Murray State College

Financial Statements
with Independent Auditor's Reports

June 30, 2019

Murray State College
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June 30, 2019

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Regents
Murray State College
Tishomingo, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Murray State College (the "College"), a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Governmental Auditing Standards.*

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include the June 30, 2019, financial data for the College's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for a component unit to be reported with the financial data of the College's primary government unless the College also issues financial statements for the financial reporting entity that include the financial data for its component unit. The College has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit would have been included at amounts different from the June 30, 2016, amounts presented.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the College, as of June 30, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Foundation as of June 30, 2016, were audited by us, and we expressed an unmodified opinion on them in our report dated May 30, 2019.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension schedules, as listed in the table of contents, 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 supplementary 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 basic 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of the College's internal control over financial reporting and on 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 results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 24, 2019

Management's Discussion and Analysis (unaudited)
Murray State College
For Year Ended June 30, 2019

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, 2019. 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 basic financial statements and the notes to the financial statements. FY2018 financial data is provided in some cases along with FY2019 for comparison purposes.

As a whole, the financial position for Murray State College increased from operations for fiscal year ended June 30, 2019.

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 required 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 primarily 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 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. Noncurrent 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 noncurrent classifications. Current liabilities are those obligations that are due within the current year and will be paid from current resources. Noncurrent 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 the preceding year is provided.

Schedule A
Condensed Statement of Net Position
As of June 30, 2019 and 2018

	2019	2018
Current Assets	$ 68,581,790	$ 67,482,500
Non Current Assets		
Capital Assets, Net of Depreciation	30,895,139	30,964,624
Other	184,170	208,251
Total Assets	99,661,099	98,655,375
Deferred Outflows	2,640,424	3,705,099
Current Liabilities	1,426,159	1,952,102
Noncurrent Liabilities		
Compensated Absences	81,765	147,528
Total OPEB Liability	2,139,125	1,970,444
Net Pension Obligation	10,738,894	14,714,300
Long-term debt	14,761,734	15,226,938
Total Liabilities	29,147,677	34,011,312
Deferred Inflows	4,281,507	2,402,179
Net Position		
Net Investment in Capital Assets	20,669,068	20,655,403
Restricted	52,436,532	52,065,633
Unrestricted	(4,233,261)	(6,774,053)
Total Net Position	$ 68,872,339	$ 65,946,983

Deferred outflows decreased 29%, deferred inflows increased 78%, and Net Pension Obligation decreased 27% all due to the reporting requirements in regards to accounting for pensions. Current liabilities decreased 27% due to certain long-term liabilities being paid off in 2019. Unrestricted net position increased by 38% due to change in the OTRS pension obligation as well. The total OPEB liability was new in 2018 due to the implementation of GASB Statement No. 75 and increased approximately 9%.

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
Year Ended June 30, 2019 and 2018

	2019	2018
Operating Revenue		
Tuition and fees	$ 4,522,227	$ 4,663,450
Sales, service, and other revenue	2,295,673	2,366,488
Operating gifts, grants and contracts	1,855,051	2,169,185
Total	8,672,951	9,199,123
Less Operating Expense	(21,605,437)	(21,830,578)
Net Operating Loss	(12,932,486)	(12,631,455)
Nonoperating and Other Revenue & Expense		
Governmental appropriations	5,379,779	4,926,255
On-behalf payment for OCIA Debt	713,737	719,901
On-behalf payment for OTRS	565,314	619,842
Investment income	2,589,145	7,681,097
Other revenue	1,150,212	9,817,571
Interest expense	(640,100)	(676,630)
Nonoperating grants	6,099,755	5,558,836
Total	15,857,842	28,646,872
Change in Net Assets	2,925,356	16,015,417
Net Assets, Beginning of Year	65,946,983	49,931,566
Net Assets, End of Year	$ 68,872,339	$ 65,946,983

Tuition and fees and sales and service revenue remained fairly steady during FY19. Other non-operating revenue decreased significantly during FY19 due to the sale of partial mineral rights and contributions from the Foundation for the Allied Health building during 2018. Investment income decreased by 66% during FY19 due to decreased mineral rights valuations and the sale of mineral rights in 2018.

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

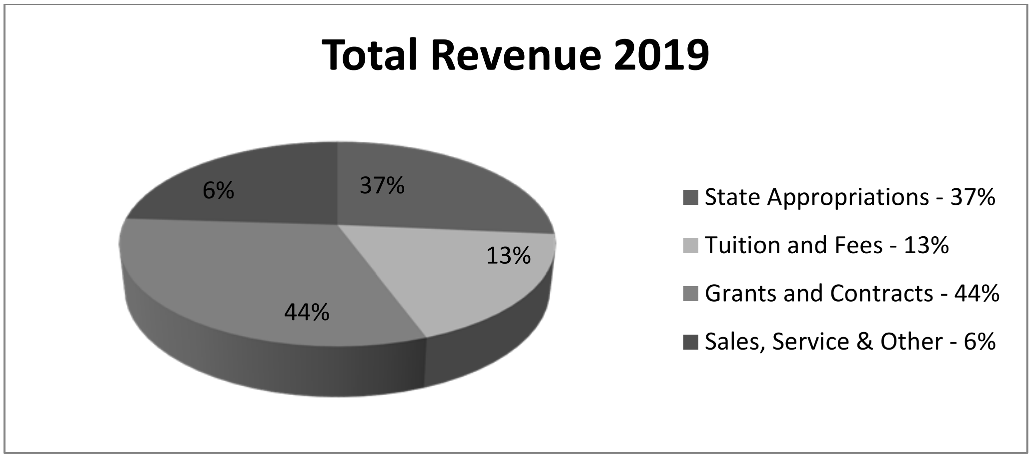
Schedule C
Operating Expenses Detail
As of June 30, 2019 and 2018

Operating Expense	2019	2018
Salaries	$ 8,083,177	$ 9,374,132
Fringe Benefits	3,247,665	3,146,118
Professional Services	451,189	409,491
Contractual Services	1,697,313	1,545,519
Supplies & Materials	2,555,548	2,083,400
Travel	301,644	353,432
Miscellaneous	1,003,583	1,072,229
Communication	99,616	83,860
Scholarships & Student Aid	2,326,687	2,156,199
Utilities	356,267	401,638
Depreciation	1,482,748	1,204,560
Total	$ 21,605,437	$ 21,830,578

