

**Northeastern Oklahoma  
Agricultural and Mechanical  
College**

**Financial Statements  
and Independent Auditors' Reports**

**June 30, 2018 and 2017**

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## INDEPENDENT AUDITOR'S REPORT

Board of Regents  
Oklahoma Agricultural and Mechanical Colleges  
Northeastern Oklahoma Agricultural and Mechanical College  
Oklahoma City, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Northeastern Oklahoma Agricultural and Mechanical College (the College), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the years ended June 30, 2018 and 2017, 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.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College's primary government and its discretely presented component unit as of June 30, 2018 and 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2018 the College adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

## ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the College are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the Regents that is attributable to the transactions of the College. They do not purport to, and do not present fairly the financial position of the Regents as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to other postemployment benefits and pension liabilities and contributions, 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 31, 2018, 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.



October 31, 2018

**Northeastern Oklahoma Agricultural and Mechanical College**  
(An Organizational Unit of the Board of Regents for the  
Oklahoma Agricultural and Mechanical Colleges)  
**Management's Discussion and Analysis (Unaudited)**

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## **Introduction**

The following discussion and analysis of the financial performance of Northeastern Oklahoma Agricultural and Mechanical College (the College) provides management's overview of the College's financial activities for the fiscal year ended June 30, 2018. Fiscal years 2017 and 2016 are presented for comparative purposes. This analysis is intended to provide a summary of significant financial activities and information and should be read in conjunction with the College's audited financial statements and footnotes.

## **Financial Highlights**

- The College's net position decreased to \$13,576,270 in 2018 from \$14,987,389 in 2017. The College's net position was \$14,703,102 in 2016.
- The College's total revenues increased to \$25,885,424 in 2018 from \$25,882,400 in 2017. The College's total revenues were \$26,822,654 in 2016.
- The College's total expenses increased to \$25,963,075 in 2018 from \$25,563,360 in 2017. The College's total expenses were \$25,395,736 in 2016.

## **Basic Financial Statements**

The College's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and, accordingly, include management's discussion and analysis (as required supplementary information); the statements of cash flows; and explanatory notes to the financial statements.

## **Statement of Net Position**

The Statement of Net Position presents the financial position of the College at the end of the fiscal year. This statement includes all assets, deferred outflows of resources, all liabilities and deferred inflows of resources of the College utilizing the accrual method of accounting. The Statement of Net Position enables users to assess the financial health of the College. Over time, increases or decreases in the College's net position are one indicator of whether the College's financial health is improving or deteriorating. However, non-financial factors such as changes in the College's programs and degrees offered, accreditation status, and condition of physical facilities must also be considered to accurately assess the health of the College.

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The College's Condensed Statements of Net Position for fiscal years 2018, 2017, and 2016 follow:

	2018	2017	Increase (Decrease)	Percent Change
<b>Assets</b>				
Current assets	\$ 7,397,925	\$ 8,163,562	\$ (765,637)	(9.4%)
Noncurrent assets	45,609,603	44,397,089	1,212,514	2.7%
<b>Total assets</b>	<b>\$ 53,007,528</b>	<b>\$ 52,560,651</b>	<b>\$ 446,877</b>	<b>0.9%</b>
<b>Deferred outflows of resources</b>	<b>\$ 2,528,813</b>	<b>\$ 5,049,681</b>	<b>\$ (2,520,868)</b>	<b>(49.9%)</b>
<b>Liabilities</b>				
Current liabilities	\$ 3,321,425	\$ 3,663,498	\$ (342,073)	(9.3%)
Noncurrent liabilities	33,389,463	37,075,902	(3,686,439)	(9.9%)
<b>Total liabilities</b>	<b>\$ 36,710,888</b>	<b>\$ 40,739,400</b>	<b>\$ (4,028,512)</b>	<b>(9.9%)</b>
<b>Deferred inflows of resources</b>	<b>\$ 5,249,183</b>	<b>\$ 1,883,543</b>	<b>\$ 3,365,640</b>	<b>178.7%</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 19,663,332	\$ 20,178,099	\$ (514,767)	(2.6%)
Restricted	4,665,923	4,526,225	139,698	3.1%
Unrestricted	(10,752,985)	(9,716,935)	(1,036,050)	10.7%
<b>Total net position</b>	<b>\$ 13,576,270</b>	<b>\$ 14,987,389</b>	<b>\$ (1,411,119)</b>	<b>(9.4%)</b>

	2017	2016	Increase (Decrease)	Percent Change
<b>Assets</b>				
Current assets	\$ 8,163,562	\$ 7,681,698	\$ 481,864	6.3%
Noncurrent assets	44,397,089	38,980,632	5,416,457	13.9%
<b>Total assets</b>	<b>\$ 52,560,651</b>	<b>\$ 46,662,330</b>	<b>\$ 5,898,321</b>	<b>12.6%</b>
<b>Deferred outflows or resources</b>	<b>\$ 5,049,681</b>	<b>\$ 1,615,532</b>	<b>\$ 3,434,149</b>	<b>212.6%</b>
<b>Liabilities</b>				
Current liabilities	\$ 3,663,498	\$ 2,668,176	\$ 995,322	37.3%
Noncurrent liabilities	37,075,902	29,013,521	8,062,381	27.8%
<b>Total liabilities</b>	<b>\$ 40,739,400</b>	<b>\$ 31,681,697</b>	<b>\$ 9,057,703</b>	<b>28.6%</b>
<b>Deferred inflows of resources</b>	<b>\$ 1,883,543</b>	<b>\$ 1,893,063</b>	<b>\$ (9,520)</b>	<b>(0.5%)</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 20,178,099	\$ 22,734,156	\$ (2,556,057)	(11.2%)
Restricted	4,526,225	909,588	3,616,637	397.6%
Unrestricted	(9,716,935)	(8,940,642)	(776,293)	8.7%
<b>Total net position</b>	<b>\$ 14,987,389</b>	<b>\$ 14,703,102</b>	<b>\$ 284,287</b>	<b>1.9%</b>

The College's net position increased \$284,287 in 2017 and decreased \$1,411,119 in 2018. These changes were due primarily to the implementation of GASB statement numbers 73 and 75. Statement 75 requires governmental agencies to treat "other post-employment benefits" in a manner similar to the current treatment of pensions.

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**Statement of Revenues, Expenses, and Changes of Net Position**

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Revenues and expenses are classified as either operating or nonoperating. Operating revenues are those earned by providing goods and services to carry out the mission of the College. Operating expenses are those expenses incurred in order to provide goods and services. The Governmental Accounting Standards Board requires state appropriations, federal funds, gifts and investment income as well as interest expense to be classified as nonoperating. A public college's reliance on state appropriations and gifts quite often results in operating losses.

Readers of the College's Statement of Revenues, Expenses and Changes in Net Position will be able to identify the sources of funds and the use of those funds as the College carries out its mission.

The College's Condensed Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2018, 2017, and 2016 follow:

	Year Ended June 30		Increase (Decrease)	Percent Change
	2018	2017		
<b>Operating revenues:</b>				
Tuition and fees, net	\$ 3,055,027	\$ 2,654,453	\$ 400,574	15.1%
Grants and contracts	2,099,332	1,724,198	375,134	21.8%
Auxiliary, net	5,746,282	5,572,670	173,612	3.1%
Other	181,469	341,043	(159,574)	(46.8%)
<b>Total operating revenues</b>	<b>11,082,110</b>	<b>10,292,364</b>	<b>789,746</b>	<b>7.7%</b>
Less Operating expenses	25,215,883	24,835,524	380,359	1.5%
<b>Net operating loss</b>	<b>(14,133,773)</b>	<b>(14,543,160)</b>	<b>409,387</b>	<b>(2.8%)</b>
<b>Nonoperating revenues:</b>				
State appropriations	7,430,901	8,050,617	(619,716)	(7.7%)
State grants and contracts	929,912	845,714	84,198	10.0%
Federal grants and contracts	5,275,683	5,123,261	152,422	3.0%
FEMA Flood Reimbursement	-	375,273	(375,273)	(100.0%)
Investment income	31,316	45,935	(14,619)	(31.8%)
Gain (Loss) on Investments	-	(7,087)	7,087	(100.0%)
Interest expenses	(747,192)	(727,836)	(19,356)	2.7%
<b>Total nonoperating revenue</b>	<b>12,920,620</b>	<b>13,705,877</b>	<b>(785,257)</b>	<b>(5.7%)</b>
State appropriations for capital	332,793	358,706	(25,913)	(7.2%)
On-behalf payments for OCIA capital leases	802,709	797,617	5,092	0.6%
Gain on sale of property	-	-	-	100.0%
<b>Changes in net position</b>	<b>(77,651)</b>	<b>319,040</b>	<b>(396,691)</b>	<b>(124.3%)</b>
Net position, beginning of year, restated	13,653,921	14,668,349	(1,014,428)	(6.9%)
Net position, end of year	<b>\$ 13,576,270</b>	<b>\$ 14,987,389</b>	<b>\$ (1,411,119)</b>	<b>(9.4%)</b>

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	Year Ended June 30		Increase (Decrease)	Percent Change
	2017	2016		
Operating revenues:				
Tuition and fees, net	\$ 2,654,453	\$ 3,663,800	\$ (1,009,347)	(27.5%)
Grants and contracts	1,724,198	1,517,392	206,806	13.6%
Auxiliary, net	5,572,670	5,761,490	(188,820)	(3.3%)
Other	341,043	150,394	190,649	126.8%
<b>Total operating revenues</b>	<b>10,292,364</b>	<b>11,093,076</b>	<b>(800,712)</b>	<b>(7.2%)</b>
Less Operating expenses	24,835,524	24,677,293	158,231	0.6%
<b>Net operating loss</b>	<b>(14,543,160)</b>	<b>(13,584,217)</b>	<b>(958,943)</b>	<b>7.1%</b>
Nonoperating revenues:				
State appropriations	8,050,617	8,643,906	(593,289)	(6.9%)
State grants and contracts	845,714	890,162	(44,448)	(5.0%)
Federal grants and contracts	5,123,261	5,085,894	37,367	0.7%
FEMA Flood Reimbursement	375,273	-	375,273	100.0%
Investment income	45,935	45,125	810	1.8%
Gain (Loss) on Investments	(7,087)	(45,331)	38,244	(84.4%)
Interest expenses	(727,836)	(718,443)	(9,393)	1.3%
<b>Total nonoperating revenue</b>	<b>13,705,877</b>	<b>13,901,313</b>	<b>(195,436)</b>	<b>(1.4%)</b>
State appropriations for capital	358,706	380,144	(21,438)	(5.6%)
On-behalf payments for OCIA capital leases	797,617	729,678	67,939	9.3%
Gain on sale of property	-	-	-	100.0%
<b>Changes in net position</b>	<b>319,040</b>	<b>1,426,918</b>	<b>(1,107,878)</b>	<b>(77.6%)</b>
Net position, beginning of year, restated	14,668,349	13,276,184	1,392,165	
Net position, end of year	<b>\$ 14,987,389</b>	<b>\$ 14,703,102</b>	<b>\$ 284,287</b>	1.9%

The College's operating revenues have remained relatively steady the last two years. The College raised tuition and fees 5% in 2016, 9% in 2017, and 7% in 2018. These increases have been due to reductions in state funding for public colleges. As the College competes with other schools for area high school graduates, there is increased need to offer discounts or scholarships to students. The College also recruits out-of-state students. As that population grows, so does the total of out-of-state tuition waivers.

The College closely monitors expenses and was able to reduce operating expenses 2.8% in 2018. The reductions came from a significant reduction in compensation and employee benefit payments. Reductions in state appropriations and enrollment have forced the College to scrutinize all spending. The College's first priority is protecting the student experience and encouraging student success. Attracting and retaining the best administration, faculty, and staff, is critical to accomplishing this priority.



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**Management's Discussion and Analysis (Unaudited)**

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**Statement of Cash Flows**

The Statement of Cash Flows is used to report the cash the College generates from operating activities, financing activities and investing activities. Readers of the statement make judgments about the College's ability to pay its bills particularly in the short term.

