

**SOUTHEASTERN OKLAHOMA
STATE UNIVERSITY**

FINANCIAL REPORT

JUNE 30, 2008

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
JUNE 30, 2008

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**Havern,
Behrens
and Heim**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Regents
Regional University System of Oklahoma
Southeastern Oklahoma State University
Oklahoma City, Oklahoma

We have audited the statement of net assets of Southeastern Oklahoma State University (the "University"), component unit of the State of Oklahoma, as of June 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. The financial statements of the discretely presented component unit Southeastern Oklahoma State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the June 30, 2008 and 2007 financial statements referred to above present fairly, in all material respects, the respective financial position of Southeastern Oklahoma State University and its discretely presented component unit, Southeastern Oklahoma State University Foundation, Inc. as of June 30, 2008 and 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis on Pages 3-11 and the Schedules of Funding Progress for the Supplemental Retirement Annuity Plan and for the Other Post-Employment Insurance Benefits Plan on Page 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of state contract revenues and expenditures-budget versus actual is presented for purposes of additional analysis as required by the Oklahoma Department of Commerce and the schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Oklahoma City, Oklahoma
October 24, 2008

Southeastern Oklahoma State University
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Introduction

The discussion and analysis of Southeastern Oklahoma State University's (the "University") financial statements provides an overview of the University's financial activities for the fiscal year ending June 30, 2008, with selected comparative information for the year ended June 30, 2007. Management's discussion and analysis is designed to focus on current activities, resulting changes, and current known facts, so it should be read in conjunction with the University's financial statements and footnotes.

Using this report

The new financial statement format (implemented for the fiscal year ending June 30, 2001) focuses on the University as a whole. The basic financial statements are designed to emulate corporate presentation models whereby all University activities are consolidated into one total. This report is provided to highlight and explain significant changes in the financial operations and condition of the University.

These statements are prepared applying the following principles and standards:

- Reporting is on a full accrual basis of accounting. All current year's revenues and expenses are recognized when earned or incurred, regardless of when the cash is received or disbursed.
- Depreciation expense on capital assets is reported as an operating expense on the Statement of Revenues, Expenses, and Changes in Net Assets. The historical value of capital assets and the accumulated depreciation are reported on the Statement of Net Assets.
- Revenue and expenses are categorized as operating or nonoperating. Revenues from state appropriations, gifts, and investment income are reported as nonoperating revenue.

Financial Highlights

The University received an annual increase in State Appropriations of \$0.5 million. This was reduced by \$0.1 million due to the short fall in revenue generated by the Oklahoma lottery that was designated as the revenue source to pay the debt service on the OCIA 2005 Capital Bond Issue. Student tuition and fees increased \$2.1 million by increasing Tuition & Mandatory Fees (9.9% residence and 9.9% non-residence) and the Academic Service Fee for on-line courses by 78%. There was a decrease of \$2.1 million in gifts due primarily with the capital fund raising campaign on the student union project coming to an end. Additional funding of \$2.5 million was raised through debt service by participating in the State Regents Master Lease Program Real Property 2007B series to support the cost of construction on the new General Classroom/Faculty Offices/Parking Lots project.

Eight capital projects totaling \$1.6 million were in the construction phase with five being completed and three still under construction. Completed projects were: renovation to Administrative Building, Science Building, Campus Bookstore; purchase and site preparation parking lot; and the new Tennis Court Complex. Projects still under construction were: renovation Theater Building; new Arena; and renovation McCurtain Branch Campus Chemistry Room. The new General Classroom Building/Faculty Offices/Parking Lot project was at the 75% design stage.

Residential housing occupancy increased by 70 students or 12.6% and room/board rates were increased 15% and 5% respectively. This increased revenue by \$0.5 million.

Statement of Net Assets

Schedule A is prepared from the University's Statements of Net Assets (page 12) and summarizes the assets, liabilities, and net assets as of June 30, 2008. Comparative data for year ending June 30, 2007 is provided.

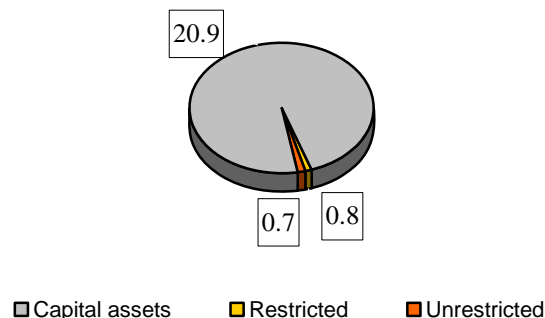
Schedule A
Condensed Statements of Net Assets
June 30, 2008 and 2007
(In Millions)