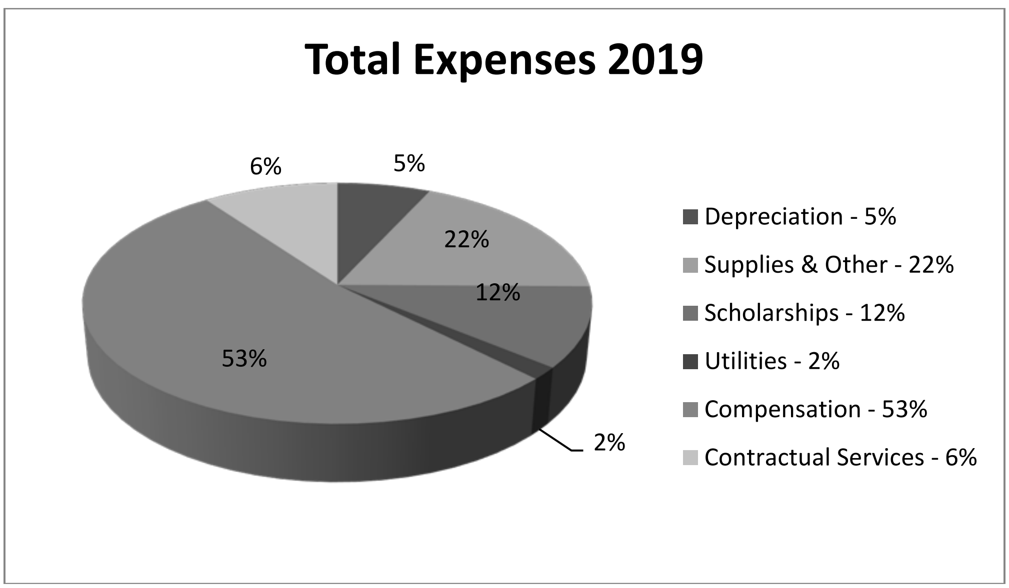
Revenues and Expenses

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 investment income less expenses will result in a change to total net position. As a result of capital contributions and investment income, net position at the end of the year increased by $2,925,356.

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, 2019 and 2018

Cash provided (used) by	2019	2018
Operating Activities	$ (12,252,269)	$ (12,206,877)
Non Capital Financing Activities	11,148,742	10,152,298
Capital and Related Financing	55,643	(1,830,692)
Investing Activities	908,506	3,593,738
Net Increase (Decrease) in Cash	(139,378)	(291,533)
Cash, Beginning of Year (restated)	8,408,339	8,699,872
Cash, End of Year	$ 8,268,961	$ 8,408,339

Capital Assets

At year end, the College had approximately $51.7 million invested in capital assets, net of accumulated depreciation of more than $20.8 million. Details of balances of capital assets are shown below in Schedule E.

Schedule E
Capital Assets, Net
As of June 30, 2019 and 2018

Capital Assets	2019	2018
Land	$ 198,124	$ 178,124
Land Improvements	127,044	92,544
Building	36,246,930	36,228,680
Equipment	10,293,814	10,227,401
Library Materials	241,189	237,466
Livestock	298,250	279,150
Infrastructure	2,907,710	2,707,041
Construction In Progress	1,341,765	291,158
Total	51,654,826	50,241,564
Less Accumulated Depreciation	(20,759,687)	(19,276,940)
Net Capital Assets	$ 30,895,139	$ 30,964,624

COMPONENT UNIT

The Lynn Colbert Charitable Foundation Trust is a nonprofit organization incorporated in the State of Oklahoma in 1971 to promote the education of students from Stephens County, Oklahoma and other students attending Murray State College. It is considered a component unit of Murray State College and its amounts and disclosures have been included in the College's accompanying financial statements. Comparative amounts in the management's discussion and analysis for 2016 have been restated to include the effect of the Trust.

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. Due to delays in reconciling the Foundation's accounts for fiscal 2017, 2018 and 2019, current amounts and disclosures have not been prepared nor presented in these financial statements. Rather the Foundation's last audited financial statements as of and for the year ended June 30, 2016 have been included in these financial statements. The Foundation's 2019 stand-alone audit report will be issued at a later date.

ECONOMIC OUTLOOK

Murray State College's current financial position has remained positive while experiencing funding cuts through recent years. 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. FY 2016 funding was cut by over 10% through a series of reductions in monthly state appropriations. Subsequent years saw 2016 cuts remain intact and additional reductions added on top of those.

Projections for FY 2020 and beyond are looking a bit more upbeat as the State's economy has seen more positive news. However, the core State funding models continues to rely mostly dependent upon the energy industry and lack of long-term solutions to the State funding formulas. Recovery remains slow and will continue to extend over a period of multiple fiscal years.

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 minimized.

Mandatory costs including utility costs and insurance for property, tort and medical are escalating and will continue to have an impact on current budgets and in the years to come. In addition, unfunded mandates such as Complete College America 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.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

The College's financial statements are designed to provide financial statement readers with a general overview of the College's finances and to show accountability for the money it receives. If you have questions about the College's financial statements or need additional financial information, contact the Business Office at One Murray Campus, Tishomingo, OK 73460.

Murray State College
Statement of Net Position
June 30, 2019

	Murray State College 2019	Murray State College Foundation 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 7,490,944	$ 1,673,625
Restricted cash and cash equivalents	733,815	-
Accounts receivable, net	734,498	100,000
Federal and state grants receivable	2,769,849	-
Other receivable, net	28,061	5,226
Other asset	136,461	-
Restricted investments	55,970,659	-
Investments	-	3,875,329
Inventory	717,503	-
Total current assets	68,581,790	5,654,180
Noncurrent Assets		
Restricted cash and cash equivalents	44,202	-
Accounts receivable, net	-	150,000
Certificates of deposit	25,142	-
Restricted net OPEB asset	114,826	-
Capital assets, net	30,895,139	3,227,232
Total noncurrent assets	31,079,309	3,377,232
Total assets	99,661,099	9,031,412
Deferred Outflows		
Related to OPEB	15,855	-
Related to pensions	2,624,569	-
Total deferred outflows	2,640,424	-
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	343,045	-
Unearned revenue	345,498	-
Deposits payable	-	1,175
Current maturities of long-term debt	737,616	60,182
Total current liabilities	1,426,159	61,357
Noncurrent Liabilities		
Accrued compensated absences	81,765	-
Total OPEB liability	2,139,125	-
Net pension obligation	10,738,894	-
Long-term debt	14,761,734	3,533,556
Total noncurrent liabilities	27,721,518	3,533,556
Total liabilities	29,147,677	3,594,913
Deferred Inflows		
Deferred gain on lease restructuring	107,898	-
Related to OPEB	79,568	-
Related to pensions	4,094,041	-
Total deferred inflows	4,281,507	-
Net Position		
Net investment in capital assets	20,669,068	-
Restricted for:		
Nonexpendable for scholarships	-	1,891,911
Expendable:		
Scholarships and other	52,347,002	3,602,896
Capital projects	44,202	-
OPEB	45,328	
Unrestricted	(4,233,261)	(58,308)
Total net position	$ 68,872,339	$ 5,436,499

Murray State College
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

	Murray State College 2019	Murray State College Foundation 2016
Operating Revenues		
Tuition and fees, net	$ 4,522,227	$ -
Federal grants and contracts	1,733,610	-
State and private grants and contracts	121,441	-
Sales and services of auxiliary enterprises, net	1,530,612	-
Other operating revenues	765,061	16,105
Total operating revenues	8,672,951	16,105
Operating Expenses		
Compensation and benefits	11,330,842	-
Contractual services	2,148,502	-
Supplies and materials	2,555,550	-
Scholarships and fellowships	2,326,687	240,258
Communications	99,616	-
Depreciation	1,482,748	101,901
Utilities	356,267	-
Other	1,305,225	57,226
Total operating expenses	21,605,437	399,385
Operating Loss	(12,932,486)	(383,280)
Nonoperating Revenues (Expenses)		
State appropriations	5,048,987	-
Federal grants - nonoperating	4,433,940	-
State grants -nonoperating	1,665,815	-
Contributions and other receipts	-	1,092,699
OTRS on-behalf contributions	565,314	-
Sale of mineral rights	185	-
Investment income	2,589,145	48,196
Interest on capital asset-related debt	(640,100)	(159,749)
Net nonoperating revenues	13,663,286	981,146
Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers	730,800	597,866
Capital contributions	1,150,027	-
State appropriations restricted for capital purposes	330,792	-
OCIA debt service on-behalf payments	713,737	-
Increase in Net Position	2,925,356	597,866
Net Position, Beginning of Year	65,946,983	4,838,633
Net Position, End of Year	$ 68,872,339	$ 5,436,499

