



**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

Regents

The Board of Regents of Oklahoma Colleges was created on July 6, 1948 to govern the six regional universities. The regents are volunteers appointed by the governor of Oklahoma.



Susan Winchester
Position 1



Jeffrey Dunn
Position 2



Lake Carpenter
Position 3
Chair



Gary Parker
Position 4
Secretary



Connie Reilly
Position 5



Michael W. Mitchel
Position 6



Amy Ford
Position 7



Mark Stansberry
Position 8
Vice-Chair



Joy Hofmeister
Position 9



Administration

- John R. Hargrave, President East Central University
- Steve Turner, PresidentNortheastern State University
- Janet Cunningham, President Northwestern Oklahoma State University
- Sean Burrage, President Southeastern Oklahoma State University
- Randy Beutler, President Southwestern Oklahoma State University
- Don Betz, President..... University of Central Oklahoma
- Sheridan McCaffree Executive Director



REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Regents

Regional University System of Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Regional University System of Oklahoma (the System), a component unit of the State of Oklahoma, and its aggregate discretely presented component units as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the System's discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, 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 discretely presented component units 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System and its aggregate discretely presented component units as of June 30, 2016, 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.

Correction of Errors

As discussed in Note A to the financial statements, certain errors resulting in the understatement of amounts previously reported for capital assets as of June 30, 2015, were discovered by management of the System during the current year. Additionally, the System implemented the requirements of GASB Statement No. 68 for the Retirement Plan for the President of the University of Central Oklahoma. Accordingly, beginning net position has been restated as of June 30, 2015 for these matters. Our opinion is not modified with respect to these matters.

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2016 the System adopted new accounting guidance, GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, 68, and 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment benefit schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of the System'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 System's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

Year Ended June 30, 2016

INTRODUCTION

The Board of Regents of Oklahoma Colleges was created on July 6, 1948 to govern the six regional universities: East Central University (ECU), Northeastern State University (NSU), Northwestern Oklahoma State University (NWOSU), Southeastern Oklahoma State University (SE), Southwestern Oklahoma State University (SWOSU), and the University of Central Oklahoma (UCO) (collectively the "Universities"). On July 1, 2006, the Board of Regents of Oklahoma Colleges changed its name to Regional University System of Oklahoma. The Board consists of nine (9) members, eight (8) appointed by the Governor, by and with the consent of the Senate, for nine-year staggered terms which expire on the 10th day of June. The ninth member is the elected State Superintendent of Public Instruction. The Board has powers and duties granted by the Oklahoma Constitution and Statutes to govern, manage, supervise, and control the operations of six regional state universities.

The System's six institutions, collectively, are Oklahoma's largest four year University System. They provide instruction and learning opportunities to over 50,000 students with thirty-eight percent of Oklahoma graduates coming from the System's institutions. They also employ approximately 5,200 faculty and staff.

OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The objective of Management's Discussion and Analysis (MD&A) is to provide an overview of the financial position and activities of the System for the year ended June 30, 2016 with selected comparative information for the year ended June 30, 2015. The MD&A was prepared by management and should be read in conjunction with the accompanying financial statements and notes. The emphasis of discussion about these financial statements will focus on the current year data. Unless otherwise indicated, years in this MD&A refer to the fiscal years ended June 30.

The System's financial report includes three primary financial statements: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

Three fiduciary fund statements for the Retiree Medical Trust (OPEB Trust), the Supplemental Retirement Annuity Plan, and the Retirement Plan for the President of the University of Central Oklahoma also are included with the financial statements noted above: the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

Year Ended June 30, 2016

The Notes to the Financial Statements immediately follow the financial statements, and contain essential information that serves both to support and clarify the information presented in the financial statements preceding them.

Finally, the Supplemental Information section includes selected information by institution as well as information on affiliated organizations that have been deemed significant to their respective institutions.