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Assets	\$ 2.3	\$ 3.7	\$ (1.4)	-37.8%
Noncurrent Assets				
Capital Assets, Net of Depreciation	52.1	51.3	0.8	1.6%
Other	11.7	10.9	0.8	7.3%
Total Assets	<u>66.1</u>	<u>65.9</u>	<u>0.2</u>	<u>0.3%</u>
Current Liabilities	5.8	8.2	(2.4)	-29.3%
Noncurrent Liabilities	37.8	37.4	0.4	1.1%
Total Liabilities	<u>43.6</u>	<u>45.6</u>	<u>(2.0)</u>	<u>-4.4%</u>
Net Assets				
Investment in Capital Assets	20.9	19.8	1.1	5.6%
Restricted	0.7	0.2	0.5	250.0%
Unrestricted	0.8	0.3	0.5	166.7%
Total Net Assets	<u>\$ 22.4</u>	<u>\$ 20.3</u>	<u>\$ 2.1</u>	<u>10.3%</u>

Total Net Assets increased by \$2.1 million. Cash and cash equivalents decreased by \$1.2 million while Receivable from State agency increased \$1.4 million. Investments held by others decreased \$0.6 million. Source of funds were increased for capital projects through the State Regents Master Lease Program- Real Property by \$2.5 million: 2007B Series – General Classroom/Faculty Offices/Parking Lots. This additional funding increased total Liabilities through lease obligation by \$2.5 million.

The following graph indicates that the bulk of the university's net assets are capital assets invested in land, buildings, infrastructure, library and equipment.

Analysis of Net Assets



Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the University's results of operations for the year and the effect on net assets. Operating revenues and expenses are generated from "exchange" transactions that arise in the course of normal activity for the organization. Tuition and fees, sales of services and merchandise, and similar transactions are considered operating revenues and all of the expenses required to provide these services are considered operating expenses. Nonoperating revenue and expenses are characterized as non-exchange and include such items as gifts and contributions, investment income or expense, and most significantly, state appropriations.

Schedule B is prepared from the University's Statements of Revenues, Expenses, and Changes in Net Assets (page 13) is a summary for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Schedule B
Condensed Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2008 and 2007
(In Millions)

	<u>2008</u>	<u>2007</u>
Operating Revenue		
Student tuition and Fees (net of scholarship allowance of \$5.8 and \$5.1, respectively)	\$ 14.8	\$ 12.7
Federal, State and Local Grants/Contracts	10.5	10.8
Auxiliary	2.8	2.5
Other	<u>1.3</u>	<u>0.9</u>
Total Operating Revenues	<u>29.4</u>	<u>26.9</u>
Operating Expenses		
Compensation and employee benefits	30.7	29.7
Contractual Services	5.5	5.1
Supplies and materials	3.2	4.4
Depreciation	3.1	3.3
Utilities	1.4	1.2
Communication expense	0.3	0.2
Scholarships and fellowships	4.7	4.9
Other operating expense	<u>1.2</u>	<u>1.9</u>
Total Operating Expenses	<u>50.1</u>	<u>50.7</u>
Operating Income (Loss)	<u>(20.7)</u>	<u>(23.8)</u>
Nonoperating Revenue (Loss)		
State Appropriations and Other	21.8	23.1
Investment Income	0.4	0.4
Interest Expense	<u>(1.1)</u>	<u>(1.0)</u>
Net Nonoperating Revenue	<u>21.1</u>	<u>22.5</u>
Income (Loss) before Other Revenue/Expense	<u>0.4</u>	<u>(1.3)</u>
Other Revenue/Expenses	<u>1.7</u>	<u>1.9</u>
Change in Net Assets	2.1	0.6
Net Assets, Beginning of Year	<u>20.3</u>	<u>19.7</u>
Net Assets, End of Year	<u>\$ 22.4</u>	<u>\$ 20.3</u>

Revenues

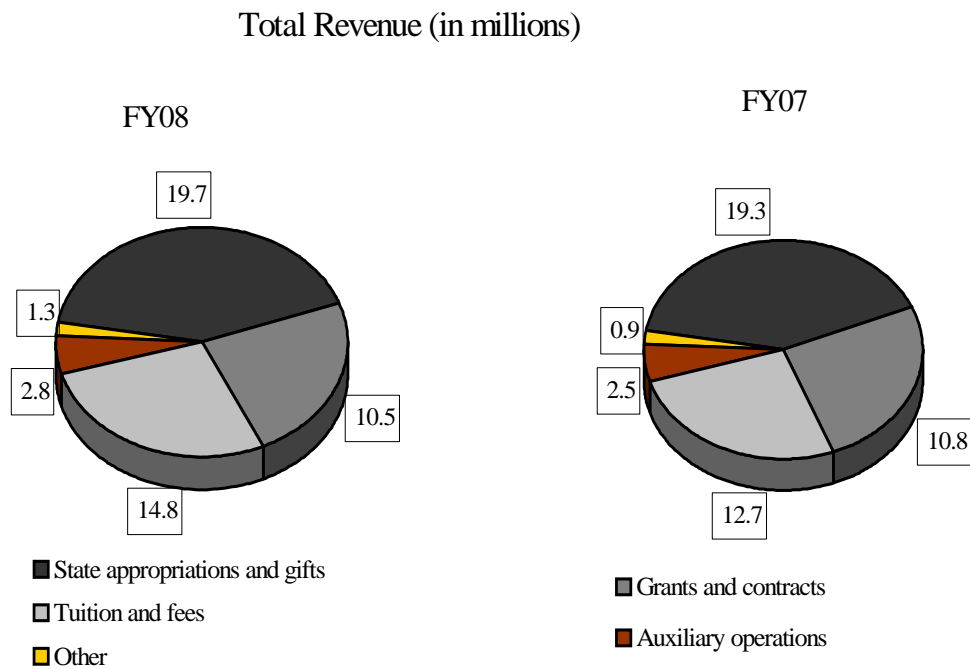
Tuition and fees generated revenue of \$14.8 million in FY2008 and \$12.7 million in FY2007. The increase was due to an increase in Tuition & Mandatory Fees (9.9% residence and 9.9% non-residence) and the Academic Service Fee for on-line courses by 78%.

