

**SOUTHEASTERN OKLAHOMA
STATE UNIVERSITY**

**A DEPARTMENT OF THE REGIONAL
UNIVERSITY SYSTEM OF OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S
REPORT AS OF AND FOR THE YEAR
ENDED JUNE 30, 2015**

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Southeastern Oklahoma State University (the "University"), a department of the Regional University System of Oklahoma ("RUSO"), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the 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 did not audit the financial statements of the University's discretely presented component unit, the Southeastern Foundation, Inc. (the "Foundation"). Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors. 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 audited by other auditors and were not audited in accordance with *Government 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of RUSO that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of RUSO as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year 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.

Correction of an Error

In 2014 and previous years, the University considered itself a special purpose government and prepared its financial statements in accordance with standards applicable to special purpose governments. During fiscal 2015, the University determined that RUSO is a special purpose government and that the University is a department of RUSO. As a result, assets and liabilities related to the University's participation in certain retirement and other post-employment benefit plans are no longer recorded at the University level, but only at the RUSO level. As discussed in Note A to the financial statements, the net position at June 30, 2014 has been restated to correct the error. Our opinion is not modified with respect to this matter.

Other Matters

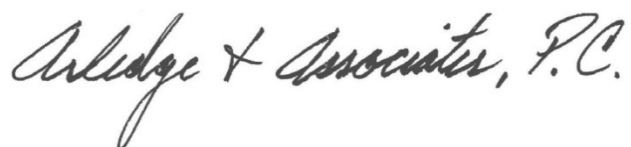
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's financial statements. The management's discussion and analysis and the schedule of state contract revenues and expenditures – budget versus actual, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements.

Management's discussion and analysis and the schedule of state contract revenues and expenditures – budget to actual, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015, 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, 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 University's internal control over financial reporting and compliance.



October 19, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

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, 2015, with selected comparative information for the year ended June 30, 2014. 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.

These financial statements include those of the University and its discretely presented component unit, Southeastern Foundation, Inc. A component unit is a legally separate entity associated with the primary organization.

Financial Highlights

The University's Total Net Position as of June 30, 2015 was \$25.0 million compared to \$25.3 million as of June 30, 2014. This is a decrease of \$0.3 million or 1.4%. Total Assets decreased \$2.2 million, Deferred Outflows of Resources decreased \$0.2 million and Total Liabilities decreased \$2.1 million.

Operating Revenue and Net Non-operating Revenue as of June 30, 2015 totaled \$52.3 million compared to \$52.2 million as of June 30, 2014. This is an increase of \$0.1 million or 0.2%.

Operating Expenses and interest expense as of June 30, 2015 totaled \$55.9 million compared to \$58.7 million as of June 30, 2014. This is a decrease of \$2.8 million or 4.8%.

Ten capital projects totaling \$0.8 million were in the construction phase with seven being completed and three still under construction at year end. The projects still under construction were Russell Plaza Hallie Court Yard, Water Lines/Water Tower Infra, and Strength & Conditioning Center. These projects were funded by the Department of Education Grant, external fund raising and the University.

Bonds payable and capital lease obligations decreased by \$2.8 million, leaving a balance of \$24.5 million. This decrease was from debt service payments reducing debt by \$2.6 million and a decrease due to the refinancing of two bonds (ODFA Master Lease Revenue Bonds Series 2014B and 2014C) totaling \$0.2 million. This is the seventh consecutive year that no additional debt was needed to fund capital projects or equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System Of Oklahoma

Year Ended June 30, 2015

Statement of Net Position

The Statement of Net Position presents current and noncurrent assets and liabilities, deferred outflows of resources and inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) as of June 30, 2015.

Net Position is divided into three (3) major categories: (1) Net Investment in Capital Assets, the University's investment in property, plant, and equipment, (2) Restricted Net Position Expendable, includes resources that are available for expenditure by the University to spend in accordance with restrictions imposed by external third parties, and (3) Unrestricted Net Position, represents resources to be 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.

Prior Period Adjustments: In 2015 the University determined that since it was a department of the Regional University System of Oklahoma ("RUSO") it should not report assets or liabilities related to participation in certain retirement and other post-employment benefit plans which had been previously established. As a result, the University has adjusted its beginning balances to remove these previously reported amounts.

The accounting and financial reporting for OTRS, the SRA, and the OPEB plans are recorded at the reporting entity level in the RUSO financial statements.

Net position was restated as of July 1, 2014 as follows:

Net position as of June 30, 2014, as previously reported	\$ 27,903,885
Removal of previously reported pension asset	(2,684,898)
Removal of previously reported other post- employment benefit liability	<u>116,344</u>
Beginning net position, as restated	<u><u>\$ 25,335,331</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System Of Oklahoma

Year Ended June 30, 2015

Statement of Net Position—Continued

CONDENSED STATEMENTS OF NET POSITION

	June 30, (In Millions)			
	2015	Restated 2014	Increase (Decrease)	Percent Change
CURRENT ASSETS	\$ 4.3	\$ 4.4	\$ (0.1)	-2.3%
NONCURRENT ASSETS				
Capital Assets, Net of Depreciation	50.4	52.6	(2.2)	-4.2%
TOTAL ASSETS	<u>\$ 54.7</u>	<u>\$ 57.0</u>	<u>\$ (2.3)</u>	-4.0%
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 0.3</u>	<u>\$ 0.5</u>	<u>\$ (0.2)</u>	-40.0%
CURRENT LIABILITIES	\$ 7.0	\$ 6.4	\$ 0.6	9.4%
NONCURRENT LIABILITIES	22.7	25.4	(2.7)	-10.6%
TOTAL LIABILITIES	<u>\$ 29.7</u>	<u>\$ 31.8</u>	<u>\$ (2.1)</u>	-6.6%
DEFERRED INFLOWS OF RESOURCES	<u>\$ 0.3</u>	<u>\$ 0.3</u>	<u>\$ -</u>	0.0%
NET POSITION				
Net Investment in Capital Assets	\$ 24.9	\$ 24.8	\$ 0.1	0.4%
Restricted	0.2	0.1	0.1	100.0%
Unrestricted	(0.1)	0.4	(0.5)	-125.0%
TOTAL NET POSITION	<u>\$ 25.0</u>	<u>\$ 25.3</u>	<u>\$ (0.3)</u>	-1.2%

Analysis of Net Position

Total assets decreased \$2.3 million with increases in receivables from state agencies \$0.1 million, and decreases in restricted cash and cash equivalents by \$0.1 million, accounts receivable, net by \$0.1 million, and capital assets, net by \$2.2 million.

Deferred outflows of resources recognized a decrease of \$0.2 million, and is the result of debt restructuring.

Total liabilities decreased \$2.1 million with increases in accounts payable \$0.6 million, current portion of noncurrent liabilities \$0.2 million, accrued compensated absences \$0.1 million, and decreases in accrued interest payable \$0.1 million, deposits held in custody for others \$0.1 million, and outstanding debt by \$2.8 million.

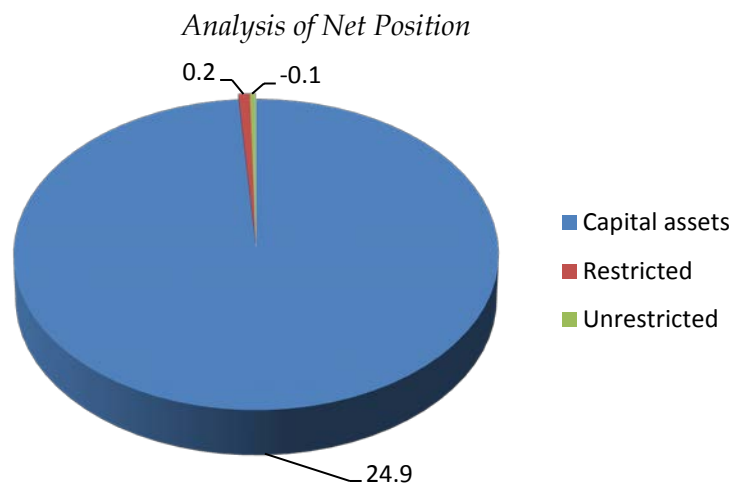
MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System Of Oklahoma

Year Ended June 30, 2015

Analysis of Net Position--continued

The following graph indicates that the bulk of the University's net position at June 30, 2015, are capital assets invested in land, buildings, infrastructure, library, and equipment.



Statement of Revenues, Expenses, and Changes in Net Position

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

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System Of Oklahoma

Year Ended June 30, 2015

Statement of Revenues, Expenses, and Changes in Net Position-Continued

Condensed Statements of Revenues, Expenses, and Changes in Net Position are a summary for the year ended June 30, 2015, compared to the year ended June 30, 2014.