Activities from the six institutions, the System's Administrative Office, and the System's component units are included in the accompanying financial statements. For a detailed listing of these entities, refer to Note A of the accompanying financial statements. Separately issued financial statements for the component units may be obtained by contacting the System at 3555 NW 58th Street, Suite 320, Oklahoma City, Oklahoma 73112 or telephone 405-942-8817.

STATEMENTS OF NET POSITION

The Statement of Net Position presents the Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows of Resources, and Net Position (assets plus deferred outflows minus liabilities minus deferred inflows) at the end of the fiscal year. The purpose of the Statement of Net Position is to allow readers of the financial statements to determine the assets available to continue the operations of the System. They are also able to determine how much the System owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and the availability for expenditure by the System. The change in net position is an indicator of the overall financial condition of the System.

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the System's equity in property, plant, and equipment owned by the System and is recorded at historical cost less accumulated depreciation and related debt. The next category, Restricted Net Position, further broken down into two sub-categories, non-expendable and expendable, and is measured in current value, is available for expenditure by the institution but must be held or spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Net Position, also measured in current value. Unrestricted assets are available to the institution for any lawful purpose of the institution.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)--Continued
 REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

Year Ended June 30, 2016

STATEMENTS OF NET POSITION

	June 30		
	<u>2016</u>	<u>*2015</u>	<u>% Inc(Dec)</u>
	<i>(Thousands of Dollars)</i>		
ASSETS			
Current assets	\$ 230,872	\$ 249,022	-7%
Capital assets, net	575,129	550,779	4%
Other assets	<u>38,059</u>	<u>51,937</u>	-27%
TOTAL ASSETS	<u>844,060</u>	<u>851,738</u>	-1%
DEFERRED OUTFLOWS OF RESOURCES	<u>46,488</u>	<u>28,344</u>	64%
LIABILITIES			
Current liabilities	63,868	68,590	-7%
Noncurrent liabilities	<u>571,585</u>	<u>555,217</u>	3%
TOTAL LIABILITIES	<u>635,453</u>	<u>623,807</u>	2%
DEFERRED INFLOWS OF RESOURCES	<u>32,872</u>	<u>68,676</u>	-52%
NET POSITION			
Net investment in capital assets	279,776	271,542	3%
Restricted-nonexpendable	703	696	1%
Restricted-expendable	135,428	102,952	32%
Unrestricted	<u>(193,684)</u>	<u>(187,591)</u>	3%
TOTAL NET POSITION	<u>\$ 222,223</u>	<u>\$ 187,599</u>	18%

* prior year amounts have been restated

The System's implementation of new accounting standards during fiscal year 2015 had a significant impact on unrestricted net position for both fiscal years 2015 and 2016. The changes in accounting for pensions are designed to improve transparency regarding pension obligations by requiring recognition of a liability equal to the net pension liability for the System's defined benefit plan and for a proportionate share of participation in the State of Oklahoma Teachers Retirement System cost-sharing defined benefit plan. This standard requires recognition of pension expense using a systematic method designed to match the cost of pension benefits with service periods for eligible employees. These accounting policy changes do not impact the System's funding requirements for the pension plans. For fiscal year 2016 the System's net pension liability increase by \$36.7 million and the primary reason for the increase of \$16.4 million of noncurrent liabilities. Deferred inflows related to pension activity decreased by \$35.6 million and deferred outflows related to pension activity increased by \$18.2 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

Year Ended June 30, 2016

STATEMENTS OF NET POSITION--Continued

The System's proportionate share of the pension activity of the Oklahoma Teachers Retirement System accounted for \$38.4 million of the increase in net pension liability, \$19.8 million of the increase in deferred outflows of related to pension activity, and \$35.7 million of the decrease in deferred inflows of resources. The recognition of the pension activity has a significant effect on the System's unrestricted net position.

The increase in capital assets of \$24.3 million was primarily due to various construction projects at each of the six institutions. These projects range from improvements to athletic facilities, to housing and learning facilities. As a result, overall non-current liabilities increased to finance these projects.