The College's Condensed Statements of Cash Flows for fiscal years 2018, 2017, and 2016 follow:

	Year Ended June 30		Increase (Decrease)	Percent Change
	2018	2017		
Cash provided by (used in)				
Operating Activities	\$ (12,030,063)	\$ (10,545,034)	\$ (1,485,029)	14.1%
Non-Capital Financing Activities	13,084,916	13,765,475	(680,559)	(4.9%)
Capital and Related Financing Activities	(1,793,655)	286,934	(2,080,589)	(725.1%)
Investing Activities	71,429	(55,486)	126,915	(228.7%)
<b>Net (decrease) in cash</b>	<b>(667,373)</b>	<b>3,451,889</b>	<b>(4,119,262)</b>	<b>(119.3%)</b>
Cash and cash equivalents, beginning of year	10,220,054	6,768,165	3,451,889	51.0%
Cash and cash equivalents, end of year	<b>\$ 9,552,681</b>	<b>\$ 10,220,054</b>	<b>\$ (667,373)</b>	<b>(6.5%)</b>

	Year Ended June 30		Increase (Decrease)	Percent Change
	2017	2016		
Cash provided by (used in)				
Operating Activities	\$ (10,545,034)	\$ (12,161,511)	\$ 1,616,477	(13.3%)
Non-Capital Financing Activities	13,765,475	13,878,047	(112,572)	(0.8%)
Capital and Related Financing Activities	286,934	(970,866)	1,257,800	(129.6%)
Investing Activities	(55,486)	274,386	(329,872)	(120.2%)
<b>Net (decrease) in cash</b>	<b>3,451,889</b>	<b>1,020,056</b>	<b>2,431,833</b>	<b>238.4%</b>
Cash and cash equivalents, beginning of year	6,768,165	5,748,109	1,020,056	17.7%
Cash and cash equivalents, end of year	<b>\$ 10,220,054</b>	<b>\$ 6,768,165</b>	<b>\$ 3,451,889</b>	<b>51.0%</b>

The College has maintained strong cash reserves in spite of declining state appropriations. The administration works to balance increases in student costs against cuts to the services offered to students. Further, the administration works to balance cuts in salary and benefits against the retention of quality employees. Given the uncertainty of state funding, the administration believes that a significant balance of unrestricted cash is necessary.

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**Capital Assets and Debt Administration**

The College has effectively utilized a varied source of funds to maintain and improve the campus buildings and infrastructure. The administration aggressively pursues grant opportunities that include capital expenditure funds. The College also participates in the state's ODFA Master Lease Program. This program allows the College to borrow money at competitive rates with lower origination costs. Current capital projects include the on-going improvements to Synar Farm, a campus-wide fiber optic upgrade, and a new 88 bed dormitory.

	Year Ended June 30		Increase (Decrease)	Percent Change
	2018	2017		
Land	\$ 500,716	\$ 500,716	\$ -	- %
Construction in-progress	156,651	3,430,176	(3,273,525)	(95.4%)
Buildings and improvements	56,919,971	52,926,886	3,993,085	7.5%
Non-structural improvements	438,989	432,364	6,625	1.5%
Equipment and infrastructure	10,269,863	8,894,406	1,375,457	15.5%
Library materials	2,658,591	2,599,950	58,641	2.3%
<b>Total</b>	<b>70,944,781</b>	<b>68,784,498</b>	<b>2,160,283</b>	<b>3.1%</b>
Less accumulated depreciation	(29,294,068)	(28,186,291)	(1,107,777)	3.9%
<b>Capital assets, net</b>	<b>\$ 41,650,713</b>	<b>\$ 40,598,207</b>	<b>\$ 1,052,506</b>	<b>2.6%</b>

	Year Ended June 30		Increase (Decrease)	Percent Change
	2017	2016		
Land	\$ 500,716	\$ 500,716	\$ -	- %
Construction in-progress	3,430,176	49,160	3,381,016	100.0%
Buildings and improvements	52,926,886	52,525,811	401,075	0.8%
Non-structural improvements	432,364	432,364	-	- %
Equipment and infrastructure	8,894,406	8,713,153	181,253	2.1%
Library materials	2,599,950	2,544,755	55,195	2.2%
<b>Total</b>	<b>68,784,498</b>	<b>64,765,959</b>	<b>4,018,539</b>	<b>6.2%</b>
Less accumulated depreciation	(28,186,292)	(26,771,013)	(1,415,279)	5.3%
<b>Capital assets, net</b>	<b>\$ 40,598,206</b>	<b>\$ 37,994,946</b>	<b>\$ 2,603,260</b>	<b>6.9%</b>

**Long-Term Debt**

The College's long-term debt falls into three categories: OCIA debt, ODFA debt, and other.

The OCIA debt is managed by the Oklahoma State Regents for Higher Education (OSRHE). All activities including refunding, repayment, extensions, etc. are under the direct control of the OSRHE.

ODFA Master Lease debt is issued through the OSRHE while managed by the College. In 2016, the College added one Master Lease debt instrument to fund the purchase of a new campus-wide telephone system. The College added two significant debt issues in 2017. The first, ODFA Master Lease, Series 2016F, provides for construction of the new dormitory. The debt service will be from room rentals. The second, ODFA Master Lease, Series 2017C, provides for the campus-wide fiber optic upgrade. Debt service for this issue will be 65% grant funds and 35% student fees. In 2018 the College added one additional ODFA Master Lease in the amount of \$3,000,000. The proceeds of this issue are earmarked for deferred maintenance projects on campus.

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	Year Ended June 30		Increase (Decrease)	Percent Change
	2018	2017		
OCIA Leases	\$ 3,611,007	\$ 4,214,721	(603,714)	(14.3%)
ODFA Leases	16,576,587	14,735,919	1,840,668	12.5%
Premiums on leases	586,692	432,079	154,613	35.8%
Discount on leases	(22,753)	(23,666)	913	(3.9%)
NEO Development Foundation- Multipurpose Athletic Center	1,100,850	1,181,874	(81,024)	(6.9%)
<b>Total</b>	<b>\$ 21,852,383</b>	<b>\$ 20,540,927</b>	<b>\$ 1,311,456</b>	<b>6.4%</b>

	Year Ended June 30		Increase (Decrease)	Percent Change
	2017	2016		
OCIA Leases	\$ 4,214,721	\$ 4,794,298	(579,577)	(12.1%)
ODFA Leases	14,735,919	9,660,753	5,075,166	52.5%
Premiums on leases	432,079	101,771	330,308	324.6%
Discount on leases	(23,666)	(24,579)	913	(3.7%)
NEO Development Foundation- Multipurpose Athletic Center	1,181,874	1,324,452	(142,578)	(10.8%)
<b>Total</b>	<b>\$ 20,540,927</b>	<b>\$ 15,856,695</b>	<b>\$ 4,684,232</b>	<b>29.5%</b>

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### **Economic Factors and the College's Future**

The College developed a new strategic plan during fiscal year 2016. Individuals from the administration, faculty, staff and student body worked together on several teams to develop the plan. The final plan includes five broad areas:

- Provide modern, comfortable facilities that will support student growth, enhance alumni and visitor experiences, and create a productive environment for employees.
- Create an environment focused on the recruitment, retention, and academic success of students.
- Provide innovative and secure information technology services.
- Provide educational excellence by removing academic, social, and psychological barriers confronting students.
- Foster and maintain an environment that is safe, secure, and stable for living, learning, and working.

The College continues to move forward with implementation of the strategic plan. Construction of an 88-bed dormitory was completed in July 2017. A campus-wide fiber optic upgrade was completed in August 2017. Installation of approximately 400 security cameras and 250 new wireless access points was also begun in August. As each of these projects is completed, members of the strategic planning teams reconvene to discuss new ideas.

The latest addition to the strategic plan concerns deferred maintenance. Most of the College's buildings were constructed during the 1960's. Although they have been well maintained, they have significant deferred maintenance needs. The College has identified approximately \$12million of critical projects. The College hopes to address these projects over the next three years.

In addition to the goals established in the Strategic plan, several other factors influence the College's immediate future:

- The economy of the State of Oklahoma appears to have made a positive turn. The College is hopeful that financial support for the institution will be increased in the coming years. However, the College continues to seek ways to be less dependent state appropriations.
- The number of graduating high school seniors in the College's three county "trade area," Ottawa, Craig, and Delaware counties, is steadily declining. The border states Arkansas, Kansas, and Missouri have all increased their efforts to keep students in state by offering tuition-free education in their community colleges.

The College's response to these factors in the coming year is multifaceted:

- The College is working closely with area employers on workforce development. The ability to graduate well-prepared workers for local business and industry is considered critical to the College's sustainability.
- Improved student housing – Most of the current student housing is outdated and does not meet student wants. The College will continue to study the on-campus housing needs of students and respond accordingly.

The College continues to pursue significant grant funds. The College continues to receive four US Department of Education grants. In fiscal year 2018 the College received:

- \$294,000 - Upward Bound
- \$276,000 - Student Support Services
- \$682,000 - Title III Parts A and F
- \$88,000 - Adult Education and Literacy

These grant funds enable the College to support targeted groups of students and enhance their ultimate success in higher education.

**Northeastern Oklahoma Agricultural and Mechanical College**  
 (An Organizational Unit of the Board of Regents for the  
 Oklahoma Agricultural and Mechanical Colleges)

**Statements of Net Position**  
**June 30, 2018 and 2017**

	<u>Primary Government - College</u>		<u>Component Unit - Foundation</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 5,442,478	\$ 6,117,331	\$ 487,244	\$ 444,675
Restricted cash and cash equivalents	458,565	465,696	66,737	66,594
Accounts receivable, net	870,216	832,789	2,000	19,000
Other receivables	30,413	30,234	8,349	4,059
Investments	156,221	253,723	-	-
Inventories	440,032	463,789	-	-
<b>Total current assets</b>	<b>7,397,925</b>	<b>8,163,562</b>	<b>564,330</b>	<b>534,328</b>
Noncurrent assets:				
Restricted cash and cash equivalents	3,651,638	3,637,027	-	-
Investments	219,066	161,856	4,914,262	4,691,285
Restricted net OPEB asset	88,186	-	-	-
Other receivables	-	-	1,156,666	1,247,840
Other assets	-	-	714,710	60,000
Capital assets, net	41,650,713	40,598,206	-	-
<b>Total noncurrent assets</b>	<b>45,609,603</b>	<b>44,397,089</b>	<b>6,785,638</b>	<b>5,999,125</b>
<b>Total assets</b>	<b>\$ 53,007,528</b>	<b>\$ 52,560,651</b>	<b>\$ 7,349,968</b>	<b>\$ 6,533,453</b>
<b>Deferred outflows of resources</b>				
Deferred Outflows related to pensions	\$ 2,516,557	\$ 5,049,681	\$ -	\$ -
Deferred Outflows related to OPEB	12,256	-	-	-
<b>Total Deferred outflows of resources</b>	<b>\$ 2,528,813</b>	<b>\$ 5,049,681</b>	<b>\$ -</b>	<b>\$ -</b>

(Continued)

**Northeastern Oklahoma Agricultural and Mechanical College**  
(An Organizational Unit of the Board of Regents for the  
Oklahoma Agricultural and Mechanical Colleges)

**Statements of Net Position (Continued)**  
**June 30, 2018 and 2017**

	Primary Government - College		Component Unit - Foundation	
	2018	2017	2018	2017
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 382,744	\$ 861,115	\$ -	\$ -
Accrued interest payable	60,646	65,110	-	-
Accrued payroll and other accrued expenses	445,406	343,068	-	-
Unearned revenues	345,779	310,011	-	-
Student and other deposits	77,455	74,690	320,438	323,121
Accrued compensated absences	289,396	289,650	-	-
Current portion of noncurrent liabilities	1,719,999	1,719,854	97,456	92,795
<b>Total current liabilities</b>	<b>3,321,425</b>	<b>3,663,498</b>	<b>417,894</b>	<b>415,916</b>
Noncurrent liabilities:				
Net pension liability	13,144,958	18,176,293	-	-
Other postemployment benefit obligation	112,121	78,536	-	-
Note payable	-	-	789,205	885,040
Capital lease payable to Foundation	1,015,363	1,100,850	-	-
Capital lease obligations payable to state agencies	19,117,021	17,720,223	-	-
<b>Total noncurrent liabilities</b>	<b>33,389,463</b>	<b>37,075,902</b>	<b>789,205</b>	<b>885,040</b>
<b>Total liabilities</b>	<b>36,710,888</b>	<b>40,739,400</b>	<b>1,207,099</b>	<b>1,300,956</b>
<b>Deferred inflows of resources</b>				
Deferred Inflows related to leases	134,998	149,179	-	-
Deferred Inflows related to pensions	3,811,890	1,734,364	-	-
Deferred Inflows related to OPEB	1,302,295	-	-	-
<b>Total Deferred inflows of resources</b>	<b>\$ 5,249,183</b>	<b>\$ 1,883,543</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net position</b>				
Net investment in capital assets	\$ 19,663,332	\$ 20,178,099	\$ -	\$ -
Restricted for:				
Nonexpendable	-	-	2,855,888	2,776,511
Expendable:				
Scholarships, research, instruction and other	999,163	889,204	1,232,212	1,050,731
Capital projects	3,651,638	3,637,021	-	-
OPEB	15,122	-	-	-
Unrestricted	(10,752,985)	(9,716,935)	2,054,769	1,405,255
<b>Total net position</b>	<b>\$ 13,576,270</b>	<b>\$ 14,987,389</b>	<b>\$ 6,142,869</b>	<b>\$ 5,232,497</b>