	Years Ended June 30, (in millions)			
	2015	Restated 2014	Increase (Decrease)	Percent Change
OPERATING REVENUE				
Student tuition and Fees (net of scholarship allowance of \$10.2 and \$10.5, respectively)	\$ 15.7	\$ 14.1	\$ 1.6	11.3%
Federal, State and Local Grants/Contracts	5.7	5.2	0.5	9.6%
Auxiliary	3.0	2.7	0.3	11.1%
Other	1.9	2.4	(0.5)	-20.8%
TOTAL OPERATING REVENUE	26.3	24.4	1.9	7.8%
OPERATING EXPENSES				
Compensation and employee benefits	33.1	35.6	(2.5)	-7.0%
Contractual Services	3.3	3.7	(0.4)	-10.8%
Supplies and materials	4.3	4.1	0.2	4.9%
Depreciation	3.4	3.6	(0.2)	-5.6%
Utilities	1.7	1.6	0.1	6.2%
Communication expense	0.4	0.3	0.1	33.3%
Scholarships and fellowships	5.5	5.6	(0.1)	-1.8%
Other operating expense	3.2	2.8	0.4	14.3%
TOTAL OPERATING EXPENSES	54.9	57.3	(2.4)	-4.2%
OPERATING INCOME (LOSS)	(28.6)	(32.9)	4.3	-13.1%
NONOPERATING REVENUE				
State Appropriations and Other	18.8	20.5	(1.7)	-8.3%
Financial Aid Grants	7.8	8.3	(0.5)	-6.0%
Contributions	0.5	0.3	0.2	66.7%
Investment Income	0.1	0.1	-	0.0%
Interest Expense	(1.1)	(1.5)	0.4	-26.7%
NET NONOPERATING REVENUE	26.1	27.7	(1.6)	-5.8%
INCOME BEFORE OTHER REVENUE/EXPENSE	(2.5)	(5.2)	2.7	-51.9%
OTHER REVENUE/EXPENSES	2.2	1.9	0.3	15.8%
CHANGE IN NET POSITION	(0.3)	(3.3)	3.0	-90.9%
NET POSITION AT BEGINNING OF YEAR	25.3	28.6	(3.3)	-11.5%
NET POSITION AT END OF YEAR	\$ 25.0	\$ 25.3	\$ (0.30)	-1.2%

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System Of Oklahoma

Year Ended June 30, 2015

Statement of Revenues, Expenses, and Changes in Net Position-Continued

Revenues 2015

Total operating revenues increased by \$1.9 million and net non-operating revenue decreased by \$1.7 million for a total increase of \$0.2 million.

Student tuition and fees, net of scholarships and allowances increased \$1.6 million. Rates for tuition and mandatory fees increased 7.0% for resident and 4.1% non-resident students. Student credit hours decreased by 0.7% for resident tuition and by 3.7% for non-resident tuition.

Federal, State, and local grants and contracts revenue is \$5.7 million, for an increase of approximately \$0.5 million.

Auxiliary operations generated total revenues of \$3.0 million of which \$2.4 million is from housing and food services and \$0.6 million is from aerospace operations for a total increase of \$0.3 million. Rates for room increased 5.5% and board increased 7.1% while occupancy decreased by 5.1%. Other operating revenues decreased by \$0.5 million.

State appropriations for operations in fiscal year 2015 were \$18.8 million, resulting in no change from prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

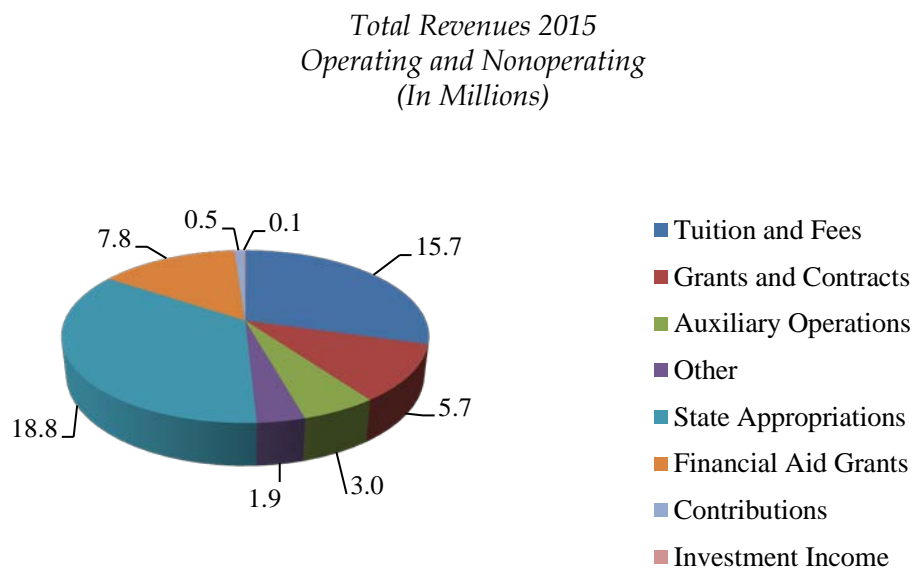
SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System Of Oklahoma

Year Ended June 30, 2015

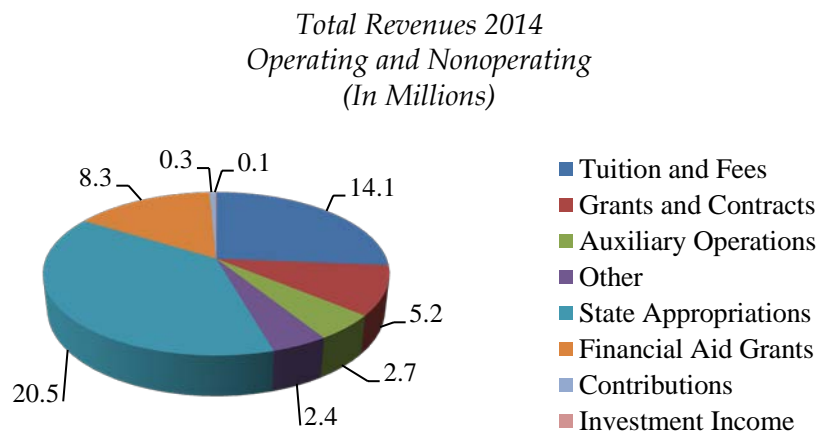
Statement of Revenues, Expenses, and Changes in Net Position-Continued

Revenues 2015--continued

The following is a graphical representation of total operating and nonoperating revenue for the year ended June 30, 2015.



The following is a graphical representation of total operating and nonoperating revenue for the year ended June 30, 2014.



MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System Of Oklahoma

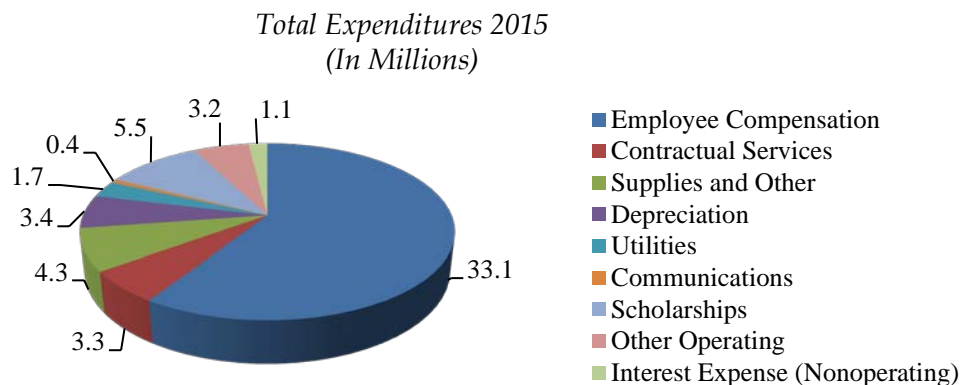
Year Ended June 30, 2015

Statement of Revenues, Expenses, and Changes in Net Position-Continued

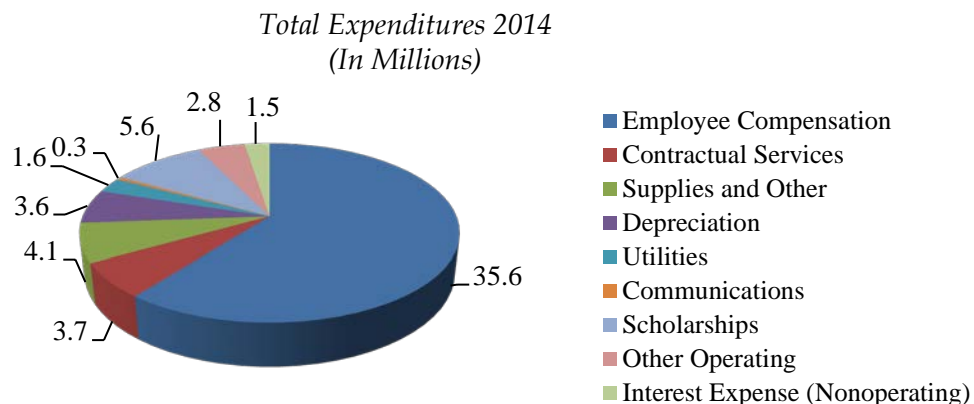
Expenses

Operating expenses and interest expense for the year are \$56.0 million, a decrease of \$2.8 million. Increases in supplies and materials by \$0.2 million, utilities by \$0.1 million, communications by \$0.1 million, and other operating expenses by \$0.4 million, and decreases in compensation and employee benefits by \$2.5 million, contractual services by \$0.4 million, depreciation by \$0.2 million, scholarships by \$0.1 million (related to waivers), and interest expense by \$0.4 million.

The following is a graphic illustration of expenses for the year ended June 30, 2015.



The following is a graphic illustration of expenses for the year ended June 30, 2014.



MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System Of Oklahoma

Year Ended June 30, 2015

Statement of Cash Flows

The Statement of Cash Flows presents information about the cash receipts and disbursements of the university during the year.

A condensed Statement of Cash Flows is a summary for the year ended June 30, 2015, compared to the year ended June 30, 2014.