Other assets were reduced by \$13.9 million during fiscal year 2016 due a decrease of \$13.1 million restricted cash and cash equivalents at NSU; of which, \$11.6 million was related to expenditures for capital construction, \$2.2 million related to the return of Perkin Loan excess cash and \$.7 million increase in debt service cash.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the System, as well as nonoperating revenues and expenses. Operating revenues are received for providing goods and services to various customers and constituencies of the System. Operating expenses are incurred to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided as an exchange transaction. State appropriations, which represent 30% of total System revenues, are classified as a nonoperating revenue because these revenues are appropriated at the state level rather than at the System or institutional level. This accounting treatment for this revenue classification typically results in the System reporting an operating loss. Other typical nonoperating revenue sources include: gifts, grants, and appropriations restricted for capital purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)--Continued
 REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

Year Ended June 30, 2016

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended June 30,		
	<u>2016</u>	<u>* 2015</u>	<u>% Inc(Dec)</u>
	<i>(Thousands of Dollars)</i>		
OPERATING REVENUES			
Student tuition and fees, net	\$ 190,668	\$ 181,946	5%
Grants and contracts	30,353	33,103	-8%
Other	<u>66,004</u>	<u>64,438</u>	2%
TOTAL OPERATING REVENUES	<u>287,025</u>	<u>279,487</u>	3%
OPERATING EXPENSES			
Compensation	310,313	320,573	-3%
Contractual services	23,050	22,620	2%
Supplies & materials	42,317	41,919	1%
Depreciation	31,659	30,724	3%
Other operating expenses	<u>106,233</u>	<u>109,987</u>	-3%
TOTAL OPERATING EXPENSES	<u>513,572</u>	<u>525,823</u>	-2%
NET OPERATING INCOME (LOSS)	(226,547)	(246,336)	-8%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations	151,989	172,323	-12%
Grants and contracts	76,934	80,481	-4%
Other revenues	20,066	24,065	-17%
Interest expense	<u>(10,069)</u>	<u>(10,927)</u>	-8%
TOTAL NON-OPERATING REVENUES (EXPENSES)	238,920	265,942	-10%
CONTRIBUTED CAPITAL	<u>22,251</u>	<u>19,729</u>	13%
CHANGE IN NET POSITION	34,624	39,335	-12%
NET POSITION, BEGINNING OF YEAR, RESTATED FOR 2015 (see note A)	<u>187,599</u>	<u>148,264</u>	27%
NET POSITION, END OF YEAR	<u>\$ 222,223</u>	<u>\$ 187,599</u>	18%

* prior year amounts restated

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

Year Ended June 30, 2016

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION--Continued

Student tuition and fees, a primary source of funding for the System's academic programs which represent 66.4% of operating revenues, are reflected net of associated discounts and allowances. Net student tuition and fees increased by \$1.6 million, this slight increase is a result of a mix enrollment amongst the Universities with slight increases being shown at ECU and SWOSU and decreases at in overall enrollment NWOSU, SE, NSU, and UCO. The changes in enrollment coupled with increases in tuition rates created increases in tuition and fees revenue of 3.25% at UCO, 6.3% at SWOSU, 6.4% at SE, 2.8% at NWOSU, 4.6% at NSU, and 0.2% at ECU. Tuition and fees currently have discounts and allowances of \$83.4 million.

Compensation expense for the System decreased by \$10.3 million during the fiscal year. A significant portion of this decrease is as a result of the accounting for pension expense related to the System's participation in defined benefit pension plans and other post-employment benefit plan with an overall all impact of \$4.0 million during fiscal year 2016 compared to \$7.6 million during fiscal year 2016. Compensation expense at the individual Universities saw decrease in expense at ECU of 4.5%, a 1.0% decrease at NSU, a 4.6% decrease at SE, a .3% increase at NWOSU, a .9% increase at SWOSU, and a 2.8% increase at UCO.