Grants and Contracts generated revenues of \$10.5 million in FY2008 and \$10.8 million in FY2007. The decrease was due to reduction in Gear-up Program funding.

Auxiliary operations generated revenues of \$2.8 million in FY2008 and \$2.5 million in FY2007. The increase was due to residential occupancy increase of 12.6% and raising room/board rates by 15% and 5% respectively.

State Appropriations & Other generated revenue of \$21.8 million in FY2008 and \$23.1 million in FY2007. State Appropriations increased \$0.4 million, OTRS on behalf contributions increased \$0.4 million, and Gifts decreased \$2.1 million.

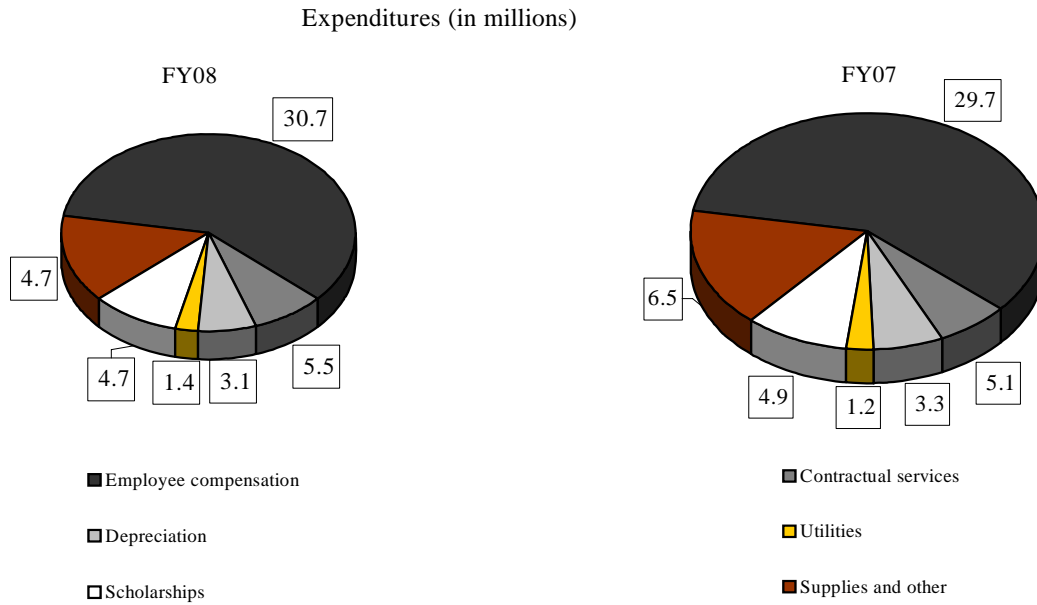
The following is a graphical representation of revenue.



Expenses

Operating expenses decreased \$0.6 million or 1.0%. Increases were Compensation and employee benefits (\$1.0 million) and Contractual Services (\$0.4 million). Decreases were: Supplies and materials (\$1.2 million) and Other operating expenses (\$0.7 million).

The following is a graphic illustration of expenses.



Statement of Cash Flows

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

Schedule C is a summary of the cash flows for the year ended June 30, 2008 compared to the year ended June 30, 2007 and is prepared from the Statements of Cash Flows (page 14).

Schedule C Condensed Statements of Cash Flows Years Ended June 30, 2008 and 2007 (in millions)

	<u>2008</u>	<u>2007</u>
Cash provided (used) by:		
Operating activities	\$ (16.7)	\$ (17.6)
Noncapital financing activities	19.6	20.1
Investing Activities	1.5	-
Capital and related financing activities	<u>(6.0)</u>	<u>(1.9)</u>
Net decrease in cash	<u>(1.6)</u>	<u>0.6</u>
Cash, beginning of the year	<u>2.5</u>	<u>1.9</u>
Cash, end of the year	<u><u>\$ 0.9</u></u>	<u><u>\$ 2.5</u></u>

State appropriations are included in noncapital financing activities rather than operating activities. This accounting classification creates the negative \$16.7 million cash used for operating activities in FY2008 as shown in Schedule C.

The decrease in cash is due primarily to funding the increase in construction cost to complete the capital projects.