**See notes to financial statements.**

**Northeastern Oklahoma Agricultural and Mechanical College**  
(An Organizational Unit of the Board of Regents for the  
Oklahoma Agricultural and Mechanical Colleges)

**Statements of Revenues, Expenses, and Changes in Net Position**  
**For The Years Ended June 30, 2018 and 2017**

	<b>Primary Government - College</b>		<b>Component Unit - Foundation</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Operating revenues:</b>				
Tuition and fees, net of scholarship discounts and allowances 2018 \$6,859,000; 2017 \$6,270,000	\$ 3,055,027	\$ 2,654,453	\$ -	\$ -
Federal grants and contracts	2,080,147	1,713,298	-	-
State and local grants and contracts	9,300	10,900	-	-
Private gifts and contributions	9,885	-	-	-
<b>Auxiliary enterprise charges:</b>				
Housing, net of scholarship discounts and allowances 2018 \$331,000; 2017 \$302,000	1,719,054	1,559,934	-	-
Food services, net of scholarship discounts and allowances 2018 \$578,000; 2017 \$529,000	1,896,628	1,778,088	-	-
Bookstore, net of scholarship discounts and allowances 2018 \$496,000; 2017 \$453,000	673,025	725,933	-	-
Student Union	589,191	598,851	-	-
Athletics	41,220	80,796	-	-
Other	827,164	829,068	-	-
Gifts and contributions	-	-	930,139	1,256,296
Other operating revenues	181,469	341,043	-	13,962
<b>Total operating revenues</b>	<b>11,082,110</b>	<b>10,292,364</b>	<b>930,139</b>	<b>1,270,258</b>
<b>Operating expenses:</b>				
Compensation and employee benefits	11,039,998	11,573,557	-	-
Contractual services	4,674,688	4,610,426	-	-
Supplies and materials	1,814,909	1,696,041	-	-
Utilities	944,474	897,685	-	-
Communications	119,001	115,612	-	-
Other operating expenses	1,924,204	1,120,087	236,997	286,124
Scholarships and fellowships	2,888,743	3,234,796	110,342	120,762
Depreciation	1,809,866	1,587,320	-	-
<b>Total operating expenses</b>	<b>25,215,883</b>	<b>24,835,524</b>	<b>347,339</b>	<b>406,886</b>
<b>Operating income (loss)</b>	<b>(14,133,773)</b>	<b>(14,543,160)</b>	<b>582,800</b>	<b>863,372</b>
<b>Nonoperating revenues (expenses):</b>				
State appropriations	6,879,321	7,421,227	-	-
On-behalf appropriations for OTRS	551,580	629,390	-	-
Federal grants and contracts	5,275,683	5,123,261	-	-
FEMA flood reimbursement	-	375,273	-	-
State grants and contracts	618,580	749,750	-	-
Private gifts and contributions	311,332	95,964	-	-
Investment income	31,316	45,935	204,902	167,250
Gain (Loss) on investments	-	(7,087)	177,630	455,390
Interest expense	(747,192)	(727,836)	(54,960)	(56,308)
<b>Net nonoperating revenues (expenses)</b>	<b>12,920,620</b>	<b>13,705,877</b>	<b>327,572</b>	<b>566,332</b>
<b>Income (loss) before other revenues, expenses, gains and losses</b>	<b>(1,213,153)</b>	<b>(837,283)</b>	<b>910,372</b>	<b>1,429,704</b>
<b>Other revenues, expenses, gains, and losses:</b>				
State appropriations restricted for capital purposes	332,793	358,706	-	-
On-behalf payments for OCIA capital leases	802,709	797,617	-	-
Gain on sale of property	-	-	-	-
<b>Total other revenues, expenses, gains and losses</b>	<b>1,135,502</b>	<b>1,156,323</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>(77,651)</b>	<b>319,040</b>	<b>910,372</b>	<b>1,429,704</b>
Net position, beginning (as previously reported)	14,987,389	14,703,102	5,232,497	3,802,793
Cumulative effect of implementing GASB No. 73	-	(34,753)	-	-
Cumulative effect of implementing GASB No. 75	(1,333,468)	-	-	-
Net position, beginning (restated)	<b>13,653,921</b>	<b>14,668,349</b>	<b>5,232,497</b>	<b>3,802,793</b>
Net position, end of year	<b>\$ 13,576,270</b>	<b>\$ 14,987,389</b>	<b>\$ 6,142,869</b>	<b>\$ 5,232,497</b>

See notes to financial statements.

**Northeastern Oklahoma Agricultural and Mechanical College**  
 (An Organizational Unit of the Board of Regents for the  
 Oklahoma Agricultural and Mechanical Colleges)

**Statements of Cash Flows**  
**For The Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Tuition and fees	\$ 3,412,305	\$ 2,217,950
Grants and contracts	1,982,243	1,606,465
Auxiliary enterprise charges	5,504,434	6,398,854
Other operating receipts	181,469	365,330
Payments to employees for salaries and benefits	(10,905,049)	(10,706,278)
Payments to suppliers	(12,205,465)	(10,427,355)
<b>Net cash used in operating activities</b>	<b>(12,030,063)</b>	<b>(10,545,034)</b>
<b>Cash flows from noncapital financing activities:</b>		
State appropriations	6,879,321	7,421,227
Federal grants and contracts	5,275,683	5,123,261
FEMA flood reimbursement	-	375,273
State and local grants and contracts	618,580	749,750
Private gifts and contributions	311,332	95,964
Federal Direct Student Loans receipts	5,436,510	5,659,731
Federal Direct Student Loans disbursements	(5,436,510)	(5,659,731)
<b>Net cash provided by noncapital financing activities</b>	<b>13,084,916</b>	<b>13,765,475</b>
<b>Cash flows from capital and related financing activities:</b>		
Cash paid for capital assets	(3,474,775)	(4,807,195)
Capital appropriations received	332,793	358,706
Proceeds from capital debt and leases	3,031,310	6,001,015
Repayments of capital debt and leases	(1,074,357)	(1,091,411)
Interest paid on capital debt and leases	(608,626)	(174,181)
<b>Net cash used in capital and related financing activities</b>	<b>(1,793,655)</b>	<b>286,934</b>
<b>Cash flows from investing activities:</b>		
Sale (purchase) of investments	40,292	(94,631)
Interest received on investments	31,137	39,145
<b>Net cash provided by (used in) investing activities</b>	<b>71,429</b>	<b>(55,486)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(667,373)</b>	<b>3,451,889</b>
Cash and cash equivalents, beginning of year	10,220,054	6,768,165
Cash and cash equivalents, end of year	<b>\$ 9,552,681</b>	<b>\$ 10,220,054</b>

(Continued)



**Northeastern Oklahoma Agricultural and Mechanical College**

(An Organizational Unit of the Board of Regents for the  
Oklahoma Agricultural and Mechanical Colleges)

**Statements of Cash Flows (Continued)  
For The Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (14,133,773)	\$ (14,543,160)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,809,866	1,587,320
Loss on disposal of assets	1,667	-
On-behalf contributions to teachers' retirement system	551,580	629,390
Changes in net assets and liabilities:		
Accounts receivable	(37,427)	250,152
Inventories	23,757	(8,981)
Prepaid assets	-	9,990
Net OPEB Asset	(88,186)	-
Accounts payable and accrued expenses	234,703	1,312,387
Total OPEB Liability	(1,299,883)	3,172
Net Pension Liability	(5,031,335)	3,674,497
Deferred amounts related to pensions and OPEB	5,900,689	(3,429,488)
Unearned revenues	35,768	46,083
Compensated absences	(254)	(53,887)
Student and other deposits	2,765	(22,509)
<b>Net cash used in operating activities</b>	<b>\$ (12,030,063)</b>	<b>\$ (10,545,034)</b>
Noncash investing, noncapital financing, and capital and related financing activities:		
Principal and interest on capital debt paid by state agency on behalf of the College	\$ 802,709	\$ 729,678
Reconciliation of cash and cash equivalents to the statements of net position:		
Current assets:		
Cash and cash equivalents	\$ 5,442,478	\$ 6,117,331
Restricted cash and cash equivalents	458,565	465,696
Noncurrent assets:		
Restricted cash and cash equivalents	3,651,638	3,637,027
<b>Total cash and cash equivalents</b>	<b>\$ 9,552,681</b>	<b>\$ 10,220,054</b>

**See notes to financial statements.**

## **Northeastern Oklahoma Agricultural and Mechanical College**

(An Organizational Unit of the Board of Regents for the  
Oklahoma Agricultural and Mechanical Colleges)

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies**

**Nature of operations:** Northeastern Oklahoma Agricultural and Mechanical College (the “College”) is an associate degree granting institution established by an act of the Oklahoma State Legislature in 1919. The College’s mission is to provide higher education primarily for people of northeastern Oklahoma and surrounding areas through academic programs, cultural enrichment, lifelong learning experiences, and public service activities.

**Reporting Entity:** The College is one of five institutions of higher education in Oklahoma that comprise part of the Oklahoma Agricultural and Mechanical Colleges, which in turn is part of the Higher Education component unit of the State of Oklahoma.

The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the “Board of Regents”) has constitutional authority to govern, control and manage the Oklahoma Agricultural and Mechanical Colleges, which consist of five institutions. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, acquire and take title to real and personal property in its name, appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

Accordingly, the College is considered an organizational unit of the Oklahoma Agricultural and Mechanical Colleges reporting entity for financial reporting purposes due to the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

**Discretely presented component unit:** Northeastern Oklahoma A&M College Development Foundation, Inc. (the “Foundation”) is a legally separate, tax-exempt component unit of 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 governed by donors, bond documents and/or trustees. Accordingly, resources received and held by the Foundation can only be used by, or for the benefit of, the College. The Foundation is considered a discretely-presented component unit of the College under the definition of GASB Statement No. 39. The Foundation reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). 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 for these differences. The Foundation prepares separate, standalone financial statements which may be obtained by contacting the Foundation’s management.

**Financial statement presentation:** The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to public sector institutions of higher education. The College applies all applicable GASB pronouncements.

**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.

## **Northeastern Oklahoma Agricultural and Mechanical College**

(An Organizational Unit of the Board of Regents for the

Oklahoma Agricultural and Mechanical Colleges)

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

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

**Investments:** The College accounts for its investments at fair value based on quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

**Accounts receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State. Accounts receivable also include amounts due from the Federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the College's previous loss history, and the condition of the general economy and the industry as a whole.

**Inventories:** Inventories consist primarily of books and supplies held for resale, and food products at the College's cafeteria. Inventories are carried at the lower of cost (first-in, first-out) or fair market value.

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

**Capital assets:** Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. 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 was incurred.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The College capitalizes interest as a component of capital assets constructed for its own use. There was no capitalized interest in 2018 or 2017.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 40 years for buildings, infrastructure and land improvements, and 7 years for library materials and equipment.

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

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

## Northeastern Oklahoma Agricultural and Mechanical College

(An Organizational Unit of the Board of Regents for the  
Oklahoma Agricultural and Mechanical Colleges)

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Net investment in capital assets: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

**Income taxes:** As a state institution of higher education the income of the College is generally exempt from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the College may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511(a)(2)(B). Such amounts have historically been insignificant.

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans.

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

## Northeastern Oklahoma Agricultural and Mechanical College

(An Organizational Unit of the Board of Regents for the

Oklahoma Agricultural and Mechanical Colleges)

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Scholarship discounts and allowances:** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net 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 nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

**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, 2018 and 2017, the College's deferred outflows of resources were comprised of deferred charges related to pensions and other post-employment benefits (OPEB).