See Notes to Financial Statements

Murray State College
Statement of Cash Flows
Year Ended June 30, 2019

	Murray State College 2019
Cash Flows from Operating Activities	
Tuition and fees	$ 4,668,683
Grants and contracts	1,310,033
Auxiliary enterprises sales and services	1,334,635
Payments to suppliers	(8,698,511)
Payments to employees	(11,627,829)
Other operating receipts	760,720
Net cash used in operating activities	(12,252,269)
Cash Flows from Noncapital Financing Activities	
State appropriations	5,048,987
Non-operating grants	6,099,755
Net cash provided by noncapital financing activities	11,148,742
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(1,415,663)
Receipts from ODFA for capital purchases	907,885
Principal paid on capital leases and bonds	(413,667)
Interest paid on capital leases and bonds	(503,731)
Capital contributions	1,150,027
Capital appropriations – state	330,792
Net cash provided by capital and related financing activities	55,643
Cash Flows from Investing Activities	
Purchase of investments	(17,259,617)
Proceeds from maturities of investments	13,333,084
Investment income received	4,835,039
Net cash provided by investing activities	908,506
Net Increase in Cash and Cash Equivalents	(139,378)
Cash and Cash Equivalents, Beginning of Year (restated)	8,408,339
Cash and Cash Equivalents, End of Year	$ 8,268,961

(Continued)

See Notes to Financial Statements

Murray State College
Statement of Cash Flows (Continued)
Year Ended June 30, 2019

		Murray State College 2019
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	$	(12,932,486)
Depreciation expense		1,482,748
Net loss on disposal of capital asset		2,400
OTRS on-behalf contributions		565,314
Changes in operating assets and liabilities		
Receivables, net		33,063
Other receivables		(545,018)
Other assets		(4,341)
Restricted net OPEB asset		(15,726)
Deferred outflows related to OPEB		(2,347)
Deferred outflows related to pensions		1,067,022
Inventories		90,374
Accounts payable and other accrued liabilities		891
Unearned revenue		(82,584)
Deferred inflows related to OPEB		(1,389)
Deferred inflows related to pensions		1,893,734
Total OPEB liability		168,681
Net pension obligation		(3,975,406)
Compensated absences		2,801
Net Cash Used in Operating Activities	$	(12,252,269)
Noncash Investing, noncapital financing and Capital and Related Financing Activities		
Principal and interest on capital debt paid by state agency	$	731,737
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Current assets		
Cash and cash equivalents	$	7,490,944
Restricted cash and cash equivalents		733,815
Noncurrent assets		
Restricted cash and cash equivalents		44,202
	$	8,268,961

See Notes to Financial Statements

Murray State College
Statement of Fiduciary Net Position
June 30, 2019

ASSETS		
Cash and cash equivalents	$	93,719
Total assets	$	93,719
LIABILITIES		
Due to OKHEEI	$	93,719
Total liabilities	$	93,719

See Notes to Financial Statements

Murray State College
Notes to Financial Statements
June 30, 2019

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 financial statements of the State of Oklahoma. The College has campuses located in Tishomingo and in Ardmore at the University Center of Southern Oklahoma.

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 Lynn Colbert Charitable Foundation Trust (the "Trust"). The Trust has been presented in the College's financial statements as a blended component unit because the majority of the Trust's governing body is appointed by the governing body of the College, and the Trust provides services entirely to the College, which is the primary government.

Discrete Component Unit
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 and therefore the LLC is a blended component unit of the Foundation and it's accounts are included in the Foundation's accounts in the accompanying financial statements.

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. The 2017, 2018 and 2019 Foundation audits have not been completed as of this report and are not included within this report. Rather, the previously issued

Note 1: Summary of Significant Accounting Policies (Continued)

2016 financial statements are provided in the accompanying financial statements. The Foundation's 2017, 2018 and 2019 stand-alone audit reports will be issued at a later date.

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.

Fiduciary Funds
Fiduciary Funds are used to report assets held in a trustee or agency capacity for third parties and therefore are not available to support College programs. The reporting focus is net position and changes in net position and uses accounting principles similar to proprietary funds.

Agency Funds are used to report resources held by the College in a purely custodial capacity (assets equal liabilities). Agency fund assets and liabilities are recognized using the accrual basis of accounting. The College has one agency fund for the Oklahoma Higher Education Employee Interlocal Group.

Cash Equivalents
For purposes of the statement 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. 72, *Fair Value Measurement and Application*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the College has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position. Investment income also includes royalty income received from the mineral interests held by the Trust.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Other Receivables (Continued)

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. 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.

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 position. Restricted investments also includes the Trust's investment in oil and gas mineral interests.

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. 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.

Unearned Revenue
Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Net Position
The College's net position is classified as follows:

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

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

Unrestricted net position
Unrestricted net position represents 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. The included auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty and staff.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Deferred outflows of resources
Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. At June 30, 2019, the College's deferred outflows of resources were comprised of deferred charges related to net pension and OPEB obligations.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred inflows of resources
Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2019, the College's deferred inflows of resources were comprised of credits realized on lease restructures and deferred inflows related to net pension and OPEB obligations.

Other Post-employment Benefits (OPEB)
For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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.

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.

Adoption of New Accounting Standards
The College adopted the following new accounting pronouncements during the year ended June 30, 2019:

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB No. 83 was issued in November 2016, and addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The College adopted GASB 83 effective July 1, 2018, for the June 30, 2019, reporting year. The implementation did not have a significant impact on the financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

GASB No. 88 was issued in March 2018, and provides certain clarifications regarding debt as a liability and identifies additional required disclosures related to debt, including direct borrowings and direct placements of debt. The College adopted GASB 83 effective July 1, 2018, for the June 30, 2019, reporting year. The implementation did not have a significant impact on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

GASB No. 89 was issued in June 2018, and directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changes previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. The College early implemented GASB 89 in 2019.The implementation did not have a significant impact on the financial statements.

Note 2: Deposits and Investments

<u>Custodial Credit Risk – Deposits</u>
Custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College's deposit policy for custodial credit risk is described as follows:

<u>Trust's Funds</u>
At June 30, 2019, none of the Trust's balances of $733,815 were exposed to custodial credit risk as a result of being uninsured or uncollateralized.

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

There are $7,626,244 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2019, of which $93,719 represents amounts held in agency funds. Of the $7,626,244 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2019, $4,877,927 represent amounts held within OK INVEST, an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST.

Note 2: Deposits and Investments (Continued)

Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at *http://www.ok.gov/treasurer/*. The College considers its amounts on deposit with *OK INVEST* to be demand accounts and reports them as cash equivalents.

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
Generally, concentration of credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The College is authorized to invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Regents.

