on capital leases and bonds	(537,993)	(55,243)
Purchase of investments	—	(2,218,890)
Proceeds from sale of investments	—	1,849,902
Receipts from College	—	—
Capital contributions	500,000	—
Capital appropriations - state	<u>436,941</u>	<u>—</u>
Net Cash used in capital and related financing activities	<u>(1,005,738)</u>	<u>(424,231)</u>
Cash Flows from Investing Activities		
Interest received on investments	<u>50,003</u>	<u>217,662</u>
Net Cash Provided by Investing Activities	<u>50,003</u>	<u>217,662</u>
Net Increase (decrease) in Cash and Cash Equivalents	(990,648)	(55,427)
Cash and Cash Equivalents, Beginning of Year	<u>11,316,343</u>	<u>214,209</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,325,695</u>	<u>\$ 158,782</u>



Murray State College
Statements of Cash Flows
Year Ended June 30, 2015

(Continued)

	Murray State College	Murray State College Development Foundation
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (12,759,738)	\$ (345,470)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	1,107,514	109,268
Contribution in-kind	—	20,000
State of Oklahoma on-behalf contributions to teachers' retirement system	629,696	—
Changes in net assets and liabilities		
Student accounts receivables	(28,474)	—
Other receivables	338,814	—
Other assets	(2,956)	—
Deferred outflows related to pensions	25,700	—
Inventories	(210,487)	—
Accounts payable and other accrued liabilities	(790,921)	—
Unearned revenue	(100,794)	—
Deferred inflows related to pensions	2,960,450	—
Net pension obligation	(3,783,885)	—
Compensated absences	2,573	—
Net Cash Used in Operating Activities	\$ (12,612,508)	\$ (216,202)
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	\$ 1,069,448	\$ —
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Current assets		
Cash and cash equivalents	\$ 10,029,486	\$ —
Noncurrent assets		
Restricted cash and cash equivalents	296,209	—
	\$ 10,325,695	\$ —



Murray State College
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Murray State College (the "College") is a two-year, state supported college operating under the jurisdiction of the Board of Regents of Murray 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 campuses located in Tishomingo and in Ardmore at the Ardmore Higher Education Center.

Reporting Entity

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

The Murray State College Foundation, Inc. (the "Foundation") and Murray State College Foundation Student Housing, LLC (the "LLC") are reported as legally separate, tax-exempt component units 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 LLC is organized for the purpose of constructing and financing housing facilities for the benefit of the College. The sole member of the LLC is the Foundation. Separate financial statements of the Foundation and the LLC are presented at the end of this report.

The Foundation and the LLC are 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.



Murray State College
Notes to Financial Statements
June 30, 2015

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.

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.

Inventories

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

Accounts Receivable and Other Receivables

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



Murray State College
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Other Receivables (Continued)

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

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

Restricted Cash and Investments

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

Capital assets

Capital assets are stated at cost, or fair value if acquired by gift, less accumulated depreciation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 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, generally 40 years for buildings, infrastructure and improvements, 4 to 10 years for equipment.

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

Deferred Revenues

Deferred 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.

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.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Noncurrent Liabilities

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

Use of Estimates

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

Net 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 unrestricted resources, and then towards restricted resources.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

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

Classification of Revenues

The College has classified its revenues as either operating or 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, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) federal, state and local grants and contracts, and (4) interest on institutional student loans.

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.

Pensions

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



Murray State College
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments

Beginning net position was restated as of June 30, 2015 as follows:

	Fiscal Year 2015
Beginning net position, as previously reported	\$ 25,568,250
Implementation of GASB Statements 68 & 71	(14,371,957)
Beginning net positions, restated	\$ 11,196,293

Subsequent Events

Subsequent events have been evaluated through October 26, 2015, which is the date the financial statements were issued.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

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

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the 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 \$10,325,695 at June 30, 2015.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (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 \$4,323,715 at June 30, 2015.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents. At June 30, 2015, the distribution of deposits in *OK INVEST* was as follows:

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	\$ 1,735,888	\$ 1,734,010
Money market mutual funds	542,799	542,799
Certificates of deposit	87,477	87,477
Tri-party repurchase agreements	118,055	118,055
Mortgage backed agency securities	1,696,210	1,717,890
Municipal bonds	59,950	65,007
Foreign bonds	33,292	33,292
U.S. Treasury Obligations	50,044	60,075
	<u>\$ 4,323,715</u>	<u>\$ 4,358,605</u>

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.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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, 2015, the College had recorded a restricted investment of \$25,142 on the statement of net assets. This investment is a nonnegotiable certificate of deposit for an endowment fund on deposit at a local bank.