Capital Assets

At June 30, 2008, the University had approximately \$51.5 million invested in capital assets, net of accumulated depreciation of \$39.4 million. Depreciation charges totaled approximately \$3.1 million for the current fiscal year compared to approximately \$3.3 million for the previous fiscal year. Projects in fiscal year 2008 were: renovation of Administrative Building, Science Building, Theatre Building and Campus bookstore; purchase and site development for parking lot; new Tennis Court Complex; new Arena; and new General Classroom/Faculty Offices/Parking Lots.

Capital Assets, Net, at Year-End

(In Millions)

	June 30	
	2008	2007
Land	\$ 2.5	\$ 2.3
Capitalized Collections	0.3	0.3
Construction in Progress	1.7	0.8
Infrastructure	4.0	4.7
Land Improvements	1.1	1.3
Buildings	40.2	40.4
Furniture, fixtures, and equipment	1.2	1.1
Library materials	0.5	0.4
Totals	<u>\$ 51.5</u>	<u>\$ 51.3</u>

Debt

At year-end, the University had approximately \$38.3 million in debt outstanding compared to \$37.7 million at the end of the previous fiscal year. New debt was issued through the State Regents Master Lease Program-Real Property: 2007B Series – General Classroom/Faculty Offices/Parking Lots (\$2.5 million). The 2002B Series originally for \$650,000 was paid off in FY2007. The table below summarizes these amounts by type.

	June 30	
	2008	2007
Revenue Bonds	\$ 7.2	\$ 7.4
OCIA Capital Lease Obligations	11.4	11.8
ODFA Capital Lease Obligations	16.6	15.1
Notes Payable	0.5	0.6
Capital Lease Obligations	2.6	2.8
Totals	<u>\$ 38.3</u>	<u>\$ 37.7</u>

The University's Revenue Bonds were issued in 2004 for \$8 million to construct the new student union. The Oklahoma Capital Bond Authority (OCIA) lease obligations were originally for \$1.8 million in 1999 (Biology Building) and \$10.6 million in 2006 (new classroom building and renovations to nine existing buildings). During the years ended June 30, 2007 and 2008, lease principal and interest payments were made on behalf of the University totaling \$862,677 and \$905,338, respectively. These on-behalf amounts have been recorded as restricted state appropriations in the University's statements of revenues, expenses and changes in net assets. The Oklahoma Development Finance Authority (ODFA) lease obligations originally for \$21.1 million have provided: \$615,000 for (4) planes; \$213,000 for (2) T-hangers; \$650,000 for departmental equipment, computers for student labs, and IETV equipment for classrooms; \$7,000,000 for the energy performance contract with Siemens Building Technologies; \$1,600,000 for installation/upgrading of elevators, fire alarm/suppression systems, and portable buildings; \$1,000,000 for expansion of network/communication system; \$2,500,000 to construct the new student union, \$250,000 for HVAC improvements at the McCurtain County Branch Campus, \$1,971,000 for Extension of Central Plant/Tennis Court Complex, \$1,200,008 for Aviation Equipment/Student Union Food Service Equipment, and \$2,500,000 for the new General Classroom/ Faculty Offices/ Parking Lots. The Notes Payable was to purchase the Thompson Bookstore and 78 acres for the athletic/intramural program. The Capital lease obligation was to fund the Phase II contract with Siemens Building Technologies. More detailed information about the University's outstanding debt is presented in Note VI to the financial statements.

Economic Outlook

The economic stability of the University is directly related to the state's economic stability. The general revenue collections through the first two months of fiscal year 2009 were more than 11.0% (\$93.5 million) above the first two months of fiscal year 2008 and more than 8.5% (\$74.2 million) above projections. This was due to strong collections from sales taxes and the gross production tax on natural gas. With the ongoing economic downturn of the national and international financial market, the impact to the state's general revenue collections is unknown. This economic crisis will also impact students in their decision to continue or begin their college experience. Enrollment data for fall 2008 reflects a decrease in student credit hours of 2.5%. The administration will focus on: delivering more courses to outreach sites thereby reducing the students travel cost and time; developing more online and hybrid courses to give students more flexibility in managing their schedule; implementing the conversion plan to move the McCurtain Branch Campus from a higher education program to a four year degree program; and building an advancement program that will raise additional funds through grants, contracts and fund raising initiatives.