Investments

Fair Value Measurement: GASB establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 inputs consist of unobservable inputs which are used when observable inputs are unavailable and reflect an entity's own assumptions about the assumptions that the market participants would use in pricing the assets or liabilities. Mineral interests held as investments are valued as level 3 inputs. Mineral interests are valued using an income approach in which the value is estimated at four times the previous calendar years mineral income. There has been no change in valuation methodologies used at June 30, 2019.

Note 2: Deposits and Investments (Continued)

The following is a summary of financial assets measured at fair value on a recurring basis as of June 30, 2019:

Types of Investment	Fair Value Heirarchy	Credit Rating	Maturity	
Cavanal Hill U.S. Treasury Admin	Level 1	AAAm	Less than one year	$ 5,108,764
Mutual funds - fixed income	Level 1	N/A	Less than One	13,411,952
Mutual funds - equity	Level 1	N/A	Less than One	20,278,634
Mineral interests	Level 3	N/A	N/A	17,171,309
Total investments				$ 55,970,659

Note 3: Accounts Receivable

Accounts receivable consist of the following at June 30, 2019:

Student tuition and fees	$ 4,997,846
Auxiliary enterprises and other operating activities	1,711,491
Total accounts receivable	6,709,337
Less: Allowance for doubtful accounts	(5,974,839)
Net accounts receivable	$ 734,498

Note 4: Other Assets

Other assets consist of the following at June 30, 2019:

Cash value of life insurance policy	$ 136,461
Total other assets	$ 136,461

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Capital Assets not being depreciated:					
Land	$ 178,124	$ 20,000	$ -	$ -	$ 198,124
Livestock	279,150	19,100	-	-	298,250
Library Books	237,466	6,123	(2,400)	-	241,189
Construction in Progress	291,158	1,050,607	-	-	1,341,765
Total Capital Assets not being depreciated	985,898	1,095,830	(2,400)	-	2,079,328
Capital Assets being depreciated:					
Land Improvements	92,544	34,500	-	-	127,044
Equipment	10,227,401	66,413	-	-	10,293,814
Builings & Improvements	36,228,679	18,251	-	-	36,246,930
Infrasture	2,707,041	200,669	-	-	2,907,710
Total Captial Assets being depreciated	49,255,665	319,833	-	-	49,575,498
Less: Accumulated Depreciation for:					
Land Improvements	(27,133)	(5,868)	-	-	(33,001)
Equipment	(8,487,662)	(465,598)	-	-	(8,953,260)
Builings & Improvements	(9,810,155)	(889,354)	-	-	(10,699,509)
Infrasture	(951,989)	(121,928)	-	-	(1,073,917)
Total Accumulated Depreciation	(19,276,939)	(1,482,748)	-	-	(20,759,687)
Total Capital Assets being depreciated, net	29,978,726	(1,162,915)	-	-	28,815,811
Total Capital Assets	30,964,624	(67,085)	(2,400)	-	30,895,139
Capital Asset Summary					
Capital Assets not being depreciated	985,898	1,095,830	(2,400)	-	2,079,328
Capital Assets being depreciated	49,255,665	319,833	-	-	49,575,498
Total Capital Assets	50,241,563	1,415,663	(2,400)	-	51,654,826
Less: Accumulated Depreciation	(19,276,939)	(1,482,748)	-	-	(20,759,687)
Total Capital Assets, net	$ 30,964,624	$ (67,085)	$ (2,400)	$ -	$ 30,895,139

The cost and related accumulated depreciation of assets held under lease obligations for the year ended June 30, 2019, was as follows:

	2019
Construction in progress	$ 1,328,512
Buildings	18,169,306
Infrastructure	258,223
Less accumulated depreciation	(1,822,247)
	$ 17,933,794

Note 6: Long-Term Liabilities

Long-term debt activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Capital Lease Obligations:					
OCIA Series 2010A	$ 520,154	$ -	$ (520,154)	$ -	$ -
OCIA Series 2014A	2,673,362	-	(5,988)	2,667,374	3,237
OCIA Series 2014B	68,911	-	(33,785)	35,126	35,126
ODFA Master Lease 2010A	1,691,084	-	(119,250)	1,571,834	122,333
ODFA Master Lease 2014A	5,465,167	-	(130,417)	5,334,750	135,667
ODFA Master Lease 2014C	5,524,500	-	(138,083)	5,386,417	139,500
ODFA Master Lease 2015C	191,833	-	(25,918)	165,915	24,917
	16,135,011	-	(973,595)	15,161,416	460,780
Other Liabilities					
Premium on Bonds					
ODFA Master Lease 2010A	15,195	-	(1,275)	13,920	1,275
ODFA Master Lease 2014A	40,178	-	(1,612)	38,566	1,612
ODFA Master Lease 2014C	5,471	-	(220)	5,251	220
ODFA Master Lease 2015C	9,100	-	(1,316)	7,784	1,316
Compensated absences	351,377	206,650	(203,849)	354,178	272,413
	421,321	206,650	(208,272)	419,699	276,836
Total Long-Term Liabilities	$ 16,556,332	$ 206,650	$ (1,181,867)	$ 15,581,115	$ 737,616

Capital Lease Obligations

Oklahoma Capital Improvement Authority Lease Obligations

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 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 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.

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

In 2014, the OCIA issued bond series 2014A that refunded a significant portion of the 2005F bonds. 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, 2019 was $107,898.

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 resulted in a gain on defeasance of $15,855, recorded as a deferred inflow of resources that will be amortized over a period of 5 years. The deferred lease restructuring gain was fully amortized at June 30, 2019.

Lease principal and interest payments to OCIA totaling $713,737 during the year ended June 30, 2019, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses and changes in net position.

Oklahoma Development Finance Authority Lease Obligations

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

Note 6: Long-Term Liabilities (Continued)

Capital Lease Obligations (Continued)

Oklahoma Development Finance Authority Lease Obligations (Continued)

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

In 2016, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2015C in the amount of $251,000. Total lease payments over the term of the agreement, beginning in January 2016 through May 2025, will be $292,390. Payments will be made monthly ranging from approximately $2,400 to $2,800. Proceeds from the obligation were used to construct lights at the baseball field. A bond issuance premium of $12,390 is being amortized over the term of the agreement

Future debt service requirements under the College's obligations to the OCIA and ODFA for the year ended June 30, 2019, are as follows:

	Principal	Interest	Total
Years Ending June 30:			
2020	$ 460,780	$ 618,505	$ 1,079,285
2021	439,250	603,790	1,043,040
2022	455,083	585,689	1,040,772
2023	728,094	567,438	1,295,532
2024	761,634	535,628	1,297,262
2025-2029	4,097,187	2,212,435	6,309,622
2030-2034	3,040,888	1,408,159	4,449,047
2035-2039	2,667,583	875,312	3,542,895
2040-2043	2,510,917	268,848	2,779,765
Total	$ 15,161,416	$ 7,675,804	$ 22,837,220

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 contribute to the 403(b) 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

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

Note 7: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (Continued)

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.

- 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).

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 7.70% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program; see Note 8. Contributions to the pension plan from the College were $857,647. The State of Oklahoma also made on-behalf contributions to OTRS, of which $565,314 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, 2019, the College reported a liability of $10,738,894 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2018. Based upon this information, the College's proportion was 0.1777 percent.