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.

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, 2015:

Student tuition and fees	\$ 2,938,386
Auxiliary enterprises and other operating activities	1,450,536
Total accounts receivable	<u>4,388,922</u>
Less: Allowance for doubtful accounts	<u>(3,855,405)</u>
Net accounts receivable	<u>\$ 533,517</u>



Murray State College
Notes to Financial Statements
June 30, 2015

Note 4: Other Assets

Other assets consist of the following at June 30, 2015:

Cash value of life insurance policy	\$ 120,748
Total other assets	\$ 120,748

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital Assets not being depreciated:					
Land	\$ 99,860	\$ -	\$ -	\$ -	\$ 99,860
Livestock	294,600	-	(24,300)	-	270,300
Library Books	249,673	9,569	(14,875)	-	244,367
Construction in progress	3,836,641	3,058,839	-	(2,106,387)	4,789,093
Total Capital Assets not being depreciated	4,480,774	3,068,408	(39,175)	(2,106,387)	5,403,620
Capital Assets being depreciated:					
Land Improvements	59,541	24,803	-	-	84,344
Equipment	8,085,466	297,557	-	275,194	8,658,217
Buildings & Improvements	20,914,919	138,631	-	1,831,193	22,884,743
Infrastructure	1,353,959	-	-	-	1,353,959
Total Capital Assets being depreciated	30,413,885	460,991	-	2,106,387	32,981,263
Less: Accumulated Depreciation for:					
Land Improvements	(7,101)	(4,115)	-	-	(11,216)
Equipment	(6,328,475)	(554,711)	-	-	(6,883,186)
Buildings & Improvements	(7,666,448)	(489,149)	-	-	(8,155,597)
Infrastructure	(616,866)	(59,539)	-	-	(676,405)
Total Accumulated Depreciation	(14,618,890)	(1,107,514)	-	-	(15,726,404)
Total Capital Assets being depreciation, net	15,794,995	(646,523)	-	2,106,387	17,254,859
Total Capital Assets	20,275,769	2,421,885	(39,175)	-	22,658,479
Capital Asset Summary					
Capital Assets not being depreciated	4,480,774	3,068,408	(39,175)	(2,106,387)	5,403,620
Capital Assets being depreciated	30,413,885	460,991	-	2,106,387	32,981,263
Total Capital Assets	34,894,659	3,529,399	(39,175)	-	38,384,883
Less: Accumulated Depreciation	(14,618,890)	(1,107,514)	-	-	(15,726,404)
Total Capital Assets, net	\$ 20,275,769	\$ 2,421,885	\$ (39,175)	\$ -	\$ 22,658,479