**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, 2018 and 2017, the College's deferred inflows of resources were comprised of deferred credits related to leases, pensions, and OPEB.

**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.

For purposes of measuring the total OPEB liability and OPEB expense for the single employer health incurrence substantive plan, the measurement has been prepared in accordance with GASB Statement No. 75.

**Prior Period Reclassifications:** Certain reclassifications have been made to 2017 to conform with 2018 classifications. Such reclassifications had no effect on previously reported net position.

#### **Prior Period Adjustments:**

Beginning net position for fiscal years 2018 and 2017 were restated as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Beginning net position, as previously reported	\$14,987,389	\$14,703,102
Implementation of GASB Statement No. 73	-	(34,753)
Implementation of GASB Statement No. 75	(1,333,468)	-
Beginning net positions, restated	<u>\$13,653,921</u>	<u>\$14,668,349</u>

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**New Accounting Pronouncements Adopted in Fiscal Year 2018:** The College adopted the following accounting pronouncements during the year ended June 30, 2018:

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

GASB No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

**Note 2. Deposits and Investments**

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

At June 30, 2018 and 2017 the carrying amount of the College’s deposits with the State Treasurer and other financial institutions was as follows:

	2018	2017
Deposits with the State Treasurer	\$ 5,792,213	\$ 6,483,437
U.S. financial institutions	5	5
Petty cash and change funds	108,825	99,585
<b>Total deposits</b>	<b>\$ 5,901,043</b>	<b>\$ 6,583,027</b>

The differences between the bank balances of deposits and the related carrying amounts were generally not significant and are due to outstanding checks and deposits in-transit.

Of the \$5,792,213 and \$6,483,437 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2018 and June 30, 2017, respectively, \$1,782,128 and \$1,351,327, respectively, 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*. 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 the amount on deposit with *OK INVEST* to be demand accounts and they are reported as cash equivalents.

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#### Note 2. Deposits and Investments (Continued)

**Investments:** Investments are recorded at fair value in accordance with GAAP. The College's investments are measured and reported at fair value and classified according to the following hierarchical input levels:

1. Level 1 – Unadjusted quoted prices in active markets for identical assets.
2. Level 2 – Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.
3. Level 3 – Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

At June 30, 2018 and 2017, the College had the following investments:

Types of Investment	Fair Value Hierarchy	Credit Rating	Maturities	2018	2017
U.S. Treasury Securities	Level 1	Aaa	Up to 5 years	\$ 316,365	\$ 350,988
Bank Certificates of Deposit	N/A	N/A	Less than One year	1,174	4,006
US Agency mortgage-backed securities	Level 2	Aaa	More than 10 years	57,748	60,585
Total investments				<u>\$ 375,287</u>	<u>\$ 415,579</u>

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

**Credit risk:** Generally, 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.

**Concentration of credit risk:** All United States government obligations are held by the Federal Reserve Bank in the name of the College. The majority of the College's certificates of deposit were invested through the State Treasurer. The Board has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the United States Government and its agencies, certificates of deposit and demand deposits.

**Bond Fund Cash and Investments:** Certain non-pooled cash and investments are restricted in purpose by policies incorporated in applicable bond indentures. *Credit risk* policy generally restricts investing to cash, investments fully insured by the FDIC and U.S. government and agency securities or mutual funds investing in these types of securities. There may be some variance among the investments authorized by the specific bond indentures of College bond issues. The OST and/or a trustee bank generally provide the management of restricted, non-pooled investments. *Custodial credit risk* is not addressed by bond indentures. *Interest rate risk* in bond indentures provide that investments mature in no more than six to sixty months depending on the purpose of the funds and the requirements of the account in which the funds are deposited (i.e. construction, reserve, operations and maintenance, etc.) *Concentration of credit risk* is not addressed.

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**Note 2. Deposits and Investments (Continued)**

At June 30, 2018 and 2017, the College had the following bond fund investments, which are reported as cash equivalents in the accompanying statement of net position.

	Fair Value Heirarchy	Average Credit Quality Rating (1)	Weighted Average No. of Years to Maturity (2)	2018 Fair Value	2017 Fair Value
Cavanal Hill US Treasury - Admin #0002	Level 1	AAAm	0.10	\$ 289,774	\$ 461,783
Black Rock Liquid FedFund-Csh Res #00U3	Level 1	AAAm	0.10	3,148,346	2,104,386
Federated Government Obligations Tax Managed Svc Money Market Fund	Level 1	AAAm	0.12	213,518	1,070,858
Total Bond Fund Investments				<u>\$3,651,638</u>	<u>\$ 3,637,027</u>

- (1) Ratings are provided where applicable to indicate Credit Risk. Ratings report are Standards and Poor's.
- (2) Interest Rate Risk is estimated using weighted average years to maturity.

**Note 3. Accounts Receivable and Other Receivables**

Accounts receivable consisted of the following at June 30:

	2018	2017
Student tuition and fees	\$ 1,314,491	\$ 920,682
Auxiliary enterprises and other student activities	876,327	613,788
Federal and state agencies	540,598	423,509
	<u>2,731,416</u>	<u>1,957,979</u>
Less allowance for doubtful accounts	(1,861,200)	(1,125,190)
<b>Accounts receivable, net</b>	<u>\$ 870,216</u>	<u>\$ 832,789</u>

Other receivables consisted of the following at June 30:

	2018	2017
Interest Receivable	\$ 2,442	\$ 2,263
OSRHE Endowment Trust Receivable	27,971	27,971
<b>Total Other receivables</b>	<u>\$ 30,413</u>	<u>\$ 30,234</u>



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**Note 4. Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Transfers and Retirements	Balance at June 30, 2018
Capital assets not being depreciated:				
Land	\$ 500,716	\$ -	\$ -	\$ 500,716
Construction in-progress	3,430,176	2,427,744	(5,701,269)	156,651
<b>Total not being depreciated</b>	<b>3,930,892</b>	<b>2,427,744</b>	<b>(5,701,269)</b>	<b>657,367</b>
Capital assets being depreciated:				
Buildings and improvements	52,926,886	-	3,993,085	56,919,971
Nonstructural improvements	432,364	6,625	-	438,989
Infrastructure	1,377,873	-	-	1,377,873
Equipment	7,516,533	371,030	1,004,427	8,891,990
Library materials	2,599,950	58,641	-	2,658,591
<b>Total capital assets being depreciated</b>	<b>64,853,606</b>	<b>436,296</b>	<b>4,997,512</b>	<b>70,287,414</b>
Accumulated depreciation:				
Buildings and improvements	(18,323,819)	(1,145,711)	-	(19,469,530)
Nonstructural improvements	(257,470)	(2,313)	-	(259,783)
Infrastructure	(655,906)	(80,096)	-	(736,002)
Equipment	(6,453,128)	(516,620)	702,090	(6,267,658)
Library materials	(2,495,969)	(65,126)	-	(2,561,095)
<b>Total accumulated depreciation</b>	<b>(28,186,292)</b>	<b>(1,809,866)</b>	<b>702,090</b>	<b>(29,294,068)</b>
<b>Capital assets, net</b>	<b>\$ 40,598,206</b>	<b>\$ 1,054,174</b>	<b>\$ (1,667)</b>	<b>\$ 41,650,713</b>
Capital assets summary:				
Capital assets not being depreciated	\$ 3,930,892	\$ 2,427,744	\$ (5,701,269)	\$ 657,367
Other capital assets, at cost	64,853,606	436,296	4,997,512	70,287,414
<b>Total cost of capital assets</b>	<b>68,784,498</b>	<b>2,864,040</b>	<b>(703,757)</b>	<b>70,944,781</b>
Less accumulated depreciation	(28,186,292)	(1,809,866)	702,090	(29,294,068)
<b>Capital assets, net</b>	<b>\$ 40,598,206</b>	<b>\$ 1,054,174</b>	<b>\$ (1,667)</b>	<b>\$ 41,650,713</b>

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2018, was as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	\$ 16,844,294	\$ 298,070	\$ 4,688,709	\$ 21,831,073
Less accumulated depreciation	(2,245,026)	(87,091)	(863,345)	(3,195,461)
	<b>\$ 14,599,268</b>	<b>\$ 210,979</b>	<b>\$ 3,825,364</b>	<b>\$ 18,635,612</b>

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**Note 4. Capital Assets (Continued)**

Following are the changes in capital assets for the year ended June 30, 2017:

	Balance at June 30, 2016	Additions	Transfers and Retirements	Balance at June 30, 2017
Capital assets not being depreciated:				
Land	\$ 500,716	\$ -	\$ -	\$ 500,716
Construction in-progress	49,160	3,940,609	(559,593)	3,430,176
<b>Total not being depreciated</b>	<b>549,876</b>	<b>3,940,609</b>	<b>(559,593)</b>	<b>3,930,892</b>
Capital assets being depreciated:				
Buildings and improvements	52,525,811	-	401,075	52,926,886
Nonstructural improvements	432,364	-	-	432,364
Infrastructure	1,282,772	-	95,101	1,377,873
Equipment	7,430,381	232,196	(146,044)	7,516,533
Library materials	2,544,755	55,195	-	2,599,950
<b>Total capital assets being depreciated</b>	<b>64,216,083</b>	<b>287,391</b>	<b>350,132</b>	<b>64,853,606</b>
Accumulated depreciation:				
Buildings and improvements	(17,211,957)	(1,111,862)	-	(18,323,819)
Nonstructural improvements	(246,676)	(10,794)	-	(257,470)
Infrastructure	(584,158)	(71,748)	-	(655,906)
Equipment	(6,282,931)	(342,238)	172,041	(6,453,128)
Library materials	(2,445,291)	(50,678)	-	(2,495,969)
<b>Total accumulated depreciation</b>	<b>(26,771,013)</b>	<b>(1,587,320)</b>	<b>172,041</b>	<b>(28,186,292)</b>
<b>Capital assets, net</b>	<b>\$ 37,994,946</b>	<b>\$ 2,640,680</b>	<b>\$ (37,420)</b>	<b>\$ 40,598,206</b>
Capital assets summary:				
Capital assets not being depreciated	\$ 549,876	\$ 3,940,609	\$ (559,593)	\$ 3,930,892
Other capital assets, at cost	64,216,083	287,391	350,132	64,853,606
<b>Total cost of capital assets</b>	<b>64,765,959</b>	<b>4,228,000</b>	<b>(209,461)</b>	<b>68,784,498</b>
Less accumulated depreciation	(26,771,013)	(1,587,320)	172,041	(28,186,292)
<b>Capital assets, net</b>	<b>\$ 37,994,946</b>	<b>\$ 2,640,680</b>	<b>\$ (37,420)</b>	<b>\$ 40,598,206</b>

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2017, was as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	\$ 12,851,209	\$ 298,070	\$ 3,409,391	\$ 16,558,670
Less accumulated depreciation	(1,882,498)	(71,254)	(674,770)	(2,628,521)
	<b>\$ 10,968,711</b>	<b>\$ 226,816</b>	<b>\$ 2,734,621</b>	<b>\$ 13,930,149</b>

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**Note 5. Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Balance at June 30,			Balance at	Amounts
	2017	Additions	Reductions	June 30, 2018	Due Within One Year
Capital lease obligations:					
OCIA Series 2010A	\$ 1,152,364	\$ -	\$ (569,930)	\$ 582,434	\$ 582,434
OCIA Series 2014A	2,993,446	-	-	2,993,446	6,705
OCIA Series 2014B	68,911	-	(33,784)	35,127	35,127
ODFA Master Lease, Series 2010A	2,532,418	-	(163,333)	2,369,085	167,333
ODFA Master Lease, Series 2010B	529,417	-	(86,750)	442,667	26,833
ODFA Master Lease, Series 2011A	2,384,000	-	(154,083)	2,229,917	133,417
ODFA Master Lease, Series 2011C	216,501	-	(72,333)	144,168	10,083
ODFA Master Lease, Series 2013A	2,006,583	-	(119,750)	1,886,833	62,333
ODFA Master Lease, Series 2014C	1,001,333	-	(44,083)	957,250	45,083
ODFA Master Lease, Series 2015C	134,250	-	(45,083)	89,167	46,083
ODFA Master Lease, Series 2016F	4,253,167	-	(94,000)	4,159,167	94,417
ODFA Master Lease, Series 2017C	1,678,250	-	(213,917)	1,464,333	224,667
ODFA Master Lease, Series 2018A	-	2,834,000	-	2,834,000	152,250
Premiums on master leases	432,079	197,310	(42,697)	586,692	48,660
Discount on master leases	(23,666)	-	913	(22,753)	(913)
NEO Development Foundation-					
Multipurpose Athletic Center (Note 9)	1,181,874	-	(81,024)	1,100,850	85,487
<b>Total capital leases</b>	<b>20,540,927</b>	<b>3,031,310</b>	<b>(1,719,854)</b>	<b>21,852,383</b>	<b>1,719,999</b>
Other liabilities:					
Accrued compensated absences	289,650	149,041	(149,295)	289,396	289,396
<b>Total other liabilities</b>	<b>289,650</b>	<b>149,041</b>	<b>(149,295)</b>	<b>289,396</b>	<b>289,396</b>
<b>Total long-term liabilities</b>	<b>\$ 20,830,577</b>	<b>\$ 3,180,351</b>	<b>\$ (1,869,149)</b>	<b>\$ 22,141,779</b>	<b>\$ 2,009,395</b>