	Years Ended June 30, (in Millions)	
	2015	2014
CASH PROVIDED BY (USED IN):		
Operating activities	\$ (24.8)	\$ (25.0)
Noncapital financing activities	26.7	27.2
Investing activities	0.3	0.3
Capital and related financing activities	(2.2)	(4.1)
NET INCREASE (DECREASE) IN CASH	-	(1.6)
CASH, BEGINNING OF YEAR	2.2	3.8
CASH, END OF YEAR	\$ 2.2	\$ 2.2

Capital Assets

At June 30, 2015, the University had approximately \$50.4 million invested in capital assets, net of accumulated depreciation of \$61.6 million. Depreciation charges totaled approximately \$3.4 million for the current fiscal year. Projects in fiscal year 2015 were Paul Laird Field Turf, Russell Plaza Hallie Court Yard, Water Lines and Water Tower Infra, ECU Nursing Science Bldg Lab, Physical Plant Projects, Offices/Classroom Renovation, Lighting, Tornado Shelters, Connect2Complete, and Strength & Conditioning Center.

Capital Assets, net

	June 30, (in Millions)	
	2015	2014
Land	\$ 3.3	\$ 3.3
Capitalized collections	0.4	0.4
Construction in-progress	0.7	0.6
Infrastructure	3.1	3.3
Improvements	0.7	0.8
Buildings	41.2	43.2
Furniture, fixtures, and equipment	0.9	0.9
Library materials	0.1	0.1
TOTALS	\$ 50.4	\$ 52.6

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System Of Oklahoma

Year Ended June 30, 2015

Debt

At June 30, 2015, the University had approximately \$24.5 million in debt outstanding compared to \$27.3 million at the end of the previous fiscal year. The table below summarizes these amounts by type.

Outstanding Debt

	June 30, (in Millions)	
	2015	2014
OCIA Capital Lease Obligations	\$ 9.7	\$ 10.6
ODFA Capital Lease Obligations	14.8	15.1
Capital Lease Obligations	-	1.6
TOTALS	<u>\$ 24.5</u>	<u>\$ 27.3</u>

Oklahoma Capital Improvement Authority Leases

In 2011, the OCIA issued Bond Series 2010A and 2010B to partially refund the Series 2005F Revenue Bonds. The advance partial refunding was to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service. As a result, the total liability of the remaining 2005F bonds combined with the new 2010A and 2010B bond issues will be more than the original outstanding liability for the 2005F bonds. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a deferred restructuring charge of \$927,419 that will be amortized over a period of six years, beginning in fiscal year 2011. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$45,806, which also approximates the economic cost of the lease restructuring. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf, which is \$3,128,142 at June 30, 2015.

In 2014, the OCIA issued Bond Series 2014A to partially refund the Series 2005F Revenue Bonds. This restructuring resulted in a gain of \$316,314 between the remaining liability of 2005F and the new liability of 2014A. This gain on restructuring was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2015, the unamortized cost totaled \$292,106. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, fewer payments made on the University's behalf, which is \$5,700,248 at June 30, 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System Of Oklahoma

Year Ended June 30, 2015

Oklahoma Capital Improvement Authority Leases--Continued

During the year ended June 30, 2015, OCIA made lease principal and interest payments totaling \$1,141,231 on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the statement of revenues, expenses, and changes in net position.

Oklahoma Development Finance Authority Master Lease Program

In 2015, the ODFA issued Bonds Series 2014B to refund the SEOSU Energy Lease with Suntrust Leasing Corporation. The University has recorded a lease obligation payable in the accompanying financial statements with an outstanding debt of \$1,355,250 at June 30, 2015.

In 2015, The ODFA issued Bond Series 2014C to refund the ML Series 2004C. The University has recorded a lease obligation payable in the accompanying financial statements with an outstanding balance of \$1,833,455 at June 30, 2015.

More detailed information about the University's outstanding debt is presented in notes to the financial statements.

Component Unit

The Southeastern Foundation, Inc. (the "Foundation") meets the criteria for inclusion as a discretely presented component unit of Southeastern Oklahoma State University. The most recent financial statements of the Foundation are included in this presentation under the heading Component Unit. A complete set of financial statements may be obtained from the Foundation.

Economic Outlook

The economic stability of the University is directly related to the state's economic stability. The twelve-month collections at the end of September 2015 totaled \$11.85 billion. This is \$57.56 million or 0.5% lower than collections from the previous 12-month period. As a measure of economic activity, September gross receipts for the first time in almost five years are less than the previous 12-month period. The state's economy is clearly showing the direct and indirect impact of low oil prices, with monthly gross production and sales taxes collections down.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System Of Oklahoma

Year Ended June 30, 2015

Economic Outlook--Continued

Enrollment data for fall 2015 reflects a decrease in student credit hours of 5.0% compared to an increase in fall 2014 of 1.0%. The administration will continue its initiatives to increase student credit hours; develop a stronger infrastructure to support veterans and international student programs; and building an advancement program that will raise additional funds through grants, contracts and fund raising initiatives. These efforts will continue along with new initiatives to promote student enrichment experiences, expand the universities regional image, optimize the learning environment and enhance collaboration and partnerships.

STATEMENTS OF NET POSITION

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System of Oklahoma

June 30, 2015

	University	Component Unit
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,088,200	\$ 3,220,976
Restricted cash and cash equivalents	85,414	575,456
Accounts receivable, net	1,245,661	234,901
Interest receivable	3,942	59,938
Receivable from state agencies	839,508	-
Other assets	-	61,988
Current portion of notes receivable, net	27,607	-
TOTAL CURRENT ASSETS	<u>4,290,332</u>	<u>4,153,259</u>
NONCURRENT ASSETS		
Investments	-	19,677,282
Notes receivable, net	-	8,809
Other assets	-	331,740
Capital assets, net	50,410,235	6,742,245
TOTAL NONCURRENT ASSETS	<u>50,410,235</u>	<u>26,760,076</u>
TOTAL ASSETS	<u>\$ 54,700,567</u>	<u>\$ 30,913,335</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on OCIA lease restructure	<u>\$ 297,219</u>	<u>\$ -</u>

(Continued)

STATEMENTS OF NET POSITION--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

June 30, 2015

	University	Component Unit
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 1,526,887	\$ 572,831
Accrued payroll	95,425	-
Accrued interest payable	44,731	38,429
Unearned revenue	1,493,106	28,901
Deposits held in custody for others	338,812	-
Current portion of non current liabilities	3,483,551	-
TOTAL CURRENT LIABILITIES	<u>6,982,512</u>	<u>640,161</u>
NONCURRENT LIABILITIES		
Accrued compensated absences	440,950	-
Notes payable	-	8,310,565
Capital lease obligation	21,811,507	-
Premium on bonds payable	477,672	-
TOTAL NONCURRENT LIABILITIES	<u>22,730,129</u>	<u>8,310,565</u>
TOTAL LIABILITIES	<u>\$ 29,712,641</u>	<u>\$ 8,950,726</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on OCIA lease restructure	<u>\$ 292,106</u>	<u>\$ -</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 24,906,184	\$ -
Restricted:		
Nonexpendable	-	12,267,100
Expendable:		
Scholarships, instruction, and other	-	9,399,645
Loans	156,960	-
Unrestricted	(70,105)	295,864
TOTAL NET POSITION	<u>\$ 24,993,039</u>	<u>\$ 21,962,609</u>

See notes to financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

	University	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship discounts and allowances of \$10,176,580	\$ 15,722,123	\$ -
Federal grants and contracts	4,726,101	-
State and local grants and contracts	886,045	-
Housing and food service	2,441,686	-
Aerospace operations	552,382	-
Investment Income	-	326,911
Contributions	-	1,347,572
Other operating revenues	1,928,223	1,581,574
TOTAL OPERATING REVENUES	26,256,560	3,256,057
OPERATING EXPENSES		
Compensation and employee benefits	33,077,434	-
Contractual services	3,297,677	-
Supplies and materials	4,355,053	-
Depreciation	3,448,808	229,353
Utilities	1,657,209	-
Communications expense	361,944	-
Scholarships and fellowships	5,481,426	1,107,679
Other operating expenses	3,173,037	1,342,821
TOTAL OPERATING EXPENSES	54,852,588	2,679,853
OPERATING INCOME (LOSS)	(28,596,028)	576,204
NONOPERATING REVENUES (EXPENSES)		
State appropriations	18,844,628	-
Financial aid grants	7,810,312	-
Contributions	372,602	-
Investment income	52,032	-
Interest expense	(1,064,973)	-
NET NONOPERATING REVENUE (EXPENSES)	26,014,601	-
Income (loss) before other revenues, expenses, gains and losses	(2,581,427)	576,204
State appropriations restricted for capital purposes	1,097,904	-
OCIA on-behalf payments	1,141,231	-
CHANGE IN NET POSITION	(342,292)	576,204
NET POSITION, BEGINNING OF YEAR (Restated)	25,335,331	21,386,405
NET POSITION, END OF YEAR	\$ 24,993,039	\$ 21,962,609

See notes to financial statements

STATEMENT OF CASH FLOWS

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 15,520,810
Grants and contracts	5,629,596
Other operating receipts	5,215,972
Payments to employees for salaries and benefits	(33,058,327)
Payments to suppliers	(18,133,207)

NET CASH USED IN OPERATING ACTIVITIES (24,825,156)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	18,844,628
Financial aid grants	7,810,312
Direct Loan receipts	11,113,402
Direct Loan payments	(11,113,402)

NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES 26,654,940

CASH FLOWS FROM INVESTING ACTIVITIES

Net (increase) decrease in investments held with others	1
Interest income received	336,718

NET CASH PROVIDED BY INVESTING ACTIVITIES 336,719

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash paid for capital assets	(905,151)
Capital appropriations received	1,327,163
Interest paid	(789,540)
Repayments of capital debt and leases	(1,863,059)

NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES (2,230,587)

NET CHANGE IN CASH AND CASH EQUIVALENTS (64,084)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 2,237,698

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 2,173,614

(Continued)

STATEMENT OF CASH FLOWS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

RECONCILIATION OF OPERATING LOSS TO
NET CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (28,596,028)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	3,448,808
(Gain) / loss on disposal of assets	635
Changes in assets and liabilities	
Accounts receivable	117,665
Loans receivable	(15,896)
Accounts payable and student deposits	192,504
Accrued payroll	(37,337)
Deferred revenues	8,050
Compensated absences	56,443

NET CASH USED IN OPERATING ACTIVITIES \$ (24,825,156)

NONCASH INVESTING, NONCAPITAL FINANCING
AND CAPITAL AND RELATED FINANCING ACTIVITIES

Interest on capital debt paid by state agency on behalf of the University	\$ <u>241,989</u>
Principal on capital debt paid by state agency on behalf of the University	\$ <u>899,242</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO STATEMENTS OF NET POSITION

Current assets	
Cash and cash equivalents	\$ 2,088,200
Restricted cash and cash equivalents	<u>85,414</u>

TOTAL CASH AND CASH EQUIVALENTS \$ 2,173,614

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE A--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 ("RUSO" or the "System") and the Oklahoma State Regents for Higher Education.