Murray State College
Notes to Financial Statements
June 30, 2015

Note 6: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Lease Obligations:					
OCIA Series 1999A/2004A	\$ 177,107	\$ -	\$ (177,107)	\$ -	\$ -
OCIA Series 2005F	712,639	-	(347,024)	365,615	365,615
OCIA Series 2010A	1,499,120	-	-	1,499,120	173,485
OCIA Series 2010B	972,606	-	(565,485)	407,121	407,121
OCIA Series 2014A	2,865,466	-	-	2,865,466	-
OCIA Series 2014B	-	161,252	-	161,252	28,302
ODFA Master Lease 2010A	2,131,833	-	(109,167)	2,022,666	101,167
ODFA Master Lease 2014A	5,935,000	-	(114,667)	5,820,333	108,333
ODFA Master Lease 2014C	6,006,462	-	(99,795)	5,906,667	117,500
	<u>20,300,233</u>	<u>161,252</u>	<u>(1,413,245)</u>	<u>19,048,240</u>	<u>1,301,523</u>
Other Liabilities					
Premium on Bonds					
ODFA Master Lease 2010A	20,295	-	(1,275)	19,020	1,275
ODFA Master Lease 2014A	46,626	-	(1,612)	45,014	1,612
ODFA Master Lease 2014C	6,351	-	(220)	6,131	220
Compensated absences	384,736	363,786	(361,213)	387,309	363,786
	<u>458,008</u>	<u>363,786</u>	<u>(364,320)</u>	<u>457,474</u>	<u>366,893</u>
Total Long-term Liabilities	<u>20,758,241</u>	<u>525,038</u>	<u>(1,777,565)</u>	<u>19,505,714</u>	<u>1,668,416</u>

Capital Lease Obligations

Oklahoma Capital Improvement Authority Lease Obligations

In 1999, the OCIA issued its OCIA Bond 1999 Series A, B and C. Of the total bond indebtedness, the State Regents allocated \$600,000 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 20 years. Lease principal and interest payments to OCIA totaling \$39,856 during the year ended June 30, 2013, 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.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. Consequently, the amortization of the 1999A bond issue ended in 2010. The lease agreement will no longer secure the 1999A bond issue but will now act as security for the 2004A bond issue over the term of the lease through the year 2020.

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 \$6,800,000 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.

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 \$1,094,409 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, 2015 was \$182,402.

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 \$159,008 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, 2015 was \$146,839.

In 2015, the OCIA issued bond series 2014B that refunded the 2004A bonds. The lease agreement will no longer secure the 2004A bond issue but will now act as security for the 2014B bond issue over the term of the lease through the year 2021. This lease restructuring has resulted in a gain on restructuring that has been recorded as a gain of \$15,855 on restructuring as a deferred inflow of resources that will be amortized over a period of 5 years. The unamortized amount of the deferred lease restructuring gain at June 30, 2015 was \$13,121.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

Lease principal and interest payments to OCIA totaling \$1,069,449 during the year ended June 30, 2015, 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.

Oklahoma Development Finance Authority Lease Obligations

In 2002, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2001C in the amount of \$113,000. Total lease payments over the term of the agreement, beginning January 25, 2002 through November 25, 2011, will be \$135,619. Payments were made monthly ranging from approximately \$1,100 to \$1,250. Proceeds from the obligation were used for various capital projects.

In 2011, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2010A in the amount of \$2,530,000. Total lease payments over the term of the agreement, beginning October 15, 2010 through May 15, 2030, will be \$3,497,613. Payments will be made monthly ranging from approximately \$14,800 to \$17,200. Proceeds from the obligation were used for various capital projects. A bond issuance premium of \$25,078 is being amortized over the term of the agreement.

In 2014, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2014A in the amount of \$5,985,000. Total lease payments over the term of the agreement, beginning March 15, 2014 through May 15, 2043, will be \$10,471,940. Payments will be made monthly ranging from approximately \$29,600 to \$31,600. Proceeds from the obligation are being used to construct the new Agriculture building. A bond issuance premium of \$47,163 is being amortized over the term of the agreement.

In 2014, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2014C in the amount of \$6,030,000. Total lease payments over the term of the agreement, beginning May 15, 2014 through May 15, 2043, will be \$10,194,276. Payments will be made monthly ranging from approximately \$26,600 to \$29,500. Proceeds from the obligation are being used to construct the new Nursing building. A bond issuance premium of \$6,388 is being amortized over the term of the agreement.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Development Finance Authority Lease Obligations

Future minimum lease payments under the College's obligations to the OCIA and ODFA for the year ended June 30, 2015, are as follows:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,301,524	\$ 845,950	\$ 2,147,474
2017	885,156	714,872	1,600,028
2018	918,385	687,588	1,605,973
2019	947,678	651,787	1,599,465
2020	435,863	613,527	1,049,390
2021-2025	3,028,079	2,782,417	5,810,496
2026-2030	4,211,236	2,052,382	6,263,618
2031-2035	2,629,739	1,282,486	3,912,225
2036-2040	2,782,667	764,848	3,547,515
2041-2043	<u>1,907,913</u>	<u>162,113</u>	<u>2,070,026</u>
Total	<u>\$ 19,048,240</u>	<u>\$ 10,557,970</u>	<u>\$ 29,606,210</u>