The System's state appropriations for fiscal year 2016 decreased by \$20.3 million. This is a result of two general revenue failures and two gross production tax collection failures resulting in a reduction of appropriations by the State of Oklahoma.

Other revenues saw an overall decrease of \$4.0 million during the fiscal year. This decrease is a primarily related to a reduction in gift revenue received by UCO during the fiscal year of \$6.7 million. The amount of on-behalf payments recognized related to Oklahoma Teachers Retirement System increased during the fiscal year by \$1.1 million.

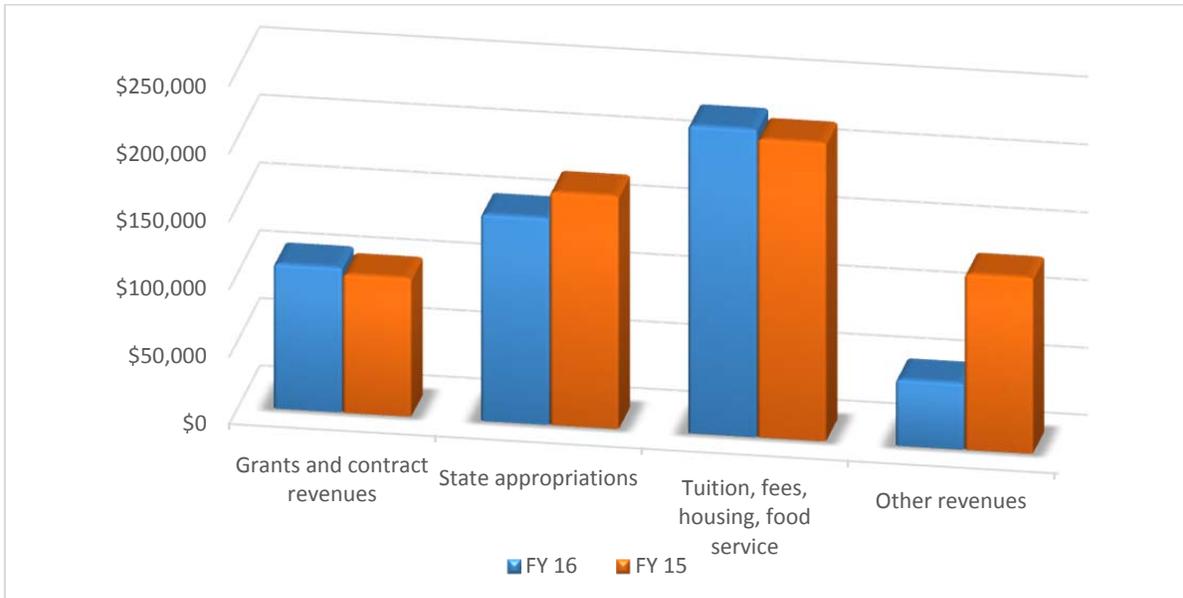
The major sources of revenues and expenditures (operating and non-operating) by financial statement category are summarized in the charts on the next page (in thousands of dollars).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)--Continued
 REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