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**Note 5. Long-Term Liabilities (Continued)**

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	Amounts Due Within One Year
Capital lease obligations:					
OCIA Series 2010A	\$ 1,484,355	\$ -	\$ (331,991)	\$ 1,152,364	\$ 569,930
OCIA Series 2014A	3,208,552	-	(215,106)	2,993,446	-
OCIA Series 2014B	101,391	-	(32,480)	68,911	33,784
ODFA Master Lease, Series 2007A	92,584	-	(92,584)	-	-
ODFA Master Lease, Series 2010A	2,691,751	-	(159,333)	2,532,418	163,333
ODFA Master Lease, Series 2010B	696,750	-	(167,333)	529,417	86,750
ODFA Master Lease, Series 2011A	2,535,417	-	(151,417)	2,384,000	154,083
ODFA Master Lease, Series 2011C	291,751	-	(75,250)	216,501	72,333
ODFA Master Lease, Series 2013A	2,129,750	-	(123,167)	2,006,583	119,750
ODFA Master Lease, Series 2014C	1,045,333	-	(44,000)	1,001,333	44,083
ODFA Master Lease, Series 2015C	177,417	-	(43,167)	134,250	45,083
ODFA Master Lease, Series 2016F	-	4,328,000	(74,833)	4,253,167	94,000
ODFA Master Lease, Series 2017C	-	1,696,000	(17,750)	1,678,250	213,917
Premiums on master leases	101,771	353,293	(22,985)	432,079	42,697
Discount on master leases	(24,579)	-	913	(23,666)	(913)
NEO Development Foundation-					
Multipurpose Athletic Center (Note 9)	1,324,452	-	(142,578)	1,181,874	81,024
<b>Total capital leases</b>	<b>15,856,695</b>	<b>6,377,293</b>	<b>(1,693,061)</b>	<b>20,540,927</b>	<b>1,719,854</b>
Other liabilities:					
Accrued compensated absences	343,538	71,596	(125,484)	289,650	289,650
<b>Total other liabilities</b>	<b>343,538</b>	<b>71,596</b>	<b>(125,484)</b>	<b>289,650</b>	<b>289,650</b>
<b>Total long-term liabilities</b>	<b>\$ 16,200,233</b>	<b>\$ 6,448,889</b>	<b>\$ (1,818,545)</b>	<b>\$ 20,830,577</b>	<b>\$ 2,009,504</b>

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### **Notes to Financial Statements**

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#### **Note 5. Long-Term Liabilities (Continued)**

##### *Oklahoma Capital Improvement Authority Lease Obligations ("OCIA")*

In 1999, the Oklahoma Capital Improvement Authority ("OCIA") issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the OSRHE allocated \$500,611 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

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

In 2015, the College's remaining 2004 lease agreement with OCIA was restructured through a complete refunding of the Series 2004A bonds. OCIA issued new bonds, Series 2014B, to accomplish the refunding. As a result, the total liability of the remaining 2004A bonds refunded and the amount of the 2014B bonds acquired was a gain on restructuring of \$15,855, which was recorded as a deferred inflow of resources that will be amortized over a period of 5 years. As of June 30, 2018 and 2017, the unamortized gain totaled \$3,280 and \$6,560, respectively. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$26,006, which approximates the economic savings of the transaction.

In 2005, the OCIA issued its State Facilities Revenue Bonds ("Higher Education Project") Series 2005F. Of the total bond indebtedness, the OSRHE allocated approximately \$6,000,000 to the College. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006 through July 1, 2030, will be \$10,400,529. Payments will be made annually ranging from \$164,494 to \$442,595. Concurrently with the allocation, the College entered into a lease agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2011, the OCIA Series 2005F lease agreement was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring that has been recorded as a charge of \$339,333 on restructuring as a deferred outflow of resources that was amortized over a period of six years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$64,688, which also approximates the economic cost of the lease restructuring. Although this restructuring resulted in a cost to the College, it is anticipated that the on-behalf payments provided to cover the original lease agreement will also cover the deferred lease restructuring charge.

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### Notes to Financial Statements

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#### Note 5. Long-Term Liabilities (Continued)

In 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired was a credit on restructuring of \$178,047, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2018 and 2017, the unamortized credit totaled \$131,718 and \$142,619, respectively. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$419,355, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA, totaling \$802,709 and \$797,617 during the years ended June 30, 2018 and 2017, were made by the State of Oklahoma on behalf of the College. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

#### *Oklahoma Development Finance Authority Lease Obligation ("ODFA")*

In 2007, the College entered into a capital lease obligation for the Oklahoma Development Finance Authority ("ODFA") Master Real Property Lease Revenue Bonds, Series 2007A in the amount of \$846,000. Total lease payments over the term of the agreement, beginning July 15, 2007 through May 15, 2017 will be \$1,048,657. Payments will be made monthly ranging from \$8,740 to \$9,388. Proceeds from the obligation were used for renovations to the football stadium, along with the issuance costs of the obligation.

In 2010, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Purchase Agreement, Series 2010B in the amount of \$1,627,812. Total lease payments over the term of the agreement, beginning January 15, 2011 through November 15, 2030 will be \$2,023,077. Payments will be made monthly ranging from \$17,802 to \$19,168. Proceeds from the obligation were used for the Student Union Renovation Project. Through June 30, 2012, the College had drawn its total allotment for expenditures incurred in connection with the project.

In 2010, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2010A in the amount of \$3,500,000. Total lease payments over the term of the agreement, beginning July 14, 2011 through May 15, 2031 will be \$4,579,321. Payments will be made monthly ranging from \$19,165 to \$21,124. Proceeds from the obligation were used for the Student Union Renovation Project. Through June 30, 2012, the College had drawn its total allotment for expenditures incurred in connection with the project.

In 2011, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2011A in the amount of \$3,065,000. Total lease payments over the term of the agreement, beginning July 14, 2011 through May 15, 2031 will be \$4,560,290. Payments will be made monthly ranging from \$19,158 to \$21,004. Proceeds from the obligation were used for the Student Union Renovation Project. Through June 30, 2012, the College had drawn its total allotment for expenditures incurred in connection with the project. In August of 2011, the Student Union Renovation was completed and the facility placed in service.

In 2011, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Revenue Bonds, Series 2011A in the amount of \$167,000. Total lease payments over the term of the agreement, beginning May 11, 2011 through May 15, 2018 will be \$188,409. Payments will be made monthly ranging from \$2,205 to \$2,281. Proceeds from the obligation will be used for lighting upgrades. In October 2012, the lighting upgrade project was completed and placed in service. Through June 30, 2015, the College had drawn its total allotment for expenditures incurred in connection with the project.

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**Note 5. Long-Term Liabilities (Continued)**

In 2011, the College entered into a capital lease obligation for the ODFA Master Equipment and Real Property Lease Revenue Bonds, Series 2011C in the amount of \$665,000. Total lease payments over the term of the agreement, beginning October 15, 2011 through May 15, 2031 will be \$823,610. Payments will be made monthly ranging from \$868 to \$8,611. Proceeds from the obligation were used for upgrades to campus equipment, a new VOIP phone system and the construction of a new Student Housing Project. Through June 30, 2013, the College had drawn its total allotment for expenditures incurred in connection with the project. In October 2012, the VOIP project was completed and placed in service. The Student Housing Complex was completed and placed into service in January 2012.

In 2013, the College entered into a capital lease obligation for the ODFA Master Equipment and Real Property Lease Revenue Bonds, Series 2013A in the amount of \$2,433,000. Total lease payments over the term of the agreement, beginning December 15, 2013 through May 15, 2043, will be \$4,104,857. Payments will be made monthly ranging from \$10,300 to \$17,967. Proceeds from the obligation were used for reimbursing 2013 expenditures for the Kah-Ne Hall renovation, campus vehicles, and classroom furniture. Through June 30, 2015, the College had drawn its total allotment for reimbursing expenditures incurred in connection with the projects.

In 2014, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2014C in the amount of \$1,145,000. Total lease payments over the term of the agreement, beginning May 15, 2014 through May 15, 2034, will be \$1,614,149. Payments will be made monthly ranging from \$6,229 to \$6,838. Proceeds from the obligation will be used for improvements to the Synar Farm. Through June 30, 2018, the College has drawn all but \$250,497 of its total allotment.

In 2016, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Revenue Bonds, Series 2015C in the amount of \$201,000. Total lease payments over the term of the agreement, beginning January 15, 2016 through May 15, 2020, will be \$218,609. Payments will be made monthly ranging from \$4,050 to \$4,571. Proceeds from the obligation will be used for the purchase of a new telephone system for the entire campus. Through June 30, 2018, the College has drawn all but \$39,278 of its total allotment.

In 2017, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Revenue Bonds, Series 2016F in the amount of \$4,328,000. Total lease payments over the term of the agreement, beginning October 15, 2016 through May 15, 2046, will be \$6,879,502. Payments will be made monthly ranging from \$19,087 to \$23,118. Proceeds from the obligation will be used for the construction of a new Student Housing Project. Through June 30, 2018, the College has drawn all but \$148,346 of its total allotment.

In 2017, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Revenue Bonds, Series 2017C in the amount of \$1,696,000. Total lease payments over the term of the agreement, beginning June 15, 2017 through May 15, 2024, will be \$1,991,629. Payments will be made monthly ranging from \$23,243 to \$24,526. Proceeds from the obligation will be used for the purchase of a new fiber optic system and a new security camera system for the entire campus. Through June 30, 2018, the College has drawn all but \$213,517 of its total allotment.

In 2018, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2018A in the amount of \$2,834,000. Total lease payments over the term of the agreement, beginning July 15, 2018 through May 15, 2033, will be \$3,888,524. Payments will be made monthly ranging from \$21,227 to \$23,685. Proceeds from the obligation will be used for the deferred maintenance of various buildings on campus. Through June 30, 2018, the College has not drawn any of its total allotment.

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**Note 5. Long-Term Liabilities (Continued)**

Future minimum lease payments under the College's obligations to the OCIA and ODFA are as follows:

Years ending June 30:	Principal	Interest	Total
2019	\$ 1,586,765	\$ 805,067	\$ 2,391,832
2020	985,958	737,501	1,723,459
2021	954,000	702,381	1,656,381
2022	989,917	667,129	1,657,046
2023	1,305,662	630,777	1,936,439
2024-2028	6,070,866	2,408,293	8,479,159
2029-2033	4,824,340	1,140,378	5,964,718
2034-2038	1,328,417	518,326	1,846,743
2039-2043	1,509,167	262,460	1,771,627
2044-2046	632,502	37,825	670,327
	<u>\$ 20,187,594</u>	<u>\$ 7,910,137</u>	<u>\$ 28,097,731</u>

**Note 6. Retirement Plans**

A summary of pension amounts as of June 30, 2018 and 2017 follows:

	As of June 30, 2018			
	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Liability	\$ 51,134	\$ -	\$ -	\$ 9,293
OTRS Pension Liability	13,093,824	2,516,557	3,811,890	896,621
Total	<u>\$ 13,144,958</u>	<u>\$ 2,516,557</u>	<u>\$ 3,811,890</u>	<u>\$ 905,914</u>
	As of June 30, 2017			
	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Liability	\$ 56,634	\$ -	\$ -	\$ 12,566
OTRS Pension Liability	18,119,659	5,049,681	1,734,364	1,622,916
Total	<u>\$ 18,176,293</u>	<u>\$ 5,049,681</u>	<u>\$ 1,734,364</u>	<u>\$ 1,635,482</u>

**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/TRS](http://www.ok.gov/TRS).

**Benefits provided** - OTRS provides retirement, disability, and death benefits to members of the plan. Benefit provisions include:



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#### Note 6. Retirement Plans (Continued)

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

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

**Contributions** - The contributions requirements of the plan are at an established rate determined 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 7.7% for any employees' salaries covered by federal funds.