Note 7: Retirement Plans

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

Oklahoma Teachers' Retirement System

Plan Description

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



Murray State College
Notes to Financial Statements
June 30, 2015

Note 7: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (Continued)

Benefits Provided

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

Benefit provisions include:

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



Murray State College
Notes to Financial Statements
June 30, 2015

Note 7: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (Continued)

Benefits Provided (Continued)

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

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

Contributions

The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the College were \$1,320,554; which includes the employer pick-up of the employee contributions. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$629,696 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2015, the College reported a liability of \$11,452,416 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the College's proportion was 0.2129%.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 7: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (Continued)

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

For the year ended June 30, 2015, the College recognized pension expense of \$1,126,815. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 188,770
Net difference between projected and actual earnings on pension plan investments	-	2,771,680
College contributions subsequent to the measurement date	1,294,854	-
Total	<u>\$ 1,294,854</u>	<u>\$ 2,960,450</u>

The \$1,294,854 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (728,403)
2017	\$ (728,403)
2018	\$ (728,403)
2019	\$ (728,403)
2020	\$ (35,483)
Thereafter	\$ (11,355)



Murray State College
Notes to Financial Statements
June 30, 2015

Note 7: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2014, was determined based on an actuarial valuation prepared as if June 30, 2014 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality - RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.7%
Domestic Large Cap Equity	10.0%	6.2%
Domestic Mid Cap Equity	13.0%	6.9%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	7.0%
International Small Cap Equity	6.0%	7.0%
Core Plus Fixed Income	17.5%	2.1%
High-yield Fixed Income	6.0%	4.5%
Private Equity	5.0%	7.9%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.9%
Total	100.00%	

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

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



Murray State College
Notes to Financial Statements
June 30, 2015

Note 7: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (Continued)

Discount Rate

A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2013 and June 30, 2014. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

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

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
Employers' net pension liability	\$ 16,089,142	\$ 11,452,416	\$ 7,538,860

Pension plan fiduciary net position

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



Murray State College
Notes to Financial Statements
June 30, 2015

Note 8: Post-Employment Benefits

In addition to the pension benefits as described above, the College pays the group health insurance premiums for retired employees until age 65. A retiring employee must have been employed full-time in the Oklahoma State System of Higher Education for not less than twenty years immediately preceding the date of retirement, been a member of the Teachers' Retirement System of Oklahoma during this time, and elected to receive a vested benefit under the provisions of the Teachers' Retirement System of Oklahoma. The College is funding on a pay-as-you-go basis the payments for this benefit out of current operations. For the year ended June 30, 2015, the College's contributions for health insurance premiums for retired employees were approximately \$43,000.

Note 9: Other Post-Employment Benefits

The College has a supplemental retirement benefit plan for a former President of the College which was funded upon his retirement effective June 30, 1994, through the purchase of an annuity. The College's Board of Regents subsequently extended the plan to cover the President's spouse as a co-beneficiary. To provide for this contingent liability, the College purchased a life insurance policy on the life of the former President with the College being the beneficiary of the policy. The proceeds of the policy will be used to purchase an annuity to the fulfill the College's agreement with the former President as agreed upon plus return most of the original purchase price to the College. The 2015 income from the increase in the cash surrender value of the policy is \$2,956. The cash value of the life insurance policy at June 30, 2015 is \$120,748, and is reported as other assets on the statement of net assets.

Note 10: 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 \$181,856 for the year ended June 30, 2015.

Note 11: 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.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 11: Commitments and Contingencies (Continued)

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, 2015, approximately \$5,259,000 of Direct Lending Program loans was provided to College students.

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits to claims against the College at June 30, 2015, that management believes would result in a material loss to the College in the event of an adverse outcome.