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007

	<u>University</u>		<u>Component Unit</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 900,164	\$ 2,141,233	\$ 2,075,871	\$ 1,019,734
Restricted cash and cash equivalents	-	176,213	-	-
Accounts receivable, net	932,491	912,044	51,919	10,688
Interest receivable	1,901	3,749	19,510	19,204
Receivable from state agency	368,361	311,018	-	-
Other assets	-	-	2,729	1,917
Current portion of notes receivable, net	100,000	150,000	-	-
Total current assets	<u>2,302,917</u>	<u>3,694,257</u>	<u>2,150,029</u>	<u>1,051,543</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	215,490	-	-
Restricted investments	-	-	10,608,093	10,964,155
Investments held by others	976,862	1,560,206	233,264	237,539
Receivable from State agency	8,389,360	6,779,027	-	-
Notes receivable, net	631,538	577,575	392,211	412,257
Prepaid pension asset	1,233,498	1,338,432	-	-
Bond issuance costs	440,238	457,107	-	-
Other assets	-	-	380,728	405,483
Capital assets, net	52,100,294	51,325,522	8,549,657	8,878,019
Total noncurrent assets	<u>63,771,790</u>	<u>62,253,359</u>	<u>20,163,953</u>	<u>20,897,453</u>
Total Assets	<u>66,074,707</u>	<u>65,947,616</u>	<u>22,313,982</u>	<u>21,948,996</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	1,359,466	4,002,532	199,348	189,397
Accrued payroll	74,052	109,156	-	-
Accrued interest payable	216,417	244,756	44,199	44,845
Deferred revenue	1,217,980	1,050,224	29,624	19,366
Deposits held in custody for others	226,687	461,390	-	-
Other liabilities	137,068	-	-	-
Current portion of non current liabilities	2,598,244	2,325,301	-	-
Total current liabilities	<u>5,829,914</u>	<u>8,193,359</u>	<u>273,171</u>	<u>253,608</u>
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	392,224	427,055	-	-
Federal loan program contributions refundable	758,981	766,500	-	-
Capital lease obligation	13,509,122	14,123,985	-	-
Lease obligation payable to state agency	15,492,417	14,113,174	-	-
Notes payable	442,411	547,786	9,558,366	9,698,105
Revenue bonds payable	6,915,000	7,145,000	-	-
Premium on sale of bonds	292,444	307,210	-	-
Total noncurrent liabilities	<u>37,802,599</u>	<u>37,430,710</u>	<u>9,558,366</u>	<u>9,698,105</u>
Total Liabilities	<u>43,632,513</u>	<u>45,624,069</u>	<u>9,831,537</u>	<u>9,951,713</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	20,878,156	19,817,047	-	-
Restricted				
Unexpendable	-	-	12,984,348	12,551,302
Expendable				
Scholarships, instruction and other	(347,763)	(287,473)	-	-
Loans	64,313	144,018	-	-
Capital projects and debt service	1,007,725	418,808	-	-
Unrestricted	839,763	231,147	(501,903)	(554,019)
Total Net Assets	<u>\$ 22,442,194</u>	<u>\$ 20,323,547</u>	<u>\$ 12,482,445</u>	<u>\$ 11,997,283</u>

See accompanying notes

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>University</u>		<u>Component Unit</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Operating revenues				
Student tuition and fees, net of scholarship discounts and allowances of \$5,849,278 and \$5,129,860 (Revenues of \$1,026,800 in 2008 and \$828,645 in 2007 are pledged as security on Student Union Series 2003 revenue bonds.)	\$ 14,798,370	\$ 12,689,984	\$ -	\$ -
Federal grants and contracts	9,580,585	9,678,971	-	-
State and local grants and contracts	956,044	1,101,315	-	-
Housing and food service	2,146,150	1,683,408	-	-
Aerospace operations	683,359	761,028	-	-
Interest earned on loans to students	9,334	11,536	-	-
Other operating revenues	1,286,848	937,922	3,248,922	4,182,596
Total operating revenues	<u>29,460,690</u>	<u>26,864,164</u>	<u>3,248,922</u>	<u>4,182,596</u>
Operating expenses				
Compensation and employee benefits	30,618,230	29,728,370	-	-
Contractual services	5,532,912	5,048,940	-	-
Supplies and materials	3,242,684	4,430,538	-	-
Depreciation	3,149,606	3,294,194	308,038	314,194
Utilities	1,382,668	1,219,432	-	-
Communications expense	282,875	258,158	-	-
Scholarships and fellowships	4,716,007	4,871,774	369,990	262,314
Other operating expenses	1,197,674	1,877,853	2,085,732	2,309,916
Total operating expenses	<u>50,122,656</u>	<u>50,729,259</u>	<u>2,763,760</u>	<u>2,886,424</u>
Operating income (loss)	(20,661,966)	(23,865,095)	485,162	1,296,172
Nonoperating revenues (expenses)				
State appropriations	19,700,471	19,289,361	-	-
OTRS on-behalf contributions	1,549,609	1,165,801	-	-
Gifts	602,582	2,687,172	-	-
Investment income	371,990	475,645	-	-
Interest expense	(1,116,847)	(958,524)	-	-
Net nonoperating revenues (expenses)	<u>21,107,805</u>	<u>22,659,455</u>	<u>-</u>	<u>-</u>
Income (loss) before other revenues, expenses, gains and losses	445,839	(1,205,640)	485,162	1,296,172
State appropriations restricted for capital purposes	799,080	1,562,968	-	-
OCIA on-behalf payments	873,728	311,018	-	-
Change in Net Assets	2,118,647	668,346	485,162	1,296,172
Net assets				
Net assets, beginning of year	20,323,547	19,655,201	11,997,283	10,701,111
Net assets, end of year	<u>\$ 22,442,194</u>	<u>\$ 20,323,547</u>	<u>\$ 12,482,445</u>	<u>\$ 11,997,283</u>