Note 7: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (Continued)

For the year ended June 30, 2019, the College recognized pension expense of $408,311. At June 30, 2019, 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	$ -	$ 742,330
Changes of assumptions	1,006,732	550,041
Net difference between projected and actual earnings on pension plan investments	-	186,676
Changes in College's proportionate share of contributions	690,949	2,565,400
Differences between College contributions and proportionate share of contributions	69,241	49,594
College contributions subsequent to the measurement date	857,647	-
Total	$ 2,624,569	$ 4,094,041

The $857,647 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, 2020. 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:	
2020	$ (106,927)
2021	(337,553)
2022	(929,068)
2023	(739,566)
2024	(214,005)
	$ (2,327,119)

Note 7: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2018, was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.50%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	100.00%	

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

Note 7: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (Continued)

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. 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 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease to 6.5%	Current Discount Rate 7.5%	1% Increase to 8.5%
Employers' net pension liability	$ 15,270,061	$ 10,738,894	$ 6,945,542

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/TRS .

Note 8: Post-Employment Benefits

	Net OPEB Obligation (Asset)	Deferred Outflows	Deferred Inflows	OPEB Expense
Health Insurance Benefit Plan	$ 2,139,125	$ -	$ -	$ 247,757
OTRS Supplemental Health Insurance Plan	(114,826)	15,855	79,568	(13,677)
Total	$ 2,024,299	$ 15,855	$ 79,568	$ 234,080

OTRS Supplemental Health Insurance Program

Plan description

The College as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance 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/TRS

Benefits provided

OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between $100 and $105 per month, remitted to the Oklahoma Higher Education Employee Interlocal Group ("OKHEEI"), provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions

Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 7; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.14% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were $5,785.

Note 8: Post-Employment Benefits (Continued)

OTRS Supplemental Health Insurance Program (Continued)

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the College reported an asset of $114,826 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2018. The College's proportion of the net OPEB asset was based on the College's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2018. Based upon this information, the College's proportion was 0.1777% percent.

For the year ended June 30, 2019, the College recognized OPEB expense of ($13,677). At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 31,997
Net difference between projected and actual earnings on OPEB plan investments	-	47,571
Change in proportionate share	3,060	-
Changes in proportion and differences between College contributions and proportionate share of contributions	7,010	-
College contributions subsequent to the measurement date	5,785	-
Total	$ 15,855	$ 79,568

The $5,785 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Note 8: Post-Employment Benefits (Continued)

OTRS Supplemental Health Insurance Program (Continued)

Year ended June 30:			
	2020	$	(19,415)
	2021		(19,415)
	2022		(19,415)
	2023		(8,550)
	2024		(2,443)
	Thereafter		(260)
	Total	$	(69,498)

<u>Actuarial Assumptions</u>

The total OPEB liability (asset) as of June 30, 2018, was determined based on an actuarial valuation prepared as if June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.50%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Note 8: Post-Employment Benefits (Continued)

OTRS Supplemental Health Insurance Program (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	100.00%	

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

Discount Rate

A single discount rate of 7.50% was used to measure the total OPRB liability (asset) as of June 30, 2018. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). 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 OPEB Liability (Asset) to Change in the Discount Rate

The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.5%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	I% Decrease (6.5%)	Current Discount Rate (7.5%)	I% Increase (8.5%)
Employers' net opeb liability (asset)	$ (40,329)	$ (114,826)	$ (178,481)

Note 8: Post-Employment Benefits (Continued)

OTRS Supplemental Health Insurance Program (Continued)

OPEB plan fiduciary net position

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

Health Insurance Benefit Plan

Plan description

The College's defined benefit OPEB plan, MSC Retiree Benefits Plan, provides OPEB to eligible retirees and their dependents. The College's Board of Trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided

The College provides medical, dental, and vision benefits to eligible retirees and their dependents through the Oklahoma Higher Education Employee Interlocal Group. The College pays the full contribution rate for the retiree's coverages if they have retired from OTRS under the Rule of 80 or 90 and worked for the College for at least 20 years. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees not meeting the previous requirements may still stay on the insurance plan, but must pay the full contribution rate for the retiree's coverages and for any other elected dependent dental and vision coverages on their own. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the College.

Employees covered by benefit terms

At June 30, 2019 the following employees were covered by the benefit terms:

Active Employees	143
Inactives or beneficiaries currently receiving benefit payments	7
Total	150

Note 8: Post-Employment Benefits (Continued)

Health Insurance Benefit Plan (Continued)

Total OPEB liabilities

The College's total OPEB liability of $2,139,125 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date using roll forward procedures.

Actuarial Assumptions

The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions using roll forward procedures:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Inflation - 3.00%
- Salary Scale – 3.25%
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Retirement Age - Retirement rates are as shown below and they are based on the College's actual retirement experience in 2011 through 2016.

Age	Male - OTRS	Female – OTRS
55	12.00%	12.50%
60	12.00%	16.00%
61	15.00%	20.00%
62	21.00%	25.00%
63	19.00%	20.00%
64	15.00%	20.00%
65	25.00%	25.00%

- Turnover Rates – Developed from assumptions used in the actuarial valuation of the Oklahoma Teachers Retirement System.
- Healthcare cost trend rates - Level 5.50%
- Average per capita claim cost – Range from age 50 of $8,238 to age 64 of $12,461
- Mortality Rates - RPH-2017 Total Table with Projection MP-2017
- Coverage – 100% of all retirees who currently have healthcare coverage will continue with the same coverage. 10% of all actives, projected to have less than 20 years of service at retirement, who currently have individual coverage will continue with individual coverage upon retirement. 100% of retirees eligible for the monthly subsidy will elect individual coverage upon retirement.

Note 8: Post-Employment Benefits (Continued)

Health Insurance Benefit Plan (Continued)

Changes in Total OPEB Liability

The following table reports the components of changes in total OPEB liability:

	Total OPEB Liability
Balances Beginning of Year	$ 1,970,444
Changes for the Year:	
Service cost	172,838
Interest expense	74,919
Benefits paid	(79,076)
Net Changes	168,681
Balances End of Year	$ 2,139,125

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.88%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage-point higher (4.88) than the current rate:

	1% Decrease 2.88%	Current Discount Rate 3.88%	1% Increase 4.88%
Employers' net opeb liability	$ 2,325,104	$ 2,139,125	$ 1,968,468

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability (asset) of the employer calculated using the healthcare cost trend rate of 5.50%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.50%) or 1-percentage-point higher (6.50%) than the current rate:

	1% Decrease 4.50%	Healthcare Cost Trend Rates 5.50%	1% Increase 6.50%
Employers' net opeb liability	$ 1,908,563	$ 2,139,125	$ 2,414,490

OPEB Expense

For the year ended June 30, 2019, the College recognized OPEB expense of $247,757.

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 fulfill the College's agreement with the former President as agreed upon plus return most of the original purchase price to the College. The 2019 income from the increase in the cash surrender value of the policy is $4,341. The cash value of the life insurance policy at June 30, 2019 is $136,461, and is reported as other assets on the statement of net position.

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.

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.

The College participates in the Federal Direct Student Loan Program (Direct Lending Program). The College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the year ended June 30, 2019, approximately $4,087,000 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, 2019, 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.

The College participates in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool "OKHEEI". College employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The College pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provide by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating colleges and universities. As of June 30, 2019 additional assessments did not occur.