Note 12: Risk Management

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

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

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



Murray State College
Notes to Financial Statements
June 30, 2015

Note 13: Murray State College Foundation, Inc.

Note 1: Summary of Significant Accounting Policies

Organization

Murray 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 Murray 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.

Murray 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/Net Position

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.

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.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 13: Murray State College Foundation, Inc. (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Foundation defines cash and cash equivalents to be all cash and certificates of deposit with original maturities of three months or less. Cash equivalents of \$157,835 as of June 30, 2015 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.

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.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 13: Murray State College Foundation, Inc. (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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 26, 2015, which is the date the financial statements were issued.

Note 2: Cash and Cash Equivalents

The Foundation maintains several bank accounts. The table below is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured at June 30, 2015 and 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.

<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, 2015					
Demand Deposits	\$ 157,834	\$ 160,636	\$ 160,636	\$ —	\$ —
Totals	\$ 157,834	\$ 160,636	\$ 160,636	\$ —	\$ —
June 30, 2014					
Demand Deposits	\$ 213,262	\$ 213,262	\$ 213,262	\$ —	\$ —
Totals	\$ 213,262	\$ 213,262	\$ 213,262	\$ —	\$ —



Murray State College
Notes to Financial Statements
June 30, 2015

Note 13: Murray State College Foundation, Inc. (Continued)

Note 3: Investments

Investment income consists of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 269,129	\$ 110,987
Realized gains and losses	164,630	97,561
Unrealized gains and losses	<u>(290,607)</u>	<u>140,522</u>
	<u>\$ 143,152</u>	<u>\$ 349,070</u>

Investments consist of the following at June 30, 2015:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Mutual Funds	\$ 1,923,701	\$ 1,864,606	\$ 1,864,606
Variable Annuity	100,000	142,725	142,725
Certificates of Deposit	<u>1,969,749</u>	<u>1,969,749</u>	<u>1,969,749</u>
Total Investments	<u>\$ 3,993,450</u>	<u>\$ 3,977,080</u>	<u>\$ 3,977,080</u>

Investments consist of the following at June 30, 2014:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Mutual Funds	\$ 1,557,137	\$ 1,792,191	\$ 1,792,191
Variable Annuity	100,000	142,685	142,685
Certificates of Deposit	<u>1,909,891</u>	<u>1,909,891</u>	<u>1,909,891</u>
Total Investments	<u>\$ 3,567,028</u>	<u>\$ 3,844,767</u>	<u>\$ 3,844,767</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.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 13: Murray State College Foundation, Inc. (Continued)

Note 4: Fair Value Measurements (Continued)

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

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

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

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.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 13: Murray 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, 2015 and 2014.

	As of June 30, 2015			Total
	Level 1	Level 2	Level 3	
Securities	\$ —	\$ —	\$ —	\$ —
Mutual Funds	1,864,606	—	—	1,864,606
Pooled Investment Funds	<u>142,725</u>	<u>—</u>	<u>—</u>	<u>142,725</u>
Total Investments	<u>\$2,007,331</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$2,007,331</u>
	As of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Securities	\$ —	\$ —	\$ —	\$ —
Mutual Funds	1,792,191	—	—	1,792,191
Pooled Investment Funds	<u>142,685</u>	<u>—</u>	<u>—</u>	<u>142,685</u>
Total Investments	<u>\$1,934,876</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,934,876</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.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 13: Murray State College Foundation, Inc. (Continued)

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.

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.



Murray State College
Notes to Financial Statements
June 30, 2015

Note 13: Murray 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, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ —	\$ 3,541,593	\$ 1,721,363
Board-designated endowment funds	<u>95,535</u>	<u>—</u>	<u>—</u>
Total endowment funds	<u>\$ 95,535</u>	<u>\$ 3,541,593</u>	<u>\$ 1,721,363</u>

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	\$ —	\$ 3,613,646	\$ 1,723,863
Board-designated endowment funds	<u>95,535</u>	<u>—</u>	<u>—</u>
Total endowment funds	<u>\$ 95,535</u>	<u>\$ 3,613,646</u>	<u>\$ 1,723,863</u>