Reporting Entity: The University is one of six institutions of higher education in Oklahoma that comprise part of the Regional University System of Oklahoma, which in turn is part of the Higher Education component unit of the State of Oklahoma.

The Board of Regents has constitutional authority to govern, control and manage the Regional University System of Oklahoma; which consist of six institutions and an administrative office. 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 University is considered a department of the Regional University System of Oklahoma 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 Units: 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. Additional and selected disclosures for the Foundation are located in this report beginning with Note L. A complete report of the Foundation's financial statements and footnotes can be requested form the Foundation's director.

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 position classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Accounting: For financial reporting purposes, the University is considered a department of 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.

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.

Deposits and 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*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

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.

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. Student accounts receivable are carried at the unpaid balance of the original amount billed to students, less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. A student account receivable is considered to be past due if any portion of the receivable balance is outstanding after the end of the semester.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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. Other accounts receivable also include the distribution from the Oklahoma State Regents' endowment trust fund and amounts due from the Oklahoma Capital Improvement Authority ("OCIA") for proceeds from the capital bond improvement program allocated to the College. No allowance for doubtful accounts has been provided for other receivables.

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 five years or greater. 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.

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.

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Net Position: The University's net position is 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. 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 invested in capital assets, net of related debt.

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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 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. However, the University may be subject to income taxes or unrelated business income under Internal Revenue Code Section 511(a)(2)(b).

Use of 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 those estimates.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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, and (3) certain grants and contracts.

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 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, governmental and other pass through grants, 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 position. 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 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.

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2015, the University's deferred outflows of resources were comprised of deferred charges on OCIA lease restructurings. These deferred outflows of resources are recognized as a component of interest expense over the remaining of the old debt or the life of the new debt, whichever is shorter.

Deferred Inflows of Resources: Deferred inflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2015 the University deferred inflows of resources were comprised of deferred gains on the restructuring of certain long term debt.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Prior Period Adjustments: In 2015 the University determined that since it was a department of the System it should not report assets or liabilities related to participation in certain retirement and other post-employment benefit plans which had been previously established. As a result, the University has adjusted its beginning balances to remove these previously reported amounts.

Net position was restated as of July 1, 2014 as follows:

Net position as of June 30, 2014, as previously reported	\$ 27,903,885
Removal of previously reported pension asset	(2,684,898)
Removal of previously reported other post- employment benefit liability	<u>116,344</u>
Beginning net position, as restated	<u><u>\$ 25,335,331</u></u>

NOTE B--DEPOSITS AND INVESTMENTS

Deposits: Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned or the University will not be able to recover collateral securities in the possession of an outside party. Generally, the University deposits its funds with the Office of the State Treasurer (OST) and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the state's name. State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the University deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the University's name.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Some deposits with the OST are placed in the OST's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in obligations of the United States Government, its agencies and instrumentalities; including agency senior debt and mortgage-backed pass-through securities, tri-party repurchase agreements, money market mutual funds, collateralized certificates of deposit, commercial paper, obligations of state and local governments, State of Israel Bonds, and various other investments, as allowed by law.

At June 30, 2015, the carrying amount of all University deposits with the OST and other financial institutions was \$2,369,000. This amount consisted of deposits with the OST (\$2,361,610), and change funds (\$7,390). Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$1,928,692 in 2015. The differences between the bank balance of deposits and the related carrying amounts were generally not significant and are due to outstanding checks and deposits in transit.

For financial reporting purposes, deposits with the OST that are invested in *OK INVEST* are classified as cash equivalents. The distribution of deposits in *OK INVEST* is as follows at June 30, 2015:

<u>OK INVEST Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. Agency	\$ 774,332	\$ 773,495
Money Market Mutual Fund	242,128	242,128
End of Day Commercial Paper Sweep	39,021	39,021
Certificates of Deposit	52,661	52,661
Mortgage Backed Agency Securities	756,634	766,304
Municipal Bonds	26,742	28,998
Foreign Bonds	14,851	14,851
U.S. Treasury	22,323	26,798
TOTAL	<u>\$ 1,928,692</u>	<u>\$ 1,944,256</u>

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE B--DEPOSITS AND INVESTMENTS—Continued

Deposits—Continued: and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the OST website at <http://www.treasurer.state.ok.us/>.

The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. *OK INVEST* maintains an overall weighted average maturity of no more than four years.

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.

Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation, or any other government agency

Investments: Investment *credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the University's investments are managed by the State Treasurer. In accordance with state statutes the State Treasurer may only purchase and invest in (a) obligations of the United States government, its agencies and instrumentalities; (b) prime banker's acceptances; (c) investment grade obligations of state and local governments; (d) money market funds; (e) collateralized or insured certificates of deposits; (f) negotiable certificates of deposits; (g) prime commercial paper; and (h) repurchase agreements.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE B--DEPOSITS AND INVESTMENTS—Continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest changes. Neither the University nor state statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the OST Investment Policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy. *Concentration of credit risk* is the risk of loss attributed to the magnitude of the University's investment in a single issuer. Neither the University's investment policy nor state statutes place limits on amounts that can be invested in any one issuer; however, the OST Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State's total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities.

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2015, none of the University's investments were subject to custodial credit risk.

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 University 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.

At June 30, 2015, the University had no cash and investments in restricted bond funds.

Investments Held by Others: At June 30, 2015, the University did not have investments in money market funds related to the ODFA Lease program.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2015:

Student tuition and fees	\$ 1,863,214
Auxiliary enterprises and other operating activities	283,210
Federal, state, and private grants and contracts	<u>294,275</u>
	2,440,699
Less: allowance for doubtful accounts	<u>(1,195,038)</u>
Net accounts receivable	<u><u>\$ 1,245,661</u></u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE D--CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2015
Capital assets not being depreciated					
Land	\$ 3,333,480	\$ -	\$ -	\$ -	\$ 3,333,480
Capitalized collections	371,835	-	-	-	371,835
Construction in progress	602,866	815,131	(738,086)	-	679,911
Total capital assets not being depreciated	<u>\$ 4,308,181</u>	<u>\$ 815,131</u>	<u>\$ (738,086)</u>	<u>\$ -</u>	<u>\$ 4,385,226</u>
Other capital assets					
Non-major infrastructure networks	\$ 12,070,826	\$ -	\$ 636,631	\$ -	\$ 12,707,457
Improvements	3,291,326	-	71,982	-	3,363,308
Buildings	76,152,631	-	29,473	-	76,182,104
Furniture, fixtures and equipment	8,305,065	384,790	-	(136,290)	8,553,565
Library materials	6,797,367	69,870	-	(51,382)	6,815,855
Total other capital assets	106,617,215	454,660	738,086	(187,672)	107,622,289
Less: accumulated depreciation for					
Non-major infrastructure networks	(8,833,305)	(800,163)	-	-	(9,633,468)
Improvements	(2,477,892)	(199,990)	-	-	(2,677,882)
Buildings	(32,979,786)	(1,993,690)	-	-	(34,973,476)
Furniture, fixtures and equipment	(7,361,359)	(395,044)	-	136,290	(7,620,113)
Library materials	(6,683,167)	(59,921)	-	50,747	(6,692,341)
Total accumulated depreciation	(58,335,509)	(3,448,808)	-	187,037	(61,597,280)
Other capital assets, net	<u>\$ 48,281,706</u>	<u>\$ (2,994,148)</u>	<u>\$ 738,086</u>	<u>\$ (635)</u>	<u>\$ 46,025,009</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 4,308,181	\$ 815,131	\$ (738,086)	\$ -	\$ 4,385,226
Other capital assets, at cost	106,617,215	454,660	738,086	(187,672)	107,622,289
Total cost of capital assets	110,925,396	1,269,791	0	(187,672)	112,007,515
Less: accumulated depreciation	(58,335,509)	(3,448,808)	-	187,037	(61,597,280)
Capital assets, net	<u>\$ 52,589,887</u>	<u>\$ (2,179,017)</u>	<u>\$ 0</u>	<u>\$ (635)</u>	<u>\$ 50,410,235</u>

Capital assets acquired with funds under capital lease programs are included in the above capital assets.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE E--LONG-TERM LIABILITIES

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

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts due within one year
Bonds payable and capital lease obligations:					
OCIA Leases	10,606,759	-	(899,242)	9,707,517	926,927
ODFA Leases	15,092,008	1,632,000	(1,897,378)	14,826,630	1,795,712
Capital lease obligation	1,597,685	-	(1,597,685)	-	-
Total bonds and capital leases	27,296,452	1,632,000	(4,394,305)	24,534,147	2,722,639
Other liabilities:					
Accrued compensated absences	1,145,419	786,653	(730,210)	1,201,862	760,912
Total other liabilities	1,145,419	786,653	(730,210)	1,201,862	760,912
Total long-term liabilities	\$ 28,441,871	\$ 2,418,653	\$ (5,124,515)	\$ 25,736,009	\$ 3,483,551

Capital Lease Obligations:

Oklahoma Capital Improvement Authority Leases

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. The amortization of the 1999A bond issue ended in 2010. The lease agreement no longer secures the 1999A bond issue but now acts as security for the 2004A bond issue over the term of the lease through the year 2020. The University has drawn down all of its allotment for expenditures incurred in connection with specific projects which have been capitalized as capital assets (building and construction in-progress) in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf, which is \$569,895 at June 30, 2015.