See accompanying notes

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 14,680,347	\$ 12,869,897
Grants and contracts	10,588,856	11,016,754
Other operating receipts	4,644,183	3,397,470
Loans made to students	(115,476)	(149,872)
Collections of loans to students	207,199	155,062
Interest received on student loans	172,139	11,536
Payments to employees for salaries and benefits	(28,795,226)	(28,328,133)
Payments to suppliers	(18,119,220)	(16,611,836)
Net cash provided (used) by operating activities	(16,737,198)	(17,639,122)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	19,475,094	19,289,361
Other student financial assistance received	4,841,473	6,990,850
Payments of other student financial assistance	(4,841,473)	(6,990,850)
Gifts for other than capital purposes	97,066	822,835
Net cash provided (used) by noncapital financing activities	19,572,160	20,112,196
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) decrease in investments held with others	583,344	(485,176)
Interest income received	957,182	475,645
Net cash provided (used) by investing activities	1,540,526	(9,531)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for fixed assets	(5,094,016)	(6,121,885)
Capital appropriations received	1,024,457	1,194,886
Interest paid	(1,459,705)	(796,738)
Proceeds from capital debt and leases	889,667	5,277,362
Repayments of capital debt and leases	(1,368,663)	(1,404,640)
Net cash provided (used) by capital and related financing activities	(6,008,260)	(1,851,015)
Net increase (decrease) in cash and cash equivalents	(1,632,772)	612,528
Cash and cash equivalents, beginning of year	2,532,936	1,920,408
Cash and cash equivalents, end of year	\$ 900,164	\$ 2,532,936

See accompanying notes

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (20,661,966)	\$ (23,865,095)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	3,149,606	3,294,194
Loss on disposal of assets	823	25,659
On-behalf contributions to teachers' retirement system	1,549,609	1,165,801
Changes in assets and liabilities		
Accounts receivable	(114,142)	373,057
Student loans	(3,963)	73,584
Prepaid pension asset	104,934	239,940
Accounts payable and student deposits	(953,729)	1,005,587
Accrued payroll	(35,104)	(35,295)
Deferred revenues	167,756	86,829
Compensated absences	66,497	63,680
Federal loan program contributions refundable	(7,519)	(67,063)
Net cash provided (used) by operating activities	<u>\$ (16,737,198)</u>	<u>\$ (17,639,122)</u>
NONCASH INVESTING, NONCAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
Interest on capital debt paid by state agency on behalf of the University	\$ 239,832	\$ 222,673
Principal on capital debt paid by state agency on behalf of the University	633,896	88,345
Total Noncash investing, noncapital financing and related financing activities	<u>\$ 873,728</u>	<u>\$ 311,018</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS		
Current assets		
Cash and cash equivalents	\$ 900,164	\$ 2,141,233
Restricted cash and cash equivalents	-	176,213
Noncurrent assets		
Restricted cash and cash equivalents	-	215,490
Total cash and cash equivalents	<u>\$ 900,164</u>	<u>\$ 2,532,936</u>

See accompanying notes

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I. Summary of Significant Accounting Policies

Nature of Organization: Southeastern Oklahoma State University (the "University") is a regional University operating under the jurisdiction of the Regional University System of Oklahoma and the Oklahoma State Regents for Higher Education.

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14*, includes the accounts of the University and its discretely presented component unit, Southeastern Foundation, Inc. (the "Foundation"). The University is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the state as part of the Higher Education component unit.

Discretely Presented Component Unit: The University implemented GASB Statement No. 39 in 2004. Southeastern Foundation, Inc. (the "Foundation") is a component unit of the University under GASB 39 that is required to be discretely presented with the financial statements of the University. The University is the beneficiary of the Foundation, a separate legal entity with its own Board of Trustees. The Foundation is organized for the benefit of the University, and its faculty, student body and programs. The Foundation provides scholarships and support and enhances the further development of the University.

Financial Statement Presentation: The University's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Under GASB Statements No. 34 and 35, the University is required to present a statement of net assets classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net assets, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method.

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

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

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I. Summary of Significant Accounting Policies (continued)

Changes in Accounting Principles: The University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 45, *Accounting and Financial Reporting By Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (OPEB) expenses and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial statements of the University.

Cash Equivalents: For purposes of the statements of cash flows, the University 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 University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Oklahoma. 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 University's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

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 assets.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University'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 is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 10 to 30 years for infrastructure, land improvements, and building renovations, and 5 to 10 years for library materials and equipment.

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I. Summary of Significant Accounting Policies (continued)

Deferred Revenue: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred 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 assets, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net assets.

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

Net Assets: The University's net assets are classified as follows:

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

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

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, 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 University's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

Income Taxes: The University, as a political subdivision of the State of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I. Summary of Significant Accounting Policies (continued)

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Classification of Revenues: The University 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, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University 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 University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Southeastern Foundation, Inc.