Changes in Endowment Net Assets for the year ending June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets - beginning	\$ 97,746	\$ 3,541,593	\$ 1,721,363
Investment return		135,386	—
Contributions		118,523	2,500
Appropriations for expenditure	<u>(2,211)</u>	<u>(181,856)</u>	<u>—</u>
Total endowment funds	<u>\$ 95,535</u>	<u>\$ 3,613,646</u>	<u>\$ 1,723,863</u>



Murray State College
Notes to Financial Statements
June 30, 2015

Note 13: Murray State College Foundation, Inc. (Continued)

Note 6: Endowments (Continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets - beginning	\$ 97,746	\$ 3,189,649	\$ 1,719,571
Investment return		336,883	—
Contributions		224,379	1,792
Appropriations for expenditure	<u>(2,211)</u>	<u>(209,318)</u>	<u>—</u>
Total endowment funds	<u>\$ 95,535</u>	<u>\$ 3,541,593</u>	<u>\$ 1,721,363</u>

Note 6: Notes Payable

Long-term debt consists of the following:

Note Payable, U. S. Department of Agriculture (A)	3,651,397
Less: Current Maturities	<u>(50,708)</u>
	<u>\$ 3,600,689</u>

(A) Payable in annual installments of \$217,408 at rate at 4.375%, with the final payment due June 30, 2046. Loan is collateralized by a mortgage and security interest in the revenues collected from the housing project

Future minimum debt service for the year ended June 30, 2015, are as follows:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 57,659	\$ 159,749	\$ 217,408
2017	60,182	157,226	217,408
2018	62,815	154,593	217,408
2019	65,563	151,845	217,408
2020	68,432	148,976	217,408
2021-2025	389,773	697,267	1,087,040
2026-2030	482,830	604,210	1,087,040
2031-2035	598,103	488,937	1,087,040
2036-2040	740,898	346,142	1,087,040
2041-2045	917,785	169,255	1,087,040
2046	<u>207,357</u>	<u>10,051</u>	<u>217,408</u>
Total	<u>\$ 3,651,397</u>	<u>\$ 3,088,251</u>	<u>\$ 6,739,648</u>



Required Supplementary Information



Murray State College
Schedules of Required Supplementary Information
June 30, 2015

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years* (Dollar amounts in thousands)

	<u>2015</u>
College's proportion of the net pension liability	0.2129%
College's proportionate share of the net pension liability	\$ 11,452,416
College's covered-employee payroll	\$ 8,296,004
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	138%
Plan fiduciary net position as a percentage of the total pension liability	72.43%

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

Notes to Schedule:

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



Murray State College
Schedules of Required Supplementary Information
June 30, 2015

Contributions in relation to the contractually required contribution	<u>1,294,854</u>
Contribution deficiency (excess)	<u>\$ -</u>
College's covered-employee payroll	\$ 8,623,624
Contributions as a percentage of covered-employee payroll	15%

Notes to Schedule:

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





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Business Advisors

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

Board of Regents
Murray State College
Tishomingo, 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 Murray State College, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Murray State College's basic financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Murray 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 26, 2015





**HINKLE &
COMPANY**
Strategic PC
Business Advisors

**Independent Auditors' Report on Compliance for Each Major
Program; Report on Internal Control over Compliance; and Report
on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Board of Regents
Murray State College
Tishomingo, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Murray 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 Murray State College's major federal award programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 Murray 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-1. Our opinion on each major federal program is not modified with respect to these matters. The College's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The college's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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Report on Internal Control Over Compliance

Management of the Seminole 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 Seminole 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-1 that we consider to be significant deficiencies.

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

We have audited the financial statements of the Murray State College as of and for the year ended June 30, 2015, and have issued our report thereon dated October 26, 2015, 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.