In November 2005, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 2005 Series F and G. In 2011, the OCIA issued Bond Series 2010A and 2010B to partially refund the Series 2005F Revenue Bonds.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE E--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued:

Oklahoma Capital Improvement Authority Leases--Continued

In 2011, the OCIA issued Bond Series 2010A and 2010B to partially refund the Series 2005F Revenue Bonds. The advance partial refunding was to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service. As a result, the total liability of the remaining 2005F bonds combined with the new 2010A and 2010B bond issues will be more than the original outstanding liability for the 2005F bonds. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a deferred restructuring charge of \$927,419 that will be amortized over a period of six years, beginning in fiscal year 2011. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$45,806, which also approximates the economic cost of the lease restructuring. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf, which is \$3,128,142 at June 30, 2015.

In 2014, the OCIA issued Bond Series 2014A to partially refund the Series 2005F Revenue Bonds. This restructuring resulted in a gain of \$316,314 between the remaining liability of 2005F and the new liability of 2014A. This gain on restructuring was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2015, the unamortized cost totaled \$292,106. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, fewer payments made on the University's behalf, which is \$5,700,248 at June 30, 2015.

During the year ended June 30, 2015, OCIA made lease principal and interest payments totaling \$1,141,231 on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the statement of revenues, expenses, and changes in net position.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE E--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued:

Oklahoma Development Finance Authority Master Lease Program:

	<u>2015</u>
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2014B refinanced 2006 SEOSU Energy Lease, allocated to the University in the original amount of \$1,632,000 and mature in varying amounts to June 1, 2019.	\$ 1,355,250
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2014C refinanced 2004C, allocated to the University in the original amount of \$1,936,000 and mature in varying amounts to December 1, 2024.	1,833,455
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2003B refinanced to 2014A, allocated to the University in the original amount of \$140,000 and mature in varying annual amounts to June 1, 2023.	81,000
Student Union Revenue Serial Bonds and Term Bonds Series 2003, refinanced to ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds Series 2013B, allocated to the University in the original amount of \$5,515,000 and mature in varying annual amounts to June 1, 2028.	5,120,750
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2002C refinanced to 2011B, allocated to the University in the refinanced amount of \$4,964,000 and mature in varying annual amounts to December 1, 2022.	3,813,084
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2006A, allocated to the University in the original amount of \$1,971,000 and mature in varying annual amounts to December 1, 2021.	978,250
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2006B, allocated to the University in the original amount of \$1,200,000 and mature in varying annual amounts to June 1, 2016.	125,841
ODFA Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2007B, allocated to the University in the original amount of \$2,518,000 and mature in varying annual amounts to December 1, 2022.	<u>1,519,000</u>
	<u>\$ 14,826,630</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE E--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued:

Oklahoma Development Finance Authority Master Lease Program--Continued

There were no remaining funds to be drawn down by the University under the ODFA master lease programs at June 30, 2015.

During fiscal 2015, the ODFA issued Bond Series 2014B to refund the 2006 SEOSU Energy Lease with Suntrust Leasing Corporation. The University has recorded a lease obligation payable in the accompanying financial statements with an outstanding balance of \$1,355,250 at June 30, 2015.

During fiscal 2015, the ODFA also issued Bond Series 2014C to refund the 2004C Series. The University has recorded a lease obligation payable in the accompanying financial statements with an outstanding balance of \$1,833,455 at June 30, 2015.

Future minimum lease payments under the University's capital lease obligations, which include the OCIA obligations and the ODFA obligations, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30:			
2016	2,722,639	933,663	3,656,302
2017	2,801,057	889,807	3,690,864
2018	2,895,274	798,924	3,694,198
2019	2,965,578	683,560	3,649,138
2020	1,501,437	562,758	2,064,195
2021-2025	6,507,338	1,967,629	8,474,967
2026-2030	4,439,621	740,034	5,179,655
2031	701,202	34,640	735,842
	<u>\$ 24,534,146</u>	<u>\$ 6,611,015</u>	<u>\$ 31,145,161</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE F--RETIREMENT PLANS

The University's academic and nonacademic personnel are covered by various retirement plans. The plans available to University personnel include the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employees retirement system, the Supplemental Retirement Annuity (SRA), a single employer defined benefit pension plan available to employees hired prior to July 1, 1995, and a defined contribution 403(b) plan. Personnel may also be eligible to participate in the Other Post-Employment Benefit (OPEB) plan, as described further in Note H. The University does not maintain the accounting records, hold the investments for, or administer these plans.

The accounting and financial reporting for OTRS, the SRA, and the OPEB plans are recorded at the reporting entity level in the Regional University System of Oklahoma financial statements. That report may be obtained by writing to the Regional University System of Oklahoma, 3555 N.W. 58th Street, Suite 320, Oklahoma City, Oklahoma 73112, or by calling (405) 924-8817.

Oklahoma Teachers' Retirement System (OTRS)

Plan Description: The University contributes to the Oklahoma Teachers' Retirement System (OTRS), a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 116.9, as amended, assigns the authority for management and operations of the Plan to the Board of Trustees of OTRS. OTRS is not required to provide for a cost of living adjustment. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS.

Funding Policy: The University is required by state statute to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate, as determined by state statute, was 8.55% for 2015, 2014, and 2013, and was applied to annual compensation.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE F--RETIREMENT PLANS—Continued

Oklahoma Teachers' Retirement System (OTRS)--Continued

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2015, 2014, and 2013. For compensation in excess of \$25,000, the employee's contributions are paid directly by the University to the OTRS.

The University's contributions to the OTRS for the years ended June 30, 2015, 2014, and 2013, were approximately \$3,864,323, \$3,708,721, and \$3,596,198, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University.

Funding Policy: The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2015, the State of Oklahoma contribution was 5% of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers. These amounts and other system-wide related amounts are reported in the Regional University System of Oklahoma financial statements and not at the individual department level.

Supplemental Retirement Annuity (SRA)

Plan Description: The University's SRA plan is a single employer, defined benefit pension plan administered by the University's Board of Regents. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to University employees who were hired prior to July 1, 1987, or to those eligible employees' beneficiaries. Effective December 1, 2002, the SRA was amended to provide supplemental retirement and death benefits to University employees who were hired between July 1, 1987 and June 30, 1995. Effective October 1, 2003, the SRA plan was changed to eliminate the TIAA offset in the benefit calculation. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA is included in the financial report of the Regional University System of Oklahoma reporting entity, and does not issue separate, stand-alone financial statements.

Funding Policy: The authority to establish and amend eligible employees' and employer contribution obligations to the SRA rests with the University's Board of Regents. Eligible employees are not required to make contributions to the SRA. The University is required to contribute to the SRA an actuarially determined amount on an annual basis. Under a policy adopted in December 2002, the Plan must achieve 80% funding of the pension benefit obligation by December 1, 2022.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE F--RETIREMENT PLANS—Continued

Supplemental Retirement Annuity (SRA)—Continued

The University's contributions to the SRA for the years ended June 30, 2015, 2014, and 2013, were \$417,259, \$739,200, and \$739,220 respectively.

Defined Contribution Plan

The University also has a defined contribution 403(b) plan (DCP) available to full-time employees. The DCP is administered by the RUSO System, and the plan provisions are established and may be amended by the Board of Regents. Plan members may make voluntary contributions in accordance with IRS regulations. The University has no contribution requirements, and no contributions were made during the years ended June 30, 2015, 2014, and 2013.

NOTE G--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

Postemployment Healthcare Plan

Plan Description: The University's postemployment healthcare plan is a single employer defined benefit plan administered by the Regional University System of Oklahoma Board of Regents (the University's Board). The plan provides medical and life insurance benefits to eligible retired employees until age 65. A retiring employee must have been employed full-time in the Regional University of Oklahoma for not less than ten years immediately preceding the date of retirement; been a member of the OTRS during that time; and elected to receive a vested benefit under the provision of the Oklahoma Teachers' Retirement System. As of June 30, 2015, there were 285 active participants in the plan. The retirement insurance program was adopted by the Board of Regents in 1985. In March of 2008, the Retiree Medical Trust for Regional University System of Oklahoma was established to hold assets and pay benefits on behalf of the University's postemployment healthcare plan, and was administered by The Bank Oklahoma, N.A. Prior to the establishment of the trust, the insurance benefits were accounted for on a pay-as-you-go basis so that premiums were made from current operating funds. The plan is included in the financial report of the Regional University System of Oklahoma reporting entity and does not issue separate, stand-alone financial statements.