Principles of Consolidation: The accompanying financial statements reflect the consolidated financial statements of Southeastern Foundation, Inc. (the "Foundation") and SOSU Foundation, L.L.C. (the "L.L.C."). All Trustees of the Foundation also serve as Trustees of the L.L.C.

Nature of Activities: The Foundation is a nonprofit corporation organized for the purpose of receiving and administering gifts for the benefit of Southeastern Oklahoma State University (the "University"), located in Durant, Oklahoma.

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I. Summary of Significant Accounting Policies (continued)

Southeastern Foundation, Inc.

As gifts are received by the Foundation, they are placed into new or existing funds, as appropriate, in accordance with the stipulations of the donors. When a donor restriction is satisfied, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets released from restrictions.

Distributions of amounts held by the Foundation are subject to the approval of the Board of Trustees. The Foundation's primary function is to provide assistance to students of the University in the form of scholarships and awards. Additionally, the Foundation provides financial assistance to the faculty and staff of the University as well as its programs and projects.

The L.L.C. is a limited liability corporation organized for the purpose of building and housing students of the University.

The accompanying consolidated financial statements reflect only transactions for which appropriate approvals have been received by the Foundation as of the financial reporting date.

Basis of Accounting: The Foundation presents its financial statements on the accrual basis of accounting.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Foundation does not use fund accounting.

Unrestricted Net Assets - This category consists of gifts received by the Foundation without stipulation and accumulated earnings which the Foundation uses for its operations.

Temporarily Restricted Net Assets - This category primarily consists of gifts received by the Foundation which have been designated for a particular project or activity and accumulated earnings from endowment funds to be used in accordance with the donor's instructions. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently Restricted Net Assets - This category represents gifts received by the Foundation with donor restrictions which require the principal to be invested in perpetuity. Generally, income earned from these assets is available to be used for purposes established by the donors.

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
REQUIRED SUPPLEMENTAL INFORMATION
UNAUDITED
JUNE 30, 2008

SCHEDULE OF FUNDING PROGRESS - SUPPLEMENTAL RETIREMENT ANNUITY PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2006	\$ 1,786,664	\$ 3,708,371	\$ 1,921,707	48.2%	\$ 4,026,282	47.7%
6/30/2007	1,559,225	3,743,522	2,184,297	41.7%	3,862,565	56.6%
6/30/2008	1,390,645	3,969,647	2,579,002	35.0%	3,910,180	66.0%

The actuarial accrued liability is based on the projected unit credit method.

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT INSURANCE BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2008	\$ -	\$ 2,268,000	\$ 2,268,000	0.0%	\$ 16,658,396	13.6%

The actuarial accrued liability is based on the projected unit credit method.

**SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
 SCHEDULE OF STATE CONTRACT REVENUES AND
 EXPENDITURES-BUDGET VERSUS ACTUAL
 YEAR ENDED JUNE 30, 2008**

Summary of contract revenues and expenditures

Contract Title: Oklahoma Small Business Development

Contract Agency: Oklahoma Department of Commerce

Contract Number: SBDC 06 11956

Contract Dates: July 1, 2007 to June 30, 2008

	Program Budget	Actual Year Ended June 30, 2008
Revenues		
Contract proceeds	\$ 600,873	\$ 600,873
Expenditures		
Salaries and fringe benefits	600,873	600,873
Total expenditures	600,873	600,873
(Expenditures) in excess of revenues	\$ -	\$ -



**Havern,
Behrens
and Heim**

CERTIFIED PUBLIC ACCOUNTANTS

**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
Regional University System of Oklahoma
Southeastern Oklahoma State University
Oklahoma City, Oklahoma

We have audited the financial statements of Southeastern Oklahoma State University (the "University"), component unit of the State of Oklahoma, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated October 24, 2008. 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. The financial statements of the Southeastern Oklahoma State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures 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 University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Regents, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



Oklahoma City, Oklahoma
October 24, 2008



**Havern,
Behrens
and Heim**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Regents
Regional University System of Oklahoma
Southeastern Oklahoma State University
Oklahoma City, Oklahoma

Compliance

We have audited the compliance of Southeastern Oklahoma State University (the "University"), component unit of the State of Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The University's major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance 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 University'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. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, Southeastern Oklahoma State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Southeastern Oklahoma State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 University's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit and Finance Committee, Board of Regents, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