Note 13: Illustrative Disclosure of Segment Information

As noted in the reporting entity section above, the College's financials contain a blended component unit, the Lynn Colbert Charitable Foundation Trust (the "Trust"). Summary financial information for the College and the Trust is presented below.

Murray State College
Notes to Financial Statements
June 30, 2019

Note 13: Illustrative Disclosure of Segment Information (Continued)

As of and for the year ended June 30, 2019

	College	Trust	Total
CONDENSED STATEMENT OF NET POSITION			
ASSETS			
Current assets	$ 16,973,058	$ 51,608,732	$ 68,581,790
Capital assets, net	30,895,139	-	30,895,139
Other assets	184,170	-	184,170
Total assets	48,052,367	51,608,732	99,661,099
DEFERRED OUTFLOWS	2,640,424	-	2,640,424
LIABILITIES			
Current liabilities	1,426,159	-	1,426,159
Non-current liabilities	27,721,518	-	27,721,518
Total liabilities	29,147,677	-	29,147,677
DEFERRED INFLOWS	4,281,507	-	4,281,507
NET POSITION			
Net investment in capital assets	20,669,068	-	20,669,068
Restricted	827,800	51,608,732	52,436,532
Unrestricted	(4,233,261)	-	(4,233,261)
Total net position	$ 17,263,607	$ 51,608,732	$ 68,872,339
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating revenues	$ 8,672,951	$ -	$ 8,672,951
Depreciation	(1,482,748)	-	(1,482,748)
Other operating expenses	(20,106,963)	(15,726)	(20,122,689)
Operating loss	(12,916,760)	(15,726)	(12,932,486)
Non-operating Revenues (Expenses)			
State appropriations	5,048,987	-	5,048,987
Federal grants	4,433,940	-	4,433,940
State grants	1,665,815	-	1,665,815
OTRS on-behalf contributions	565,314	-	565,314
Sale of mineral interest	-	185	185
Investment income	156,945	2,432,200	2,589,145
Interest on capital asset-related debt	(640,100)	-	(640,100)
Capital appropriations - state	330,792	-	330,792
OCIA debt services on-behalf payments	713,737	-	713,737
Capital contributions	1,150,027	-	1,150,027
Transfers from (to)	2,088,637	(2,088,637)	-
Change in net position	2,597,334	328,022	2,925,356
Beginning net position	14,666,273	51,280,710	65,946,983
Ending net position	$ 17,263,607	$ 51,608,732	$ 68,872,339
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	$ (12,236,543)	$ (15,726)	$ (12,252,269)
Noncapital financing activities	13,237,379	(2,088,637)	11,148,742
Capital and related financing activities	55,643	-	55,643
Investing activities	148,777	759,729	908,506
Net increase (decrease)	1,205,256	(1,344,634)	(139,378)
Cash and Cash Equivalents, Beginning of Year	6,329,890	2,078,449	8,408,339
Cash and Cash Equivalents, End of Year	$ 7,535,146	$ 733,815	$ 8,268,961

Note 14: Murray State College Foundation, Inc.

The following are significant disclosures of the Foundation:

Cash and Cash Equivalents

The Foundation defines cash and cash equivalents to be all cash and certificates of deposit with original maturities of three months or less.

Investments

Investments are reported at fair value and holding gains and losses are included in investment income.

Investments consist of the following at June 30, 2016:

	Cost	Fair Value	Carrying Value
Money market funds	$ 558,382	$ 558,382	$ 558,382
Certificates of deposit	1,159,151	1,159,151	1,159,151
Coporate bonds	36,628	37,629	37,629
Tax exempt bonds	464,210	478,268	478,268
Mutual funds	1,499,271	1,499,134	1,499,134
Variable annuity	100,000	142,765	142,765
Total investments	$ 3,817,642	$ 3,875,329	$ 3,875,329

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.

Net Position

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

Note 14: Murray State College Foundation, Inc. (Continued)

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

> *Unrestricted* – Net position that is not subject to donor-imposed restrictions. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees.
>
> *Temporarily Restricted* – Net position 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 position 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.

Fair Value Measurements

Fair value is defined by GAAP 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. GAAP also establishes a three level hierarchy for 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 than 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.

The following table presents the fair value measurements of assets recognized in the accompanying financial statements at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016.

Note 14: Murray State College Foundation, Inc. (Continued)

	Level 1	Level 2	Level 3	Total
Money market funds	$ 558,382	$ -	$ -	$ 558,382
Certificates of deposit	-	1,159,151	-	1,159,151
Coporate bonds	-	37,629	-	37,629
Tax exempt bonds	-	478,268	-	478,268
Mutual funds	1,499,134	-	-	1,499,134
Variable annuity	-	142,765	-	142,765
Total investments	$ 2,057,516	$ 1,817,813	$ -	$ 3,875,329

Endowments

The Foundation's endowments consist of approximately 140 individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net position 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;
(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

Note 14: Murray State College Foundation, Inc. (Continued)

of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

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

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year 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 position composition by type of fund as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ 96,384	$ 129,316	$ 1,891,911
Board-designated endowment funds	—	—	—
Total endowment funds	$ 96,384	$ 129,316	$ 1,891,911

Changes in Endowment net position for the year ending June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net position - beginning	$ 95,984	$ 117,479	$ 1,723,863
Investment return	—	46,906	168,048
Contributions	1,500	—	—
Appropriations for expenditure	(650)	(35,069)	—
Total endowment funds	$ 96,834	$ 129,316	$ 1,891,911

Note 14: Murray State College Foundation, Inc. (Continued)

Notes Payable

Long-term debt consists of the following:

Note Payable, U.S. Department of Agriculture (A)	$	3,593,738
Less: Current Maturities		(60,182)
	$	3,533,556

(A) Payable in annual installments of $217,408 at rate of 4.375%, through June 30, 2046. Collateralized by a mortgage and security interest in the housing project revenues.

Future minimum debt service for the year ended June 30, 2016, are as follows:

	Principal	Interest	Total
Years Ending June 30:			
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	71,425	145,983	217,408
2022-2026	406,825	680,215	1,087,040
2027-2031	503,953	583,087	1,087,040
2032-2036	624,270	462,770	1,087,040
2037-2041	773,313	313,727	1,087,040
2042-2046	956,960	130,080	1,087,040
Total	$ 3,593,738	$ 2,928,502	$ 6,522,240

Required Supplementary Information

Murray State College
Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019
College's proportion of the net pension liability	0.2129%	0.2066%	0.2058%	0.2222%	0.1777%
College's proportionate share of the net pension liability	$ 11,452,416	$ 12,549,259	$ 17,177,332	$ 14,714,300	$ 10,738,894
College's covered-employee payroll	$ 8,296,004	$ 8,623,624	$ 8,482,503	$ 9,080,272	$ 8,562,834
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	138%	146%	203%	162%	125%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	72.43%	69.32%	72.74%

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

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

Murray State College
Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years

	2015	2016	2017	2018	2019
Contractually required contribution	$ 866,113	$ 874,442	$ 838,609	$ 850,758	$ 857,647
Contributions in relation to the contractually required contribution	866,113	874,442	838,609	850,758	857,647
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 8,623,624	$ 8,482,503	$ 9,080,272	$ 8,562,834	$ 8,637,032
Contributions as a percentage of covered-employee payroll	10%	10%	9%	10%	10%