Contributions to the pension plan from the College were \$771,894 and \$746,488 for the years ended June 30, 2018 and June 30, 2017, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, totaling \$551,580 and \$629,390 for the years ended June 30, 2018 and June 30, 2017. These on-behalf payments did not meet the criteria of a special funding situation.

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**Note 6. Retirement Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2018 and June 30, 2017, the College reported a liability of \$13,093,824 and \$18,119,659, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and June 30, 2016. 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 for the years ended June 30, 2017 and June 30, 2016. Based upon this information, the College's proportion for June 30, 2017 and June 30, 2016 was .197753 percent and .217117 percent. For the year ended June 30, 2018 and June 30, 2017, the College recognized pension expense of \$896,621 and \$1,622,916, respectively.

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 893,950
Changes of assumptions	1,553,877	782,724
Net difference between projected and actual earnings on pension plan investments	186,123	-
Changes in College's proportionate share of contributions	-	2,064,596
Differences between College contributions and proportionate share of contributions	4,663	70,620
College contributions subsequent to the measurement date	771,894	-
Total	<u>\$ 2,516,557</u>	<u>\$ 3,811,890</u>

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**Note 6. Retirement Plans (Continued)**

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 420,663
Changes of assumptions	2,181,862	-
Net difference between projected and actual earnings on pension plan investments	2,115,219	-
Changes in College's proportionate share of contributions	-	1,303,388
Differences between College contributions and proportionate share of contributions	6,112	10,313
College contributions subsequent to the measurement date	746,488	-
Total	<u>\$ 5,049,681</u>	<u>\$ 1,734,364</u>

The amounts of \$771,894 and \$746,488, which are 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, 2018 and June 30, 2017, respectively. 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, 2018

2019	\$ (637,449)
2020	6,246
2021	(250,441)
2022	(864,813)
2023	(320,770)
	<u>\$ (2,067,227)</u>

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**Notes to Financial Statements****Note 6. Retirement Plans (Continued)**

Year ended June 30, 2017:

2018	\$	339,433
2019		339,433
2020		1,046,161
2021		764,338
2022		79,464
	\$	<u>2,568,829</u>

**Actuarial Assumptions-** The total pension liability as of June 30, 2018, was determined based on an actuarial valuation prepared as of June 30, 2017 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)

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#### Note 6. Retirement Plans (Continued)

The total pension liability as of June 30, 2017, was determined based on an actuarial valuation prepared as of June 30, 2016 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 2.50%
- 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 All Cap Equity*	7.0%	6.2%
Domestic Large Cap Equity	10.0%	5.8%
Domestic Mid Cap Equity	13.0%	6.3%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	6.6%
International Small Cap Equity	6.0%	6.6%
Core Plus Fixed Income	17.5%	1.6%
High-yield Fixed Income	6.0%	4.9%
Private Equity	5.0%	8.3%
Real Estate**	7.0%	4.5%
Master Limited Partnerships	7.0%	7.7%
Total	<u>100.00%</u>	

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

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

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**Note 6. Retirement Plans (Continued)**

**Discount Rate-** A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2017 and 2016. 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 of June 30, 2018 and 2017, respectively, 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 or 1-percentage-point higher than the current rate:

For June 30, 2018:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability	\$ 18,626,301	\$ 13,093,824	\$ 8,958,074

For June 30, 2017:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability	\$ 23,816,939	\$ 18,119,659	\$ 13,485,083

**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](http://www.ok.gov/TRS).

**Supplemental Retirement Plan**

**Plan description:** The Supplemental Retirement Plan (the “Plan”) is a single-employer, defined benefit pension plan administered by the College. It guarantees eligible employees a level of retirement benefits. If Social Security and OTRS payments do not equal one-half of the employees highest three years’ earnings, the College pays the balance from the current year’s operating budget. The authority to establish and amend benefit provisions rests with the Board of Regents. The Plan does not issue a separate financial report, nor is it included in the financial report of another entity.

**Funding policy:** The Plan is not funded and benefits do not vest to the participants until their retirement. The College has been funding the benefits on a “pay as you go” basis. Only certain employees are eligible to participate in the Plan and the Plan has been discontinued. During the years ended June 30, 2018 and 2017, the College paid approximately \$15,000 to retirees under the Plan.

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**Notes to Financial Statements****Note 6. Retirement Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2018, the College reported a liability of \$51,134 for its 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.

For the year ended June 30, 2018 the College recognized pension expense of \$9,293.

**Schedule of Changes in Total Pension Liability:** The College's changes in total pension liability are as follows as of June 30, 2018:

	2018	2017
Beginning net pension liability	\$ 56,634	\$ 58,861
Interest	1,727	2,060
Change of assumptions	(3,526)	2,906
Difference between actual and expected experience	11,092	7,600
Benefit payments	(14,793)	(14,793)
Ending net pension liability	<u>\$ 51,134</u>	<u>\$ 56,634</u>

**Actuarial Assumptions:** The total pension liability as of June 30, 2018, was determined based on an actuarial valuation prepared as of June 30, 2017 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Amortization Method - Level Percentage of Payroll
- Cost of living adjustment – 3.5% per year
- Discount Rate - 3.88% (Based on Bond Buyers General Obligation Municipal Bond Index)
- Mortality Rates after Retirement – RP-2000 Combined Mortality Table projected to 2020.

**Sensitivity of the Net Pension Liability to Change in the Discount Rate:** The following presents the net pension liability of the employers calculated using the discount rate each year, 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 or 1-percentage-point higher than the current rate:

For June 30, 2018:

	1% Decrease (2.88%)	Current Discount Rate (3.88%)	1% Increase (4.88%)
Employers' net pension liability	\$ 52,676	\$ 51,134	\$ 49,687

For June 30, 2017:

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Employers' net pension liability	\$ 58,467	\$ 56,634	\$ 54,920

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#### Note 7. Other Postemployment Insurance Benefits

Currently, the College provides post-employment benefits to retirees under three post-employment benefit (OPEB) plans:

1. OTRS Supplemental Health Insurance Program (SHIP) – a cost-sharing multiple-employer defined benefit plan administered by OTRS
2. NEO Retiree Benefits Plan – a single employer defined benefit health care plan
3. NEO Retiree Benefits Plan – a single employer defined benefit death benefits plan

A summary of all the amounts recorded in the College's financial statements for the plans is as follows:

	Net OPEB Asset	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Supplemental Health Insurance Program	\$ 88,186	\$ -	\$ 12,256	\$ 73,064	\$ (3,454)
NEO Death Benefits Plan	-	85,063	-	12,568	2,083
NEO Health Benefits Plan	-	27,058	-	1,216,663	(61,200)
Total	<u>\$ 88,186</u>	<u>\$ 112,121</u>	<u>\$ 12,256</u>	<u>\$ 1,302,295</u>	<u>\$ (62,571)</u>

#### 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/OTRS](http://www.ok.gov/OTRS)

**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 6.; 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 0.15% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were \$12,256.

**OPEB Liabilities(Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:** At June 30, 2018, the College reported an asset of \$88,186 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017. 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, 2017. Based upon this information, the College's proportion was 0.197753%.

For the year ended June 30, 2018, the College recognized OPEB (benefit) expense of (\$3,454). At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



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**Note 7. Other Postemployment Insurance Benefits (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 23,670
Net difference between projected and actual earnings on OPEB plan investments	-	48,371
Contributions during the measurement period	-	1,023
College contributions subsequent to the measurement date	12,256	-
Total	<u>\$ 12,256</u>	<u>\$ 73,064</u>

The \$12,256 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (16,665)
2020	(16,665)
2021	(16,665)
2022	(16,665)
2023	(4,572)
Thereafter	<u>(1,832)</u>
Total	<u>\$ (73,064)</u>

**Actuarial Assumptions:** The total OPEB liability (asset) as of June 30, 2018, was determined based on an actuarial valuation prepared as if June 30, 2017 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.

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**Note 7. Other Postemployment Insurance Benefits (Continued)**

- 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)

**Discount Rate:** A single discount rate of 7.50% was used to measure the total OPRB liability (asset) as of June 30, 2017. 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 Changes 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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net OPEB liability (asset)	\$ (3,691)	\$ (88,186)	\$ (160,428)

**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/OTRS](http://www.ok.gov/OTRS) .

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**Note 7. Other Postemployment Insurance Benefits (Continued)**

**NEO Death Benefits Plan:**

**Plan description:** The College’s defined benefit OPEB plan, NEO’s Retiree Death Benefits Plan, provides OPEB to eligible retirees and their dependents. The College’s Board of Regents 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 pays life insurance premiums for individuals who meet the specified criteria to be considered a retiree as of the last day of continuous regular employment. Eligible retirees must (a) be at least 62 years of age and have at least ten continuous regular years of service, (b) have worked for the College for at least 25 years in a continuous regular appointment, regardless of age, or (c) meet the OTRS guidelines. In addition, the individual must also have been enrolled in the College’s life insurance program prior to retirement.

Each retiree is eligible to receive \$10,000 of life insurance coverage at a cost to the College of \$.29 per \$1,000 of coverage. As of June 30, 2018, there were approximately 154 active employees and 176 retirees covered under the life insurance program. Authority to establish and amend benefit provisions rests with the Board of Regents. The OPEB Plan does not issue a stand-alone financial report.

**Total OPEB Liability:** The College’s total OPEB liability for the Death Benefits Plan of \$85,063 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Pre-Retirement Termination – Table T-3 of the Actuary’s Pension Handbook.

Age	Annual Termination Rate
25	5.27%
30	4.83%
35	4.47%
40	3.84%
45	3.21%
50	1.52%
55	0.33%
60	0.00%

- Trend rates - 5.00% per year
- Mortality Rates - RPA-2000 Mortality Table projected to 2020

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**Note 7. Other Postemployment Insurance Benefits (Continued)**

**Changes in Total OPEB Liability:** The following table reports the components of changes in total OPEB liability:

	Total OPEB Liability
<b>Balances Beginning of Year</b>	<u>\$ 101,673</u>
<b>Changes for the Year:</b>	
Service cost	-
Interest expense	2,083
Changes of assumptions	(7,299)
Difference between expected and actual experience	(5,269)
Benefits paid	(6,125)
Benefit changes due to plan amendments	-
Plan administrative expenses	-
Plan administrative expenses	-
<b>Net Changes</b>	<u>(16,610)</u>
<b>Balances End of Year</b>	<u>\$ 85,063</u>

**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 (asset)	\$ 77,887	\$ 85,063	\$ 93,515

**Sensitivity of the Total OPEB Liability (Asset) to Changes in the Trend Rate:** The following presents the total OPEB liability (asset) of the employer calculated using the trend rate of 4.00%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a trend rate that is 1-percentage point lower (3.00%) or 1-percentage-point higher (5.00%) than the current rate:

	1% Decrease (3.00%)	Healthcare Cost Trend Rates (4.00%)	1% Increase (5.00%)
Employers' net OPEB liability (asset)	\$ 27,889	\$ 85,063	\$ 26,254

**OPEB Expense:** For the year ended June 30, 2018, the College recognized OPEB expense of \$2,083. The College also reported deferred inflows of resources related to OPEB from the following sources:

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**Note 7. Other Postemployment Insurance Benefits (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,269
Changes of assumptions	-	7,299
Total	<u>\$ -</u>	<u>\$ 12,568</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (1,049)
2020	(1,049)
2021	(1,049)
2022	(1,049)
2023	(1,049)
Thereafter	(7,323)
Total	<u>\$ (12,568)</u>

**NEO Health Benefits Plan:**

**Plan description:** The College's defined benefit OPEB plan, NEO Retiree Health 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 benefits to eligible retirees and their dependents through the Oklahoma State University A&M System. This Plan allows employees who retire from the College to continue to be covered under the College's Health Insurance Plan until age 65. The retired participant must pay the active participant's premium. 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, 2018 the following employees were covered by the benefit terms:

Active Employees (Participants)	154
Retired Participants	<u>2</u>
Total	<u>156</u>

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#### Note 7. Other Postemployment Insurance Benefits (Continued)

**Total OPEB Liability:** The College's total OPEB liability of \$27,058 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Pre-Retirement Termination – Table T-3 of the Actuary's Pension Handbook.