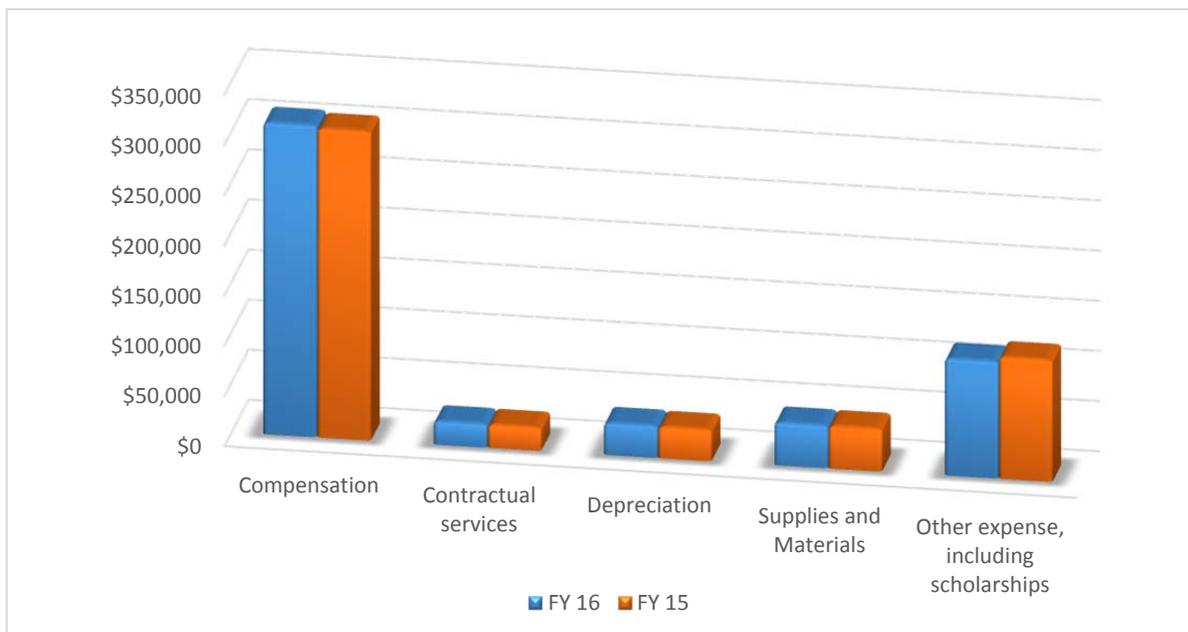
Year Ended June 30, 2016

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION--Continued

REVENUES



EXPENDITURES



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)--Continued
 REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

Year Ended June 30, 2016

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the System's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities show the net cash used by the operating activities of the System. Cash flows from noncapital financing activities consist primarily of revenue sources that fund operations but are considered non-operating activities by definition. Cash flows from capital activities include capital asset and related long-term debt activities. Cash flows from investing activities show the proceeds and uses of cash related to purchasing or selling investments and related investment earnings thereon.

CAPITAL ASSETS

Capital assets, net of accumulated depreciation, at June 30, 2016 and June 30, 2015 were as follows:

Capital Asset Summary			
	June 30, 2016	June 30, 2015	% Inc. (Dec.)
Non-Depreciable:			
Land	\$ 22,856	\$ 21,957	4%
Art collections	5,319	5,120	4%
Construction in-progress	50,924	62,093	-18%
Depreciable:			
Non-major infrastructure networks	8,038	8,186	-2%
Land improvements	10,033	8,347	20%
Buildings	453,468	419,341	8%
Art collections	238	-	238%
Leasehold Improvements	100	25	300%
Furniture, fixtures, and equipment	17,427	18,499	-6%
Library materials	6,726	7,211	-7%
Total Capital Assets, Net Accumulated Depreciation	<u>\$ 575,129</u>	<u>\$ 550,779</u>	4%

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)--Continued
 REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

Year Ended June 30, 2016

CAPITAL ASSETS – Continued

An overall increase in capital assets of \$24.4 million occurred during fiscal year 2016. This is primarily attributed to an increase in the buildings category of capital assets of \$34.1 million. Significant increases in capital assets included some of the following:

- SE – Completion of Athletic projects and the Russell Plaza Hallie Court Yard
- SWOSU – Renovation of Parker Hall and Theatre department Scene Shop
- NWOSU – Completion of the Ranger Field Press Box and Turf project and renovations to Fryer Hall and Coronado Hall.
- UCO – Completion of the Quad residence hall.
- ECU – Completion of the Education Building renovation and the Chickasaw Plaza.
- NSU – Completion of the RiverHawks Wellness Center, new construction of Dr. Isabell Cobb Hall, and renovations to Wyly and Wilson Halls.