Oklahoma City, Oklahoma
October 24, 2008

**SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Pass-Through Entity Identification Number	Amount Expended
U.S. Department of Education			
Direct Programs			
Student Financial Aid Cluster			
Federal Pell Grant Program	84.063	N/A	\$ 4,120,263
Federal Work Study Program	84.033	N/A	161,424
Federal Supplemental Education Opportunity Grants	84.007	N/A	205,700
Federal Family Education Loan Program	84.032	N/A	4,841,473
Federal Perkins Loan Program	84.038	N/A	185,436
Academic Competitiveness Grant	84.375	N/A	194,370
National Smart Grant	84.376	N/A	<u>108,376</u>
Total Student Financial Aid Cluster			9,817,042
Trio Cluster			
Upward bound	84.047A	N/A	1,003,197
Talent search	84.044A	N/A	364,092
Student support services	84.042A	N/A	327,269
Educational opportunity centers	84.066A	N/A	<u>488,889</u>
Total trio cluster			2,183,447
Other Direct Programs			
Native American Excellence in Education	84.299B	N/A	340,295
Gear Up	84.334A	N/A	<u>461,131</u>
			801,426
Passed through Oklahoma Department of Education			
Summer food service program/TRIO program	10.559	N/A	<u>12,157</u>
Total U.S. Department of Education			12,814,072
Small Business Administration			
Small Business Development Center	59.037	N/A	<u>998,007</u>
Total Small Business Administration			998,007
U.S. Department of Health and Human Services			
Support for Continuous Research Excellence	93.859	N/A	<u>155,976</u>
Total U.S. Department of Health and Human Services			155,976
National Science Foundation			
SOSU & Choctaw Nation Alliance: Project Impact!	47.070	N/A	<u>232,129</u>
			232,129
U.S. Department of Agriculture			
Breeding for ripeness reducing melon waste	10.001	N/A	<u>9,170</u>
			9,170
National Aeronautics and Space Administration			
Passed through University of Oklahoma			
NASA-Oklahoma Space Grant Consortium	43.001	NGT5-40111	<u>12,061</u>
Total National Aeronautics and Space Administration			12,061
U.S. Department of Health and Human Services			
Passed Through University of Oklahoma			
Biomedical Research Excellence	93.389	5P20RR0016478-06	<u>119,309</u>
Total U.S. Department of Health and Human Services			119,309
U.S. Department of Justice			
Passed Through East Central University			

See accompanying notes

**SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Pass-Through Entity Identification Number	Amount Expended
RUSO-Violence Prevention Project	16.525	N/A	<u>17,948</u>
Total U.S. Department of Education			17,948
National Science Foundation			
Passed through Oklahoma State University			
Louis Stokes-Oklahoma Alliance for Minority Participation	47.076	AA-5-58610-SEOSU-A3	<u>42,159</u>
Total National Science Foundation			42,159
National Endowment for the Arts			
Passed through Mid-American Arts Alliance Heartland Arts Fund			
Visiting Artists	45.025	Various	<u>3,475</u>
Total National Endowment for the Arts			3,475
U.S. Department of Commerce			
Center for Regional Competitiveness	11.306	N/A	<u>75,969</u>
Total U.S. Department of Commerce			75,969
Total expenditures of federal awards			<u><u>\$ 14,480,275</u></u>

See accompanying notes

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

I. Summary of Significant Accounting Policies

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

II. Federal Family Education Loan Program

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

III. Loans Outstanding

The University has \$839,724 in Federal Perkins loans outstanding at June 30, 2008. These loan balances outstanding are included as federal expenditures in the schedule of expenditures of federal awards. During the year ended June 30, 2008, the University issued \$185,436 Perkins loans.

IV. Sub-recipients

Of the federal expenditures presented in this schedule, Southeastern Oklahoma State University provided federal awards to sub-recipients as follows:

<u>Program</u>	<u>CFDA Number</u>	<u>Sub-recipient</u>	<u>Amount Provided</u>
Small Business Development Center	59.037	East Central University	\$ 131,070
Small Business Development Center	59.037	Northeastern Oklahoma State University	248,243
Small Business Development Center	59.037	Northwestern Oklahoma State University	189,602
Small Business Development Center	59.037	Rose State College	90,902
Small Business Development Center	59.037	Southwestern Oklahoma State University	235,330
Small Business Development Center	59.037	Langston University	78,203
Small Business Development Center	59.037	University of Central Oklahoma	183,280
			<u>\$ 1,156,630</u>

**SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

Summary of Auditors' Reports

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. No significant deficiencies were reported in the independent auditor's report on internal control over financial reporting.
3. No instance of noncompliance considered material to the financial statements of the University was disclosed during the audit.
4. No significant deficiencies in internal control over compliance with requirements applicable to major federal awards programs were reported in the independent auditors' report on internal control over compliance.
5. The independent auditor's report on compliance with requirements applicable to major federal awards programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The University's major programs were:

Program/Cluster	CFDA Number
Student financial aid cluster	
Federal Pell Grant Program	84.063
Federal Supplemental Education Opportunity Grants	84.007
Federal Work Study Program	84.033
Federal Family Education Loan Program	84.032
Federal Perkins Loan Program	84.038
Academic Competitiveness Grant	84.375
National Smart Grant	84.376
Small Business Developmental Office	59.037

8. A threshold of \$418,000 was used to distinguish between Type A and Type B programs as those terms are defined by OMB Circular A-133.
9. The University qualifies as a low risk auditee as that term is defined by OMB Circular A-133.

Findings Required to be Reported by *Government Auditing Standards*

No matters were reportable.

Findings Required to be Reported by OMB Circular A-133

No matters were reportable.

**SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

No matters were reportable.