Age	Annual Termination Rate
25	5.27%
30	4.83%
35	4.47%
40	3.84%
45	3.21%
50	1.52%
55	.33%
60	0.00%

Retiring participants assumed to continue  
with same coverage

- Retirement Age: 65
- Healthcare cost trend rates - Level 5.00% per year
- Mortality Rates - RPA-2000 Mortality Table projected to 2020

**Changes in Total OPEB Liability:**—The following table reports the components of changes in total OPEB liability:

	Total OPEB Liability
<b>Balances Beginning of Year</b>	<u>\$ 1,310,331</u>
<b>Changes for the Year:</b>	
Service cost	-
Interest expense	(61,200)
Changes of assumptions	(1,045,151)
Difference between expected and actual experience	(171,512)
Benefits paid	(5,410)
Benefit changes due to plan amendments	-
Plan administrative expenses	-
Plan administrative expenses	-
<b>Net Changes</b>	<u>(1,283,273)</u>
<b>Balances End of Year</b>	<u>\$ 27,058</u>

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**Notes to Financial Statements****Note 7. Other Postemployment Insurance Benefits (Continued)**

**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 (asset)	\$ 26,253	\$ 27,058	\$ 27,906

**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 5.00%, 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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
Employers' net OPEB liability (asset)	\$ 27,889	\$ 27,058	\$ 26,254

**OPEB Expense-** For the year ended June 30, 2018, the College recognized OPEB (benefit) expense of (\$61,200). The College also reported 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	\$ -	\$ 171,512
Changes of assumptions	-	1,045,151
Total	<u>\$ -</u>	<u>\$ 1,216,663</u>

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**Note 7. Other Postemployment Insurance Benefits (Continued)**

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$	(101,558)
2020		(101,558)
2021		(101,558)
2022		(101,558)
2023		(101,558)
Thereafter		(708,873)
Total	\$	<u><u>(1,216,663)</u></u>

**Note 8. Funds Held in Trust by Others***Dobson Trust*

The College is an income beneficiary of the Dobson Trust (the "Trust"). The fair values of the Trust's assets at June 30, 2018 and 2017 were \$11,315,310 and \$11,255,541, respectively. The Trustees' bank has sole discretion for the distribution of income. Terms of the Trust restrict the use of the Trust's income to providing student scholarships and for supplementing the income of individuals teaching at the College. The College recognized the Trust's revenues of \$311,332 and \$95,964 for the years ended June 30, 2018 and 2017, respectively. The College distributed scholarships and awards of approximately \$350,000 and \$0 during the years ended June 30, 2018 and 2017, respectively.

**Note 9. Related Party Transactions**

In November 2012, the College entered into a ground lease agreement with the Foundation for the purpose of constructing an indoor athletic facility to be known as the Multipurpose Athletic Center (the "facility"). In exchange for lease payments to the College, the Foundation agreed to construct the facility for the management, use, operation, and benefit of the College. Upon completion of the facility, the College agreed to lease the facility from the Foundation.

The facility was completed in August 2013, at which time the College began occupancy of the facility. The term of this lease agreement is 180 months, beginning on November 1, 2012, and ending on October 31, 2027. The annual rental payment amount is \$146,134, with the first payment being made on July 15, 2013, and the final payment occurring on July 15, 2027. At the conclusion of the annual rental payments, the College will own the facility and all improvements thereof. The facility is accounted for as a capital lease and capital asset of the College in the statements of net position.



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**Note 9. Related Party Transactions (Continued)**

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

	Principal	Interest	Total
Years ending June 30:			
2019	\$ 85,487	\$ 60,646	\$ 146,133
2020	90,197	55,936	146,133
2021	95,026	51,107	146,133
2022	100,401	45,732	146,133
2023	105,932	40,201	146,133
Thereafter	623,807	106,859	730,666
	<u>\$ 1,100,850</u>	<u>\$ 360,481</u>	<u>\$ 1,461,331</u>

**Note 10. 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.

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2018 that management believes would result in a material loss to the College in the event of an adverse outcome.

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.

**Note 11. Risk Management**

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.

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#### **Note 12. Northeastern Oklahoma A&M College Development Foundation, Inc.**

The following are significant disclosures of the Northeastern Oklahoma A&M College Development Foundation, Inc.:

#### **Fair Value Measurements**

The Foundation follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period.

Financial assets carried at fair value on a recurring basis consist of investments. There are no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2018 or 2017.

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy for financial instruments carried at fair value, are as follows:

*Cash and cash equivalents:* The assets' carrying amounts approximate fair value due to their short maturities.

*Investments:* Investments are carried at fair value and are based on quoted market prices, when available. Generally, quoted market prices are available for cash and common stocks, and exchange traded index and mutual funds and as such are classified as Level 1 in the fair value hierarchy. The fair values of certificates of deposit are determined using the income approach. The key inputs include interest rates, maturity dates, and yield curves and as such are classified as Level 1 or Level 2 depending on the maturity date.

*Contributions receivable:* The asset is carried at cost. Fair value is the price a market participant would pay to acquire the right to receive the cash flows inherent in the promise to pay the Foundation and due to inclusion of a discount to net present value and allowance for uncollectible accounts the carrying value approximates fair value.

*Accounts payable:* The liability's carrying amount approximates fair value due to its short maturity.

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**Note 12. Northeastern Oklahoma A&M College Development Foundation, Inc. (Continued)**

*Funds held for others:* The liability is carried at fair value which is based on the fair value of the cash and investment assets held by the Foundation for the benefit of the agency. The specific assets held for the benefit of the agency have been classified within the hierarchy for investments (as discussed above). The related and associated liability is classified as Level 2 in the hierarchy as the principal inputs (i.e., fair value of the cash and investments) are corroborated by observable market data. (The assets related to this liability are held in a separate investment account and are not a part of the Foundation's investment pool.)

*Note payable:* The fair value of the note payable is determined by discounting the future cash flows of the instrument at rates currently offered to the Foundation for similar debt instruments of comparable maturities by the Foundation's lender. The carrying amount of the note payable approximates fair value as the note carries a fixed rate of interest that is consistent with current market rates of interest for similar debt.

Assets and liabilities measured at fair value are classified within the fair value hierarchy as follows:

	As of June 30, 2018			Total
	Level 1	Level 2	Level 3	
<b>ASSETS</b>				
<i>Assets recorded at fair value on a recurring basis</i>				
Investments:				
Cash and cash equivalent funds	\$ 185,771	\$ -	\$ -	\$ 185,771
Equity mutual funds	2,900,997	-	-	2,900,997
Fixed income mutual funds	799,334	-	-	799,334
Index funds	400,534	-	-	400,534
Blended mutual funds	551,310	-	-	551,310
REIT mutual funds	61,316	-	-	61,316
Total investments	\$ 4,899,262	\$ -	\$ -	4,899,262
Certificates of deposit				15,000
				\$ 4,914,262

Assets and liabilities measured at fair value are classified within the fair value hierarchy as follows:

	As of June 30, 2017			Total
	Level 1	Level 2	Level 3	
<b>ASSETS</b>				
<i>Assets recorded at fair value on a recurring basis</i>				
Investments:				
Cash and cash equivalent funds	\$ 250,515	\$ -	\$ -	\$ 250,515
Equity mutual funds	2,324,649	-	-	2,324,649
Fixed income mutual funds	824,504	-	-	824,504
Index funds	669,409	-	-	669,409
Blended mutual funds	544,537	-	-	544,537
REIT mutual funds	62,671	-	-	62,671
Total investments	\$ 4,676,285	\$ -	\$ -	4,676,285
Certificates of deposit				15,000
Total assets carried at fair value				\$ 4,691,285

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**Note 12. Northeastern Oklahoma A&M College Development Foundation, Inc. (Continued)****Net Position**

Unrestricted net position consists of the following at June 30:

	2018	2017
Scholarships	\$ 2,986	\$ 50,494
Foundation operations	1,958,280	1,297,119
Athletic support	93,503	57,642
Total Unrestricted Net Position	<u>\$ 2,054,769</u>	<u>\$ 1,405,255</u>

Expendable net position is restricted for the following purposes at June 30:

	2018	2017
Scholarships	\$ 674,624	\$ 659,448
General College support	557,588	391,283
Total Expendable Net Position	<u>\$ 1,232,212</u>	<u>\$ 1,050,731</u>

Nonexpendable net position is restricted for the following purposes at June 30:

	2018	2017
Scholarships	\$ 2,855,888	\$ 2,776,511
Total Nonexpendable Net Position	<u>\$ 2,855,888</u>	<u>\$ 2,776,511</u>

**Endowment Disclosures**

The Foundation's endowment consists of approximately 40 endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA.

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### **Notes to Financial Statements**

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#### **Note 12. Northeastern Oklahoma A&M College Development Foundation, Inc. (Continued)**

In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

#### **Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets to provide for growth and a predictable level of funding to the College to enable it to maintain, improve and expand its facilities and programs. It is recognized that these objectives require a long term investment horizon. Investment risk is measured in terms of the total portfolio and is managed to ensure that the asset allocation does not expose the portfolio to unacceptable levels of risk but at the same time achieves the best possible returns over time. The asset allocation policies reflect and are consistent with the investment objectives and risk tolerances expressed through the Foundation's investment policy. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

#### **Strategies for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's investment policy allocates its assets through a diversification that includes a mix of (1) no greater than 30% in fixed income (2) no more than 65% in equities and (3) no more than 5% in cash and cash equivalents. The Trustees further approved investments in a Vanguard benchmark account at 70% equities, 28% fixed income and 2% cash and cash equivalents.

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**Notes to Financial Statements****Note 12. Northeastern Oklahoma A&M College Development Foundation, Inc. (Continued)****Spending Policy**

The Foundation's spending policy is the mechanism in which calculated amounts from endowments participating in the pooled investment fund are made available for the donor-restricted purpose, if any. The Foundation's spending policy allows for the use of a share of investment returns that will provide a full measure of current income consistent with the achievement of full long-term preservation of purchasing power of the endowment as a minimum goal. To achieve this, spending policy is expressed as a percentage, not to exceed 5%, of a three-year moving market value average (calculated as of the prior three fiscal year-ends) of its investable assets in funds functioning as endowment. The computation will be based on total return (capital appreciation and income).

Endowment net asset composition as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 748,997	\$ 2,855,888	\$ 3,604,885
Board-designated endowment funds	1,201,253	-	-	1,201,253
Total endowment funds	<u>\$ 1,201,253</u>	<u>\$ 748,997</u>	<u>\$ 2,855,888</u>	<u>\$ 4,806,138</u>

Changes in endowment net assets during 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 671,534	\$ 581,263	\$ 2,776,511	\$ 4,029,308
Investment return:				
Interest and dividends	55,107	1,081	-	56,188
Net realized and unrealized gains (losses)	-	177,630	-	177,630
Total investment return	<u>55,107</u>	<u>178,711</u>	<u>2,776,511</u>	<u>3,010,329</u>
Contributions	609,377	27,783	72,264	709,424
Reclassification - donor directed	1,200	-	7,113	8,313
Appropriation of endowment assets for expenditure	<u>(135,965)</u>	<u>(38,760)</u>	<u>-</u>	<u>(174,725)</u>
Endowment net assets, end of year	<u>\$ 1,201,253</u>	<u>\$ 748,997</u>	<u>\$ 2,855,888</u>	<u>\$ 4,806,138</u>

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**Notes to Financial Statements****Note 12. Northeastern Oklahoma A&M College Development Foundation, Inc. (Continued)**

Endowment net asset composition as of June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 581,263	\$ 2,776,511	\$ 3,357,774
Board-designated endowment funds	671,534	-	-	671,534
Total endowment funds	<u>\$ 671,534</u>	<u>\$ 581,263</u>	<u>\$ 2,776,511</u>	<u>\$ 4,029,308</u>

Changes in endowment Net Position during 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Position, beginning of year	\$ 556,894	\$ 564,040	\$ 1,689,507	\$ 2,810,441
Investment return:				
Interest and dividends	73,472	93,778	-	167,250
Net realized and unrealized gains (losses)	18,890	293,164	143,336	455,390
Total investment return	92,362	386,942	143,336	622,640
Contributions	70,406	35,597	927,318	1,033,321
Reclassification - donor directed	(35,459)	19,109	16,350	-
Appropriation of endowment assets for expenditure	(12,669)	(424,425)	-	(437,094)
Endowment Net Position, end of year	<u>\$ 671,534</u>	<u>\$ 581,263</u>	<u>\$ 2,776,511</u>	<u>\$ 4,029,308</u>

**Note Payable**

On February 15, 2013, the Foundation signed a loan agreement with a bank with an initial principal of \$1,507,500 for the construction of a building. The note calls for 15 regular annual principal and interest payments of \$146,134. The note bears interest at a rate of 5.5% and matures on July 15, 2027. The note is secured by the building.