Funding Policy: The contribution requirements of the University are established and may be amended by the Regional University System of Oklahoma Board of Regents. The University is required to contribute the *annual required contribution of the employer* (ARC), in an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE G--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

Postemployment Healthcare Plan--Continued

paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC is \$257,876 and represents 1.1% (percent) of covered payroll.

The University's contributions to the plan for the years ended June 30, 2015, 2014, and 2013, were approximately \$267,363, \$276,001, and \$261,860, respectively.

NOTE H--FUNDS HELD IN TRUST BY OTHERS

Beneficial Interest in State School Land Funds: The University has a beneficial interest in the "Section Thirteen Fund State Educational Institutions" and the "New College Fund" administered by the Commissioners of the Land Office as trustees for the various educational institutions entitled thereto. The University has the right to receive annually 3.7% of the distributions of income produced by "Section Thirteen Fund State Educational Institutions" assets and 100% of the distributions of income produced by Southeastern Oklahoma State University's "New College Fund." The University received approximately \$1,081,780 during the year ended June 30, 2015, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. This amount is recorded as restricted appropriations for capital purposes in the statements of revenues, expenses, and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total cost basis of the trust reserve for Southeastern Oklahoma State University, held in trust by the commissioners of Land Office, was approximately \$18,603,458 at June 30, 2015.

Oklahoma State Regents Endowment Trust Fund: The University participates in the Oklahoma State Regents' Endowment Program (the "Endowment Program"). Under the Endowment Program, the State of Oklahoma matches contributions received. Such contributions generally come from private donations through the Foundation, for endowed chairs, lectureships, fellowships, and similar activities. The University is entitled to receive an annual distribution of 4.5% of the market value at year-end on these funds. As legal title of the State Regents matching endowment funds is retained by the Oklahoma State Regents, only the funds available for distribution, or approximately \$839,508 at June 30, 2015, have been reflected as assets in the statements of net position. The total market value of endowment funds on deposit with the Oklahoma State Regents and held for the benefit of the University at June 30, 2015 was approximately \$4,102,166.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE I--RELATED PARTY TRANSACTIONS

The University contracts with the Foundation to provide limited services and office space without charge in exchange for the support the University receives. During the year ended June 30, 2015, total support provided by the Foundation to the University, including scholarships awarded to University students, was approximately \$1,107,679. Additionally, during the year ended June 30, 2015, the Foundation's consolidated Housing L.L.C., which was organized for the purpose of building and housing students of the University, incurred expenses of \$1,129,978.

NOTE J--COMMITMENTS AND CONTINGENCIES

The University conducts certain programs pursuant to various grants and contracts that are subject to audit by federal and state agencies from various sources of the University. Costs questioned as a result of these audits, if any, may result in refunds to these governmental agencies from various sources of the University.

The University participates in the Federal Direct Student Loan Program (Direct Lending Program). The William D. Ford Direct Loan Program requires the University to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the William D. Ford Direct Loan Program. For the year ended June 30, 2015, approximately \$11,113,402 of Direct Loan Program loans was provided to College students.

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2015, will not have material adverse impact to the University.

NOTE K--RISK MANAGEMENT

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

The University, 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 University pays annual premiums to the pools for tort, property, and liability insurance coverage. The Pool's governing

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE K--RISK MANAGEMENT--Continued

agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The University also participates in the College Association of Liability Management ("CALM") Workers' Compensation Plan for its workers' compensation coverage. CALM is an Interlocal Cooperative Act Agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through the State Insurance Fund. CALM is a political subdivision of the State of Oklahoma and is governed by a Board of Trustees elected from members of the participating colleges and universities.

NOTE L—ACCOUNTING STANDARDS ISSUED

New Accounting Pronouncements Adopted in Fiscal Year 2015: The University adopted the following new accounting pronouncement during the year ended June 30, 2015 as follows:

- *Statement No. 69, Government Combinations and Disposals of Government Operations.*

GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

Government combinations can include a variety of transactions, including mergers, acquisitions and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The University did not have any transactions affected by the implementation of the statement.

Effective July 1, 2014, new accounting standards became effective for state and local governments regarding the accounting and reporting of certain pension plans, including the Oklahoma Teachers Retirement System and the Supplemental Retirement Plan. The University, as a member of the System, participates in both of these plans. The University has determined that these new standards are applicable to the System but not to the individual departments of the System. Therefore, the accounting and reporting requirements of these new standards have been adopted by the System, but not the University, and are summarized below.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE L—ACCOUNTING STANDARDS ISSUED--Continued

New Accounting Pronouncements Adopted in Fiscal Year 2015—Continued:

- *Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No.27*

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification.

- *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment of GASB Statement No. 68*

GASB No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the University in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the University's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2016

- *Statement No. 72, Fair Value Measurement and Application*

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The University does not expect significant impact from the implementation of this statement.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE L—ACCOUNTING STANDARDS ISSUED--Continued

New Accounting Pronouncements Issued Not Yet Adopted—Continued:

- *Statement No. 73 Accounting and Financial Reporting for Pension and Related assets That Are Not within the Scope of Statement 68, and amendments to Certain Provisions of GASB Statements 67 and 68*

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The University has not yet determined the impact that implementation of GASB No. 73 will have on its net position.

- *Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Fiscal Year Ended June 30, 2017

- *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

GASB Statement No. 74 replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans. The University has not yet determined the impact that implementation of GASB No. 73 will have on its net position. Similar to GASB Statement No. 68, the University expects this statement to be implemented at the System level and not at the University level.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE L—ACCOUNTING STANDARDS ISSUED--Continued:

New Accounting Pronouncements Issued Not Yet Adopted--Continued:

Fiscal Year Ended June 30, 2018

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

GASB Statement No. 75 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 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 M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT

Nature of Activities and Summary of Significant Accounting Policies

Principles of Consolidation: The accompanying financial statements reflect all accounts of Southeastern Foundation, Inc. (the "Foundation") and its wholly owned subsidiary 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.

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 position is reclassified to unrestricted net position and reported in the consolidated statements of activities and changes in net position 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

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
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Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT—Continued

Nature of Activities and Summary of Significant Accounting Policies—Continued

Nature of Activities--Continued: 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: These financials have been prepared on the accrual basis of accounting.

Basis of Presentation: The organization is required to report information regarding its financial position and activities according to three classes of net position: unrestricted net position, temporarily restricted net position, and permanently restricted net position.

Revenues are reported as increases in unrestricted net position unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net position. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net position unless their use is restricted by explicit donor stipulation or by law.

Cash and cash equivalents: For purposes of the statement of cash flows, the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Deferred Revenue: A portion of the housing revenues from the summer session are deferred and recognized over the months to which the rents relate.

Donated Assets: Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

Expense Allocation: Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED
COMPONENT UNIT—Continued

Nature of Activities and Summary of Significant Accounting Policies--Continued

Expense Allocation--Continued: that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

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

Pledges: The Foundation records pledges as income in the period payment is received. Pledges are used for budgetary purposes only and do not meet the criteria for recording in the financial statements.

Accounts Receivable: The accounts receivable reflect amounts due from students to the Housing L.L.C. for dorm room leases. The accounts receivable are presented net of the allowance for bad debts using the direct write off method. This method approximates generally accepted accounting principles.

Investments: Investments in marketable equity securities with readily determinable fair values are stated at fair value. The organization's investment committee monitors the performance of all investments and instructs Foundation management as to the mix of assets maintained in the investment pool. Unrealized gains and losses are included in the changes in net position in the accompanying statement of activities. The Foundation carries its real estate investments at the fair market value as of the dates the investments were donated.

Investment Income: Investment earnings are allocated to the individual sub-funds of the Foundation as received. Realized and unrealized gains and losses are determined using the specific identification method and are allocated to the individual sub-fund which owns the investment.

Investment Pools: The organization maintains master investment accounts for its donor restricted and board designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED
COMPONENT UNIT—Continued

Property and Equipment: Land, buildings, equipment, and mineral interests are stated at cost if purchased or at fair value at date of donation. The buildings owned by the Foundation are being depreciated over estimated useful lives of 31.5 and 40 years on a straight-line basis. Furniture and fixtures are depreciated over 7 years on a straight-line basis. The Foundation follows the policy of capitalizing all expenditures for property in excess of \$2,500.

Collections: Collection items acquired on or after July 1, 2011, are recorded at cost if purchased and at fair value at date of accession if donated. Gains and losses from deaccessions are reported as changes in net assets on the absence or existence and nature of donor-imposed restrictions. Collection items are protected, kept, encumbered, cared for, and preserved.

Fair Value of Financial Instruments: The carrying amount of cash, accounts receivable, prepaid expenses, accounts payable, scholarships payable, and deferred revenue approximate fair value because of the short-term maturity of these financial instruments.

Fair Value Measurements: The Foundation follows the ASC Topic 820, *Fair Value Measurements and Disclosures*, with respect to financial assets and liabilities. Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuations techniques used to measure fair value into three broad levels. The following is a brief description of those three levels.

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs that are derived principally from or corroborated by observable market data;
and
- Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets carried at fair value on a recurring basis include investments. The Foundation has no liabilities carried at fair value on a recurring basis.