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

Murray State College
Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
OKLAHOMA TEACHERS RETIREMENT SYSTEM
SUPPLEMENTAL HEALTH INSURANCE PROGRAM
Last 10 Fiscal Years*

	2018	2019
College's proportion of the net OPEB liability (asset)	0.2222%	0.1777%
College's proportionate share of the net OPEB liability (asset)	$ 99,100	$ 114,826
College's covered-employee payroll	$ 9,080,272	$ 8,562,834
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	1.09%	1.34%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%	115.41%

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

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

Murray State College
Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
SUPPLEMENTAL HEALTH INSURANCE PROGRAM
Last 10 Fiscal Years

	2018	2019
Contractually required contribution	$ 13,508	$ 5,785
Contributions in relation to the contractually required contribution	13,508	5,785
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll	$ 8,562,834	$ 8,637,032
Contributions as a percentage of covered-employee payroll	0.16%	0.07%

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

Murray State College

Schedules of Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

Health Insurance Benefit Plan

Last 10 Fiscal Years

	2018	2019
Total OPEB liability		
Service cost	$ 166,382	$ 172,838
Interest	75,074	74,919
Benefit payments, including refunds of member contributions	(79,076)	(79,076)
Net change in total OPEB liability	162,380	168,681
Total OPEB liability - beginning	1,808,064	1,970,444
Total OPEB liability - ending (a)	$ 1,970,444	$ 2,139,125
Covered employee payroll	$ 8,562,834	$ 8,637,032
Net OPEB liability (asset) as a percentage of covered-employee payroll	23.01%	24.77%
Discount rate used	3.88%	3.88%

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

Reports Required by
Government Auditing Standards
and Uniform Guidance

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 Murray State College (the "College"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 24, 2019. Our report included an adverse opinion on the discretely presented component unit, as described in our report on the College's financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates, P.C.

October 24, 2019

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents
Murray State College
Tishomingo, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Murray State College's (the "College"), a component unit of the State of Oklahoma, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings 2019-001, 2019-002, 2019-003, and 2019-004. Our opinion on each major federal program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 findings 2019-001, 2019-002, 2019-003, and 2019-004 that we consider to be significant deficiencies.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the College as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 24, 2019, which contained an unmodified opinion on the College's financial statements and an adverse opinion on the discretely presented component unit. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates, P.C.

October 24, 2019

MURRAY STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	N/A	$ 3,896,193
Federal Supplemental Educational Opportunity Grants	84.007	N/A	75,737
Federal Work-Study Program	84.033	N/A	56,677
Federal Direct Student Loan	84.268	N/A	4,086,645
Total Student Financial Assistance Cluster			8,115,252
TRIO Program Cluster			
TRIO--Student Support Services	84.042	N/A	353,998
Total TRIO program cluster			353,998
Other Programs			
Strengthening Minority-Serving Institutions	84.382	N/A	357,783
Pass-through Oklahoma State Department of Vocational Education			
Vocational Education National Centers for Career and Technical Education--Basic Grants to States	84.048	V048A160036	88,848
Pass-through Oklahoma State Department of Career and Technical Education			
Adult Education and Literacy	84.002	V002A180037	27,845
Total Other Programs			474,476
TOTAL U.S. DEPARTMENT OF EDUCATION			**8,943,726**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
National Institute for Health			
Pass-Through Program From:			
Oklahoma State Department of Human Services			
Temporary Assistance for Needy Families	93.558	0310559	295,623
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			**295,623**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 9,239,349**

See notes to schedule of expenditures of federal awards.

MURRAY STATE COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

NOTE A--BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Murray State College (the "College") under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de Minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C--FEDERAL DIRECT STUDENT LOAN PROGRAM

The College participates in the Federal Direct Loan Program (the "Program"), CFDA number 84.268, which includes the Federal Subsidized Direct Loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan and Federal Direct Loans Parents of Undergraduate Students. The Federal Direct Loan Program requires the College to draw down cash; and the College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. The College is not responsible for the collection of these loans. The value of loans made during the audit period are considered Federal awards expended for the audit period.

NOTE D--SUBRECIPIENTS

During the year ended June 30, 2019, the College did not provide any federal awards to subrecipients.

MURRAY STATE COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:	*Unmodified – Murray State College* *Adverse – Discretely Presented Component Unit*

Internal control over financial reporting:

• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiency(ies) identified?	_____ yes	__X__ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major federal programs:

• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiency(ies) identified?	__X__ yes	_____ none reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__X__ yes	_____ no

Identification of major federal programs:

Program	CFDA Number
Student Financial Assistance Cluster	*

*Refer to the Schedule of Expenditures of Federal Awards for CFDA numbers related to these programs.

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?	__X__ yes	_____ no

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

None to report for the June 30, 2019 period.

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

Finding 2019-001: Special Tests and Provisions – Return of Title IV Funds
Repeat Finding

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033 – Student Financial Assistance Cluster

Criteria: The Federal Student Aid Handbook (Handbook) states, "The worksheets require that a school indicate whether the calculation is being done on the basis of a payment period or on the basis of a period of enrollment." (2019 Federal Student Aid Handbook, Volume 5) The College has indicated on their R2T4 worksheets that they are calculating on a basis of payment period. In accordance with 34 CFR 668.4(a), for a student enrolled in an eligible program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), or for a student enrolled in an eligible program that measures progress in credit hours and uses nonstandard terms that are substantially equal in length, the payment period is the academic term. Handbook states, "Generally, a term is a period in which all classes are scheduled to begin and end within a set time frame, and academic progress is measured in credit-hours." (2019 Federal Student Aid Handbook, Volume 3)

Condition: We recalculated the starting date of the Fall and Spring semester to determine the starting point for the total number of days in each term for return calculation purposes. We calculated the Fall semester starting date to be 8/13/2018. The College calculated the starting date to be 8/10/2018 for the term. In our sample selection of twelve, we noted one instance in which the date error resulted in an increase in the amount of funds to be returned of $28.

Questioned Costs: None

Cause and Effect: The College incorrectly used the New Student Symposium and Convocation date as the starting date instead of the date in which all classes were scheduled to begin. This resulted in the incorrect calculation of the amount of funds to be returned when preparing the R2T4.

Recommendation: We recommend the College reinforce its training related to these calculations and consider implementing a procedure to periodically review these calculations.

Management's response: In addition to additional training, the Financial Aid Office has already changed internal processes to include multiple staff checking the POE start and stop dates prior to importing new students and awarding federal financial aid.

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

Finding 2019-002: Special Tests and Provisions – Common Origination Documentation (COD) Reconciliation
Repeat Finding

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033 – Student Financial Assistance Cluster

Criteria: In accordance with 34 CFR section 685.300(b) "In the program participation agreement, the school must promise to comply with the Act and applicable regulations and must agree to – (5) On a monthly basis, reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary."

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD within 15 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records.

Condition: The College was not reconciling the two systems during the fiscal year, ending June 30, 2019.

Questioned Costs: N/A

Cause and Effect: Fiscal year 2019 reconciliations were not timely prepared as current student financial aid personnel have been involved in reconciling previous years information that had remained unreconciled.