Maturities of long-term debt for the years subsequent to June 30, 2018 are as follows:

2019	\$ 97,456
2020	102,816
2021	108,368
2022	114,431
2023	120,725
Thereafter	342,865
	<u>\$ 886,661</u>

## Required Supplementary Information



**Northeastern Oklahoma Agricultural and Mechanical College**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**OKLAHOMA TEACHERS RETIREMENT SYSTEM**  
**Last 10 Fiscal Years\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
College's proportion of the net pension liability	0.2424%	0.2378%	0.2171%	0.1978%
College's proportionate share of the net pension liability	\$ 13,040,727	\$ 14,443,133	\$ 18,119,659	\$ 13,093,824
College's covered-employee payroll	\$ 10,025,100	\$ 10,167,060	\$ 9,345,932	\$ 7,660,216
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	130%	142%	194%	171%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%	69.32%

\*The amounts present for each fiscal year were determined as of June 30.

**Notes to Schedule:**

Only years beginning with 2015 are presented because 10-year history is not yet available.

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS**  
**OKLAHOMA TEACHERS RETIREMENT SYSTEM**  
**Last 10 Fiscal Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 1,001,214	\$ 916,388	\$ 746,488	\$ 771,894
Contributions in relation to the contractually required contribution	<u>1,001,214</u>	<u>916,388</u>	<u>746,488</u>	<u>771,894</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 10,167,060	\$ 9,345,932	\$ 7,660,216	\$ 7,853,747
Contributions as a percentage of covered-employee payroll	9.85%	9.81%	9.74%	9.83%

**Notes to Schedule:**

Information to present a 10 year history is not readily available.

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)**  
**SUPPLEMENTAL HEALTH INSURANCE PROGRAM**  
**Last 10 Fiscal Years\***

	<u>2018</u>
College's proportion of the net OPEB liability (asset)	0.1978%
College's proportionate share of the net OPEB liability (asset)	\$ (88,186)
College's covered-employee payroll	\$ 7,660,216
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.15%
Plan fiduciary net position as a percentage of the net OPEB liability (asset)	110.40%

\*The amounts present for each fiscal year were determined as of June 30.

**Notes to Schedule:**

Information to present a 10 year history is not readily available.

**Northeastern Oklahoma Agricultural and Mechanical College  
Schedules of Required Supplementary Information  
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS  
SUPPLEMENTAL HEALTH INSURANCE PROGRAM  
Last 10 Fiscal Years**

	<u>2018</u>
Contractually required contribution	\$ 12,256
Contributions in relation to the contractually required contribution	<u>12,256</u>
Contribution deficiency (excess)	<u>\$ -</u>
College's covered-employee payroll	\$ 7,853,747
Contributions as a percentage of covered- employee payroll	0.16%

**Notes to Schedule:**

Information to present a 10 year history is not readily available.

**Northeastern Oklahoma Agricultural and Mechanical College  
Schedules of Required Supplementary Information**

<b>Schedule of Changes in Total OPEB Liability and Related Ratios Health Benefits Plan</b>	<b>Last 10 Fiscal Years</b>
	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ -
Interest	40,358
Change in assumptions	(185,829)
Differences between expected and actual experience	(1,132,392)
Benefit payments, including refunds of member contributions	(5,410)
<b>Net change in total OPEB liability</b>	<u>(1,283,273)</u>
<b>Total OPEB liability - beginning</b>	<u>1,310,331</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 27,058</u>
<b>Covered employee payroll</b>	\$ 7,853,747
<b>Net OPEB liability (asset) as a percentage of covered- employee payroll</b>	0.34%

**Notes to Schedule:**

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

The discount rate used for 2018 is 3.88%.

**Northeastern Oklahoma Agricultural and Mechanical College  
Schedules of Required Supplementary Information**

**Schedule of Changes in Total OPEB Liability and Related Ratios  
Death Benefits Plan**

**Last 10 Fiscal Years**

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ -
Interest	3,132
Change in assumptions	(5,709)
Differences between expected and actual experience	(7,908)
Benefit payments, including refunds of member contributions	<u>(6,125)</u>
<b>Net change in total OPEB liability</b>	<u>(16,610)</u>
<b>Total OPEB liability - beginning</b>	<u>101,673</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 85,063</u></u>

**Covered employee payroll** \$ 7,853,747

**Net OPEB liability (asset) as a percentage of covered-  
employee payroll** 1.08%

**Notes to Schedule:**

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

The discount rate used for 2018 is 3.88%.

Reports Required by  
*Government Auditing Standards*  
and Uniform Guidance



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  
Oklahoma Agricultural and Mechanical Colleges  
Northeastern Oklahoma Agricultural and Mechanical College  
Oklahoma City, 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 Northeastern Oklahoma Agricultural and Mechanical College (the "College"), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Regents"), a component unit of the State of Oklahoma, and its discretely presented component unit, that comprise the statement of net position, as of June 30, 2018, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, 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 31, 2018. Our report includes paragraphs related to a change in accounting principle. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

**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.

*Arlidge & Associates, P.C.*

October 31, 2018



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 THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents  
Oklahoma Agricultural and Mechanical Colleges  
Northeastern Oklahoma Agricultural and Mechanical College  
Oklahoma City, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited Northeastern Oklahoma Agricultural and Mechanical College's (the "College"), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Regents"), which is 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, 2018. 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, 2018

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

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

### **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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompany schedule of findings and questioned costs as finding 2018-001, that we consider to be a significant deficiency.

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, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 31, 2018, which contained an unmodified opinion on the College's primary government and the financial position of its discretely presented component unit and a disclaimer of opinion on the discretely presented component unit's statement of revenue, expenses, and changes in net position and consistency. 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.

*Arlidge & Associates, P.C.*

October 31, 2018

**NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE**  
 (An Organizational Unit of the Board of Regents for the  
 Oklahoma Agricultural and Mechanical Colleges)

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2018**

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Student financial assistance cluster</b>			
Federal Pell Grants	84.063	N/A	\$ 5,038,852
Federal Supplemental Educational Opportunity Grants	84.007	N/A	101,796
Federal Work-Study Program	84.033	N/A	158,273
Federal Direct Student Loans	84.268	N/A	5,436,510
<i>Total Student Financial Assistance Cluster</i>			10,735,431
<b>TRIO program cluster</b>			
TRIO--Upward Bound	84.047	N/A	294,086
TRIO--Student Support Services	84.042	N/A	276,564
<i>Total TRIO program cluster</i>			570,650
<b>Title III</b>			
Strengthening Minority-Serving Institutions	84.382C	N/A	15,969
Higher Education Institutional - Aid-Kah-Ne-You-Ah Native American Success and Cultural Center	84.031X	N/A	388,930
Higher Education Institutional Aid--Strengthening Institutions	84.031A	N/A	277,097
<i>Total Title III programs</i>			681,996
<b>Other Programs</b>			
Pass-Through Office of Assistant Secretary for Vocational and Adult Education: Oklahoma Department of Career and Technology Education: Vocational Education: Career and Technical Education - Basic Grants to States - Carl D. Perkins	84.048	N/A	50,169
Pass-Through Oklahoma State Department of Education: Adult Education - Basic Grant to States	84.002	V002A150037	87,683
<i>Total Other Programs</i>			137,852
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>12,125,929</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Pass-Through Administration for Children and Families, Department of Health and Human Services: Oklahoma State Regents for Higher Education: Temporary Assistance for Needy Families - Allied Jobs Program	93.558	N/A	173,073
<b>TOTAL U.S. DEPARTMENT OF HUMAN SERVICES</b>			<b>173,073</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Distance Learning and Telemedicine Loans and Grants	10.855	N/A	370,225
Higher Education - Institution Challenge Grants Program	10.217	N/A	7,551
Pass-Through Food and Nutrition Service; Summer Food Service Program for Children - Child Nutrition Program	10.559	60K300329	86,223
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>463,999</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 12,763,001</b>

See notes to schedule of expenditures of federal awards.

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE  
(An Organizational Unit of the Board of Regents for the  
Oklahoma Agricultural and Mechanical Colleges)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

NOTE A--BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Northeastern Oklahoma Agricultural and Mechanical College (the "College") under programs of the federal government for the year ended June 30, 2018. 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 position, or cash flows of the College.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash 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, 2018, the College did not provide any federal awards to subrecipients.

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE  
 (An Organizational Unit of the Board of Regents for the  
 Oklahoma Agricultural and Mechanical Colleges)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

**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*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  no

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  no

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)?  yes  no

Identification of major federal programs:

<u>Program</u>	<u>CFDA Number</u>
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?  yes  no

NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE  
(An Organizational Unit of the Board of Regents for the  
Oklahoma Agricultural and Mechanical Colleges)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

Year Ended June 30, 2018

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

None to report for the June 30, 2018 period.

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

**Finding 2018-001: Student Financial Assistance – Federal Work Study (FWS)**

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

*Criteria:* The 2017-2018 Federal Student Aid Handbook (Handbook), Chapter 2 – The Federal Work-Study Program, page 6-43, states, “In general, students are not permitted to work in FWS positions during scheduled class times.” The Handbook also states that exceptions are permitted if an individual class is cancelled, if the instructor has excused the student or if the student is receiving class credit for an internship, etc., where any such exception must be documented.

*Condition:* In our Student Financial Aid testing in a sampling of 40 students, we noted one student in the Federal Work Study program working during their scheduled class time.

*Questioned Costs:* None

*Cause and Effect:* The College’s internal controls for the Student Financial Assistance Cluster requirements regarding Federal Work Study students not working during scheduled class times were not affective, allowing the student to work when the student was not permitted to do so and/or not obtaining and maintaining the appropriate documentation required showing the student was properly excused from classes.

*Recommendation:* We recommend the College review its internal controls within the FWS program. Specifically, procedures should be reviewed to ensure that all FWS supervisors and students are cooperatively monitoring students’ work time according to the College’s FWS policies and procedures to ensure that FWS employment does not conflict with student class schedules. These procedures should include the monitoring of timesheets and students’ work time by FWS supervisors to ensure that scheduling conflicts do not exist. These procedures should also include procedures to obtain and maintain appropriately approved supporting documentation in the case of an exception as described in the criteria paragraph above.

*Management’s Response:* Management concurs with the finding and recommendation. Effective immediately, management will institute training for all supervisors employing students through the FWS program. The training will emphasize the importance of ensuring that FWS employment does not conflict with student class schedules, that students are prohibited from working during scheduled classes, and that supervisors prepare appropriate documentation for all exceptions.



NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE  
(An Organizational Unit of the Board of Regents for the  
Oklahoma Agricultural and Mechanical Colleges)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

**Finding 2017-001: Purchasing Cards**

***Repeat Finding***

*Criteria:* Purchasing card transactions should comply with purchasing guidelines established by the College as outlined in the Purchasing Card Handbook.

*Condition:* Compared to the previous year, the College appears to have improved controls over purchase cards. However, during our test of forty-four purchase card transactions we noted the following:

- 19 instances where an approving official did not sign in the appropriate timeframes as outlined in the handbook.
- 2 of the transactions tested did not have itemized receipts.
- 2 transactions were split purchases which is not a permissible charge.

*Cause and Effect:* The purchasing card program was designed to simplify and streamline the purchasing process and lower overall transaction costs for smaller supplies and material purchases. However, the College has placed itself in a position in which the benefits of using the purchasing cards could be diminished because of the failure to follow established processing guidelines.

*Recommendation:* We recommend that the College review its controls governing adherence to its purchasing card guidelines to ensure that the policies are followed for all purchasing card transactions.

**Current year status:** This finding has been corrected in the current period.