Taxes: The Foundation is exempt from income taxes by the Internal Revenue Service in accordance with Internal Revenue Code Section 501(c)(3). Additionally, the Foundation has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT—Continued

Variable Interest Entity

On November 13, 2004, the Housing L.L.C. was organized for the purpose of building and housing students of the University. The L.L.C. is a variable interest entity (VIE) with the primary beneficiary being the Foundation. The Foundation and L.L.C. share the same Board of Trustees. The Foundation is not liable for debt of the L.L.C.

The Housing L.L.C. reflects liabilities of \$8,393,977 as of June 30, 2015, the majority of which is a guarantee of debt to the 2005 Revenue Bond.

Concentration of Credit Risk for Cash Deposits

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2015, the LLC was covered in full with deposits that were eligible for FDIC coverage.

The Foundation has invested in Charles Schwab money market fund. This fund is neither insured nor guaranteed by the FDIC or any other governmental agency. The total invested in this fund for the current year is \$2,174,686.

The Foundation has opened a corporate sweep account and entered into a Tri-Party Control and Custody Agreement which includes Bank One, N.A., Oklahoma City, Oklahoma, and First United Bank and Trust, Durant, Oklahoma. Bank One, N.A. is authorized to act as custodian pursuant to the terms and conditions of the corporate sweep account, whereby funds in the account are invested in retail purchase agreements which are fully collateralized and guaranteed by securities which are direct obligations of the government of the United States. The total invested in this fund for the current year is \$880,024.

Restrictions on Cash

The Housing L.L.C. is required to maintain a permanent debt service escrow account and a capital maintenance reserve fund with balances of \$354,973 and \$220,483 respectively at year-end. These funds must be held in separate interest bearing accounts. The capital maintenance is being funded at a rate of \$2,083 per month funds can only be disbursed for approved capital asset expenditures.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT—Continued

Certificates of Deposits

Certificates of deposits totaling \$58,807 are reported in the accompanying statement of financial position. The certificates bear interest ranging from .4%-5.2% and have maturities ranging from six to nine months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Accounts Receivable

The accounts receivable are generated from student housing at Shearer Hall and Suites and rent collections to be remitted from the University. The amounts reported in the financial statements are reported net of the allowance for bad debts of \$57,803 for the year ended June 30, 2015.

Notes Receivable

As of June 30, 2015, notes receivable consisted of the following:

	Carrying Value
Note receivable from a general partnership, 6.5% interest due in monthly installments of \$364. Secured by a mortgage on real estate.	8,809
	<u>\$ 8,809</u>

Investments

Investments are presented in the financial statements at fair market value. Market values were determined on the basis of closing prices on June 30, 2015, as quoted on major stock exchanges or over-the-counter markets.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED
COMPONENT UNIT—Continued

Investments—Continued:

The following tabulation summarizes the relationship between carrying values and market values of investment assets as of June 30, 2015:

	Fair Value	Carrying Value
US government securities	\$ 3,869,472	\$ 3,869,472
Mutual funds	1,270,510	1,270,510
Common stock	10,296,321	10,296,321
Corporate bonds	4,240,979	4,240,979
	<u>\$ 19,677,282</u>	<u>\$ 19,677,282</u>
Investment income is summarized as follows:		
Interest	\$ 259,172	
Dividends	324,322	
	<u>\$ 583,494</u>	
Realized and unrealized gain or (loss) on investments	<u>\$ (256,584)</u>	

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED
COMPONENT UNIT—Continued

Building, Furniture and Fixtures

Property and equipment at June 30, 2015, consisted of the following:

Building	\$ 9,151,383
Furniture and equipment	<u>397,395</u>
	9,548,778
Less: accumulated depreciation	<u>(2,806,533)</u>
	<u><u>\$ 6,742,245</u></u>

Bond Issuance Costs

The issuance cost of \$184,681 on long-term debt is amortized using the straight-line method over the term of the related issue. Amortization expense and accumulated amortization was \$6,156 and \$63,624 for the year ended June 30, 2015.

Scholarship Awards

Prior to year-end, the Foundation Scholarship Committee meets and awards scholarships for the upcoming year. Additional scholarships are awarded as recommended by the University faculty and administration. These scholarships are contingent upon the acceptance and enrollment of the recipients and many contain additional requirements. Those scholarships awarded and accepted in the amount of \$556,750 were accrued as current liabilities at June 30, 2015.

Real Estate Lease

The ground lease between the Board of Regents of Oklahoma Colleges on behalf of the Southeastern Oklahoma State University ("Lessor") and SOSU Foundation, LLC ("Lessee") is provided the Lessor will lease a tract of approximately three acres to develop, construct, operate, and lease improvement on this land for the use by tenants of the Lessee. The agreement requires the Lessee to pay the Lessor rents based on net available cash flow for the lease year as defined in the agreement.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT—Continued

Real Estate Lease--Continued

The liability of the Lessee, with respect to its obligation under the ground lease, shall be non-recourse and the satisfaction of any of the Lessee's obligations shall be limited to the Lessee's interest in the property. There were no ground lease expenses for the years ended June 30, 2015.

Throughout the term of this lease, the Lessor shall have the right and option to purchase the Lessee's right, title and interest in and to the premises. If the option is exercised the purchase price shall be the principal balance then outstanding of all sums secured by any Permitted Mortgage then in effect, plus all interest accrued through the date of payment of such indebtedness plus redemption premiums, if any.

Restriction on Net Position

Substantially all of the restrictions on net position at the end of June 30, 2015, are related to funds for scholarships, endowments, and special projects. Temporarily restricted funds are contributions to be used for scholarships and special projects that may arise during the fiscal year. Permanently restricted funds are contributions and investments designated by donors for endowments and scholarships. At this time, there is a minimum \$15,000 requirement before contributions may be endowed.

Long-Term Debt

The Housing L.L.C. obtained a restricted tax-exempt borrowing from Bryan County Educational Facilities Authority in March 2005 for a Student Housing Revenue Note Series 2005 Bond in the amount of \$9,800,000. The note is fully secured by the note debenture and is to be repaid from proceeds of rental income. The purpose of the note is to fund obligations related to the construction and furnishing of a student housing complex at the University. First United Bank & Trust is the escrow agent. Monthly interest payments with an annual interest rate of 5.626% began in April 2005. Monthly principal payments in the amount of \$57,573 began in October, 2006.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED
COMPONENT UNIT -- Continued

Future scheduled maturities of long-term debt are as follows:

Years ending June 30,	
2016	\$ 222,358
2017	235,181
2018	248,743
2019	263,088
2020	278,260
Thereafter	<u>7,062,935</u>
	<u>\$ 8,310,565</u>

Uncertain Tax Positions

The organization is exempt from income taxes except on income derived from unrelated business activities. The organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

The organization's federal Exempt Organization Business Income Tax Returns for 2013, 2012, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

Related Party Transactions

The Foundation has entered into a lease agreement with the University whereby the University has exclusive use of a downtown, main street building known as the Massey Building. The University may use the building for its various functions or rent it out. In exchange for the use of the Massey Building, the University provides the Foundation with office space, office supplies, support materials, and fund-raising assistance from its employees. If the formula for exchange ever shows the University is giving more to the Foundation than the Foundation is providing to the University, the Foundation is required to compensate the University for this overage. There were no overages for the year ended June 30, 2015. The Foundation benefits from voluntary services, donated by members of the Foundation and its trustees, which have not been reflected in the financial statements. The impact of those services upon the financial statements is unknown.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT—Continued

Unrestricted Net Assets

The consolidated statement of net assets reports unrestricted net assets of \$295,864. Unrestricted net assets of the Foundation total \$1,101,583, while the L.L.C. has a (deficiency) in assets totaling \$(805,719). Included in Foundation net assets are board-designated permanently restricted funds totaling \$510,967. The L.L.C.'s deficiency in assets arose from operating deficits related to housing rental activities in the early years that were ultimately funded by University subsidies. The University will continue to pay unfunded expenses, however, management believes that the L.L.C.'s housing revenues have been adjusted so that it will now be self-sustaining and will not require further subsidies from the University. In the current year, the L.L.C. funded all of its allocable operating expenses.

Classification of Income

Substantially all of the contributions and income of the organization have been classified as temporarily restricted both by donors or management. This is a direct result of management's decision to record income as temporarily restricted for operations or programs. The organization has provided for a separate project accounting for each restricted gift. These records are maintained independent of the general ledger software. When the financial statements are prepared, the income and expenses are released from restriction and transfers are made to reflect appropriate changes in the three net position classes balances.

Board Designated Endowments

At its February, 2013, meeting the Board approved transferring \$275,000 from the Foundation's General Fund account along with \$235,967 of existing board-controlled endowment funds to a permanently restricted fund. At June 30, 2015, these funds totaled \$510,967. The Board voted that only current year earnings from these funds could be used for Foundation activities. Since this results from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets in the Foundation financial statements.

Donor Designated Endowments

The Organization's endowment consists of approximately 200 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT—Continued

Donor Designated Endowments--Continued

Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of 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 Organization 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 position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies: The Organization has adopted investment and spending policies, approved by the board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution equal to 90% of investment revenues, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce a small rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED
COMPONENT UNIT—Continued

Spending Policy: The Organization has a policy of appropriating for distribution each year 90% of investment revenues of its endowment fund's average revenues of the prior three calendar year-ends preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a small nominal rate. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. At June 30, 2015, there were seven endowments that had deficiencies that totaled \$4,115.