Recommendation: We recommend the college ensure the two systems are reconciled every month in accordance with 34 CFR 685.300(b) and that procedures be implemented to monitor and complete the COD reconciliation to the institutional records.

Management's response: Over the past 2 years, the Financial Aid Office has had to rebuild the entire Financial Aid Process including awarding, disbursement, and reconciliation. These processes have included changes in both the Financial Aid Office as well as the Business Office. As of October of 2019, the new process of reconciliation, including monthly reconciliation, has been implemented.

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

Finding 2019-003: Special Tests and Provisions – Enrollment Reporting
Repeat Finding

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033 – Student Financial Assistance Cluster

Criteria: The College must complete the Enrollment Reporting roster file that is placed in their Student Aid Internet Gateway (SAIG) and return the file to the U.S. Department of Education (DOE) within 15 days. At a minimum, the College must receive the file every 60 days, update the file for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date and submit the changes back to DOE either electronically through the batch method or through the NSLDS website. (FPL, 34 CFR § 674.19; Pell, 34 CFR §690.83(b)(2); FFEL, 34 CFR § 682.610; and Direct Loan 34 CFR § 685.309).

Condition: In our withdrawal testing, in a sampling population of twelve students, we noted four withdrawn students that did not have their enrollment status change reported to the NSLDS via the National Student Clearinghouse (NSC) within sixty days.

Questioned Costs: None

Cause and Effect: The Registrar and Financial Aid Office are responsible for reporting all students' enrollment status. The reporting errors were caused by improper scheduling and execution of NCS transmissions for enrollment reporting. As the institution utilizes the NSC for reporting, consideration must be taken for time delays from original NSC transmission to successful receipt by the NSLDS. Additionally, care must be taken to ensure the enrollment transmissions submitted are accurate and complete. Untimely reporting of student enrollment status does not allow the Department of Education to properly track and monitor students, including initiation of the loan repayment process.

Recommendation: We recommend the institution monitor adherence to the procedures that need to be followed when a student withdraws from the College. This will allow the College to report enrollment changes to the NSLDS within the appropriate period of sixty days from the date the institution determined the status change. It is recommended the College consider evaluating the procedure regarding reporting withdrawals to the NSLDS and update the procedure as necessary to ensure compliance with enrollment reporting requirements.

Management's response: The College agrees with this finding and will review the procedures that need to be followed when a student withdraws. The Financial Aid Office and the Registrar's Office will coordinate together and update these procedures to remedy this finding.

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

Finding 2019-004: Student Financial Assistance – Federal Pell Grant Program

Federal Program: CFDA # 84.063- Federal Pell Grant Program – Student Financial Aid Cluster

Criteria: In administering the Federal Pell Grant program, institutions such as the University are required to follow the Payment and Disbursement Schedules provided by the U.S. Department of Education (ED). Per the Compliance Supplement regarding *Federal Pell Grant (CFDA 84.063)*, the Payment or Disbursement Schedule provides the maximum annual amount a student would receive for a full academic year for a given enrollment status, estimated family contribution (EFC) and cost of attendance (COA).

Condition: In our Student Financial Aid testing in a sampling of 40 students, we noted one recipient of Federal Pell Grant money that was disbursed the incorrect amount in accordance with her enrollment status. The student was originally enrolled as a half-time student but dropped a class prior to the drop date, which made her enrollment status change to less than half time. The College disbursed the student Federal Pell Grant money for a half-time enrollment status. This student was over awarded due to the use of an incorrect enrollment status to calculate.

Questioned Costs: None

Cause and Effect: The communication between the Registrar and the Financial Aid Office was not completed within the time frame needed to update the student's enrollment status, allowing for a student's Pell Grant to be overawarded.

Recommendation: We recommend the College review its procedures over recalculating and inputting aid upon receipt of new documentation regarding the student's COA, EFC, and enrollment status.

Management's Response: This circumstance is partially caused by the lack of connectivity between the registrar software and the financial aid software. Our campus is in the final stages of selecting new software that will include a much higher degree of office to office connectivity regarding student data. In order to prevent this problem while we are waiting on implementation of new software, we will coordinate with the Registrar's Office to improve the transfer of census data, which includes the enrollment status, from Registrar's Office to the Financial Aid office at multiple dates after the drop/add period has concluded

MURRAY STATE COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

Finding 2018-001: Special Tests and Provisions – Return of Title IV Funds
Repeat Finding

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033 – Student Financial Assistance Cluster

Criteria: In accordance with 34 CFR 668.22(g), the institution must return the total amount of unearned Title IV assistance as calculated under 668.22(e)(3) or 668.22(e)(4). The institution must also return the funds in the order of return as stated under 668.22(i).

Condition: We reperformed the R2T4 calculation for a sample of six students and determined one student's return calculation was inaccurate.

Questioned Costs: None

Cause and Effect: The College's process for calculating and/or reviewing calculations for R2T4 funds were not adequate to detect improper calculation and return of Title IV funds to the Department of Education.

Recommendation: We recommend the College reinforce training for these calculations and implement a procedure to detect and correct any miscalculations.

Current year status: See Finding 2019-001.

Finding 2018-002: Special Tests and Provisions – Common Origination Documentation (COD) Reconciliation
Repeat Finding

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033 – Student Financial Assistance Cluster

Criteria: In accordance with 34 CFR section 685.300(b) "In the program participation agreement, the school must promise to comply with the Act and applicable regulations and must agree to – (5) On a monthly basis, reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary."

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD within 15 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records.

Condition: The College was not reconciling the two systems.

Questioned Costs: N/A

Cause and Effect: The College has had turnover in the financial aid department as well as inadequate processes and procedures to monitor and complete COD reconciliation requirement.

Recommendation: We recommend the college ensure the two systems are reconciled every month in accordance with 34 CFR 685.300(b) and that procedures be implemented to monitor and complete the COD reconciliation to the institutional records.

Current year status: See Finding 2019-002.

Finding 2018-003: Special Tests and Provisions – Enrollment Reporting
Repeat Finding

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033 – Student Financial Assistance Cluster

Criteria: The College must complete the Enrollment Reporting roster file that is placed in their Student Aid Internet Gateway (SAIG) and return the file to the U.S. Department of Education (DOE) within 15 days. At a minimum, the College must receive the file every 60 days, update the file for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date and submit the changes back to DOE either electronically through the batch method or through the NSLDS website. (FPL, 34 CFR § 674.19; Pell, 34 CFR §690.83(b)(2); FFEL, 34 CFR § 682.610; and Direct Loan 34 CFR § 685.309).

Condition: In our graduate testing, in a sampling population of five students, we noted five graduated students that did not have their enrollment status change reported to the NSLDS via the National Student Clearinghouse (NCS) within sixty days.

Questioned Costs: None

Cause and Effect: The Registrar and Financial Aid Office are responsible for reporting all students' enrollment status. The reporting errors were caused by an error in the upload format. The file the College was uploading was missing a field that reported graduation status.

Recommendation: We recommend the institution monitor adherence to the procedures that need to be followed when a student graduates from the College. This will allow the College to report enrollment changes to the NSLDS within the appropriate period of sixty days from the date the institution determined the status change. It is recommended the College consider evaluating the procedure regarding reporting graduates to the NSLDS and update the procedure as necessary to ensure compliance with enrollment reporting requirements.

Current year status: See Finding 2019-003.