Tulsa, Oklahoma
October 26, 2015

Hill & Company, PC



Murray State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

<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	\$ 4,741,032
Federal Direct Loan Program	84.268	5,258,689
Federal Supplemental Education Opportunity	84.007	60,600
Federal Work Study Program	84.033	<u>67,459</u>
Total Student Financial Aid Cluster		10,127,780
Office of Postsecondary Education		
Student Support Services	84.042	332,742
Strengthening Minority-Serving Institutions	84.382	307,181
Pass-Through Program From		
Oklahoma State Department of Vocational Education Vocational Education National Centers for Career and Technical Education	84.051	<u>64,512</u>
Total U.S. Department of Education		<u>10,832,215</u>
U.S. Department of Health and Human Services		
National Institutes of Health		
Pass-Through Program From:		
Oklahoma State Department of Human Services Temporary Assistance for Needy Families (TANF)	93.558	617,486
Oklahoma State Regents for Higher Education		
Child Care Development Block Grant Scholars for Excellence Program	93.575	<u>76,381</u>
Total U. S. Department of Health and Human Services		<u>693,867</u>
Total Expenditures of Federal Awards		<u>\$ 11,526,082</u>



Murray State College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Note 1: Summary of Significant Accounting Policies

This schedule includes the federal awards activity of Murray 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

Murray State College provided no federal awards to subrecipients.



Murray State College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

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
Strengthening Minority-Serving Institutions	84.382



Murray State College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

(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.



Murray State College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Findings Required to be Reported by OMB Circular A-133

Finding 2015- 1

Compliance Requirement

Return of Title IV Funds

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

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

Condition: For the year ended June 30, 2015, we sampled 60 Title IV fund recipients for testing the financial aid compliance requirements for loan disbursements. During the review of those who received loan disbursements, but later withdrew, we noted 1 instance of non-compliance in that the institution did not meet the compliance requirement to return the Title IV funds within the 45 day time period.

Cause: The MSC Financial Aid office determined the communication process between several offices including several reports did not include all necessary information. The withdraws were requested from instructors on 4/25/15, however, the last date of attendance documented by an instructor was on 2/9/15, which changed the earned percentage from 100%, no refund liability, to 25.9%, which created a refund due to Department of Education. Therefore, the Title IV aid earned amount in the R2T4 Form was completed with a revised withdraw date of 10/21/15.

Effect: As a result, the college did not meet the return of Title IV funds within the 45 day requirement.

Recommendation: For the college to review and confirm information with the registrar's office on drop forms on all students who have withdrawn to ensure that when refunds of Title IV funds are required, that the return of Title IV funds are returned within the proper time period.

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

Corrective Action Planned: MSC IT Department has devised a report to be run weekly that will list all drops/withdrawals. This report will be emailed to the Financial Aid Director to be processed on a weekly basis. Also, IT is making corrections to the 0.00 GPA list process to ensure all students with 0.00 GPA at the end of the payment period are reported.



Murray State College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Finding 2014- 1

Compliance Requirement

Return of Title IV Funds

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

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

Condition: For the year ended June 30, 2014, we sampled 60 Title IV fund recipients for testing the financial aid compliance requirements for loan disbursements. During the review of those who received loan disbursements, but later withdrew, we noted 1 instance of non-compliance in that the institution did not meet the compliance requirement to return the Title IV funds within the 45 day time period.

Cause: The individual assigned to area of work in the FA office received a drop form from Registrar's office stating the student officially dropped 9 hours of enrollment with one hour of enrollment remaining on 9/27/13. At this point, the FA office determined the student was not a loan borrower and therefore was not required to complete loan exit counseling.

At the end of the semester, the college noted the student's name was on their 0.00 GPA list. It was at this time the FA office realized there had been an error on the drop form and the one hour of enrollment on 9/27/13 should have been reported as zero. Therefore the R2T4 had to be completed with a withdraw date of 9/27/13 which put us completing the R2T4 outside the allowed timeframe.

Effect: As a result, the college did not meet the return of Title IV funds within the 45 day requirement.

Recommendation: For the college to review and confirm information on drop forms on all students who have withdrawn to ensure that when refunds of Title IV funds are required, that the return of Title IV funds are returned within the proper time period.

Responsible Official's Response and Corrective Action Planned: Management has created a mandatory review of the known withdrawals every 20 days by the financial aid director.