Endowment Net Asset Composition by Type of Fund as of June 30, 2015, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ 508,470	\$ 9,399,645	\$ 12,267,100	\$ 22,175,215

Changes in endowment net assets as of June 30, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of year	\$ 906,149	\$ 8,590,973	\$ 11,987,550	\$ 21,484,672
Contributions	21,000	1,400,845	265,480	1,687,325
Investment income	20,151	561,636	-	581,787
Net appreciation (depreciation)	5,152	(261,735)	-	(256,583)
Transfers	367,037	(892,074)	14,070	(510,967)
Amounts appropriated for expenditures	(811,019)	-	-	(811,019)
	<u>\$ 508,470</u>	<u>\$ 9,399,645</u>	<u>\$ 12,267,100</u>	<u>\$ 22,175,215</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED
COMPONENT UNIT--Continued

Fair Value Measurements

The Foundation has no liabilities measured at fair value. Assets measured at fair value on recurring basis are classified within the fair value hierarchy as follows at June 30, 2015:

	Level 1	Level 2	Level 3	Total
Investments				
Common stocks:				
Consumer Discretionary	\$ 1,210,120	\$ -	\$ -	\$ 1,210,120
Consumer Staples	323,134	-	-	323,134
Energy	2,387,797	-	-	2,387,797
Financials	1,298,619	-	-	1,298,619
Healthcare	1,085,184	-	-	1,085,184
Industrials	1,112,284	-	-	1,112,284
Information Technology	1,994,160	-	-	1,994,160
Materials	384,812	-	-	384,812
Telecommunications	448,309	-	-	448,309
Corporate bonds	-	2,886,731	-	2,886,731
Government bonds	3,869,472	-	-	3,869,472
Municipal bonds	-	1,354,247	-	1,354,247
Mutual Funds:				
Cash & Equivalents	2,764	-	-	2,764
Equity based:				-
Consumer Staples	3,967	-	-	3,967
Consumer Discretionary	5,230	-	-	5,230
Energy	3,709	-	-	3,709
Financials	5,759	-	-	5,759
Healthcare	6,990	-	-	6,990
Industrials	4,225	-	-	4,225
Materials	1,918	-	-	1,918
Technology	6,361	-	-	6,361
Telecommunications	2,688	-	-	2,688
Utilities	2,107	-	-	2,107
Debt based:				
Corporate Bonds	3,428	822,138	-	825,566
Government Bonds	1,761	448,372	-	450,133
Municipal Bonds	16	-	-	16
Asset-backed securities	166	-	-	166
Mortgage-backed securities	814	-	-	814
Total Investments	<u>\$ 14,165,794</u>	<u>\$ 5,511,488</u>	<u>\$ -</u>	<u>\$ 19,677,282</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

NOTE M--SOUTHEASTERN FOUNDATION, INC.--DISCRETELY PRESENTED COMPONENT UNIT--Continued

Fair Value Measurements--Continued

Following is a description of methodologies used for investments measured at fair value on a recurring basis:

Investments: All of the Foundation's investments are valued by nationally recognized third party pricing services. The Foundation gives the highest priority to quoted market prices in active markets for identical assets accessed at the measurement date. An active market for an asset is a market in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis and the Foundation classifies all such assets as Level 1. The Foundation gives Level 2 priority where the valuation process involves inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there isn't sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. Inputs that are observable for the assets classified as Level 2 include commonly quoted interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, default rates, and other inputs that are derived principally from or corroborated by observable market data.

Stocks and mutual funds: Stock valuations are determined from quoted prices in active markets. Mutual fund valuations are provided by the mutual fund companies.

Fixed income securities: The valuation of fixed income securities (which include corporate bonds, municipal bonds, government agencies, treasury bills, notes and bonds, and mortgage backed securities) can be determined by benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two sided markets, benchmark securities' bids and/or offers or other reference data.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Subsequent Events

Management has evaluated subsequent events through October 19, 2015, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

Summary of contract revenues and expenditures

Contract Title: Oklahoma Small Business Development

Contract Agency: Oklahoma Department of Commerce

Purchase Order Number SBDC 1609012956

Contract Dates: July 1, 2014, to June 30, 2015

	Program Budget	Actual Year Ended June 30, 2015
Revenues:		
Contract proceeds	\$ 245,405	\$ 245,405
Expenditures:		
Salaries and fringe benefits	245,405	245,405
Total expenditures	245,405	245,405
(Expenditures) in excess of revenues	\$ -	\$ -

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133



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
Regional University System of Oklahoma
Southeastern Oklahoma State University
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 Southeastern Oklahoma State University (the "University"), a department of the Regional University System of Oklahoma ("RUSO"), which is 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, 2015, and the related statements of revenues, expenses, and changes in net position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the University's financial statements, and have issued our report thereon dated October 19, 2015. Our report includes a reference to other auditors who audited the financial statements of Southeastern Foundation, Inc. (the "Foundation"), the University's discretely presented component unit, as described in our report on the University's financial statements. 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 University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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 University'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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arlidge & Associates, P.C.

October 19, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Southeastern Oklahoma State University's (the "University"), a department of the Regional University System of Oklahoma ("RUSO"), which is a component unit of the State of Oklahoma, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2015. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the University, 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 University'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

could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the University as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's financial statements. We issued our report thereon dated October 19, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



October 19, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

<i>Federal Grantor / Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid**		
Federal Pell Grant Program	84.063	\$ 6,788,529
Federal Work Study Program	84.033	266,631
Federal Supplemental Educational Opportunity Grants	84.007	302,239
Federal Direct Student Loans	84.268	11,113,402
College Access Challenge Grant Program	84.378A	13,541
		<u>18,484,342</u>
Total Student Financial Aid		
Trio Cluster:		
TRIO--Education Opportunity Centers	84.066A	448,570
TRIO--Student Support Services	84.042A	335,468
TRIO--Student Support Services (Teacher Preparation)	84.042A	239,404
TRIO--Talent Search	84.044A	396,826
TRIO--Upward Bound (Texoma)	84.047A	190,132
TRIO--Upward Bound	84.047A	411,160
TRIO--Upward Bound (Math and Science)	84.047M	246,957
		<u>2,268,517</u>
Total Trio Cluster		
Other Direct Programs:		
Indian Education - Professional Development Grants	84.299B	168,526
Strengthening Minority-Serving Institutions (Connect2Complete)	84.382C	434,933
Title III Part A Programs - Strengthening Institutions Program	84.031A	226,093
		<u>829,552</u>
Total Other Direct Programs		
TOTAL U.S. DEPARTMENT OF EDUCATION		21,582,411
U.S. SMALL BUSINESS ADMINISTRATION		
Small Business Development Centers	59.037	<u>1,535,121</u>
TOTAL U.S. SMALL BUSINESS ADMINISTRATION		1,535,121
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Oklahoma Department of Human Services		
Maternal and Child Health Federal Consolidated Programs	93.110	<u>359</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES		359
NATIONAL SCIENCE FOUNDATION		
Passed through Oklahoma State University		
Education and Human Resources	47.076	27,841
Office of Cyberinfrastructure (Summer Science Research Experience)	47.080	<u>49,026</u>
TOTAL NATIONAL SCIENCE FOUNDATION		76,867

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2015

<i>Federal Grantor / Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF AGRICULTURE		
Passed through OK Department of Education Summer Food Service Program for Children	10.559	17,299
TOTAL U.S. DEPARTMENT OF AGRICULTURE		17,299
NATIONAL ENDOWMENT FOR THE ARTS		
Passed through Mid-America Arts Alliance Promotion of the Arts_Partnership Agreements	45.025	5,000
TOTAL NATIONAL ENDOWMENT FOR THE ARTS		5,000
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
Passed through University of Oklahoma Education (NASA-Oklahoma Space Grant Consortium)	43.008	10,944
TOTAL NATIONAL AERONAUTICS & SPACE ADMINISTRATION		10,944
U.S. DEPARTMENT OF THE INTERIOR		
Passed through U.S. Bureau of Reclamation Upper Colorado and San Juan River Basins Endangered Fish Recovery Programs	15.529	911
Passed through U.S. Park Service National Park Service Conservation, Protection, Outreach and Education	15.954	11,320
TOTAL U.S. DEPARTMENT OF THE INTERIOR		12,231
NATIONAL INSTITUTE OF HEALTH		
Passed through OU Health Science Center Biomedical Research and Research Training	93.859	25,000
TOTAL NATIONAL INSTITUTE OF HEALTH		25,000
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 23,265,232

See notes to the schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System of Oklahoma

June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards activity of Southeastern Oklahoma State University 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.

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University administers the origination and disbursement of the loans to eligible students or parents. The University is not responsible for the collection of these loans.

NOTE C--SUB-RECIPIENTS

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

Program	Number	Sub-recipient	Provided
Small Business Development Center	59.037	East Central University	\$ 46,106
Small Business Development Center	59.037	Northeastern Oklahoma State University	218,699
Small Business Development Center	59.037	Northwestern Oklahoma State University	99,538
Small Business Development Center	59.037	Rose State College	66,647
Small Business Development Center	59.037	Southwestern Oklahoma State University	152,226
Small Business Development Center	59.037	Langston University	41,231
Small Business Development Center	59.037	University of Central Oklahoma	217,789
Small Business Development Center	59.037	Oklahoma State University	97,588
Small Business Development Center	59.037	Rogers State University	16,706
			<u>\$ 956,530</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY A Department of the Regional University System of Oklahoma

June 30, 2015

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
Strengthening Minority-Serving Institutions	84.382

*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: \$300,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

June 30, 2015

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

None to report for the June 30, 2015, period.

Section III--Finding Required to be Reported in Accordance with OMB Circular A-133:

None to report for the June 30, 2015, period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

June 30, 2015

No matters were reportable.