Further detailed information can be found in the notes to the financial statements (Notes A and E.).

DEBT

Long-term debt at June 30, 2016 and June 30, 2015 consisted of the following:

Long-term Debt Summary

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>% Inc (Dec)</u>
Bonds payable	\$ 21,690,356	\$ 43,288,744	-49.9%
Lease Obligations	226,854,819	222,711,783	1.9%
Other Liabilities	<u>21,360,703</u>	<u>23,519,490</u>	-9.2%
Total long-term debt	<u>\$ 269,905,878</u>	<u>\$ 289,520,017</u>	-6.8%

Long-term debt was reduced by \$19.6 million and is attributable to the pay-down and refinancing of debt that resulted in an overall savings to the System. Much of the reduction is related to bonds payable refinanced with ODFA capital lease obligations for ECU, NSU, and UCO.

Further detailed information can be found in the notes to the financial statements (Notes A and F).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

Year Ended June 30, 2016

ECONOMIC OUTLOOK

The economic stability and funding are in many ways directly tied to the State of Oklahoma's economic stability. The Oklahoma economy, while diversifying, is still highly dependent upon the oil and gas industries. These industries have been on a downward trend with a majority of the fiscal year seeing weak crude oil and natural gas prices which result in the pullback of the energy sector and a weaker state economy.

During fiscal year 2016 State revenue collections came in below constitutional limits requiring two declared revenue failures and reductions in appropriations. For the period of September 2015 through August 2016, State of Oklahoma gross receipts were \$903.8 million, or 7.6% below collections for the previous 12-month period. This reduction in state appropriations received by the System was \$20.3 million less than the previous fiscal year. By the end of fiscal year 2016 the State determined it had a cash surplus of approximately \$100 million of which amounts are to be re-appropriated during fiscal year 2017.

Due to the current economy, the System and its institutions continue to strive to properly manage expenses and to diversify revenues sources. Diversification is being sought through expansion of on-line programs, controlling tuition increases to promote a competitive recruiting advantage, and setting goals of increased grant funding.

**STATEMENT OF NET POSITION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
JUNE 30, 2016**

	<u>RUSO</u>	<u>Discretely Presented Component Units</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 139,140,832	\$ 10,090,493
Restricted cash and cash equivalents	46,193,849	592,319
Restricted investments	-	441,000
Investments held by others	-	309,048
Accounts receivable, net	39,902,598	2,368,298
Receivables from state agencies	2,462,982	-
Interest receivable	799,051	120,981
Inventories	851,370	68,171
Contributions receivable	-	3,932,343
Other assets	8,265	174,036
Current portion of other receivable	577,406	-
Current portion of student loans receivable, net	436,014	-
Current portion of notes receivable, net	500,000	-
TOTAL CURRENT ASSETS	<u>230,872,367</u>	<u>18,096,689</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	26,763,498	-
Restricted investments	227,055	33,056,288
Investments	-	112,068,170
Investments held by others	2,300	1,482,341
Other receivable	904,153	-
Notes receivable, net	3,117,187	-
Student loans receivable, net	899,695	-
Net OPEB asset	6,095,989	-
Other assets	49,332	1,380,182
Capital assets, net	575,129,255	11,671,906
TOTAL NONCURRENT ASSETS	<u>613,188,464</u>	<u>159,658,887</u>
TOTAL ASSETS	<u>\$ 844,060,831</u>	<u>\$ 177,755,576</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pensions	\$ 45,561,285	\$ -
Deferred charge on capital lease restructure	925,777	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 46,487,062</u>	<u>\$ -</u>

Continued on next page

STATEMENT OF NET POSITION--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
JUNE 30, 2016

	<u>RUSO</u>	<u>Discretely Presented Component Units</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts and scholarships payable	\$ 13,805,802	\$ 816,035
Line of credit	-	455,499
Accrued payroll	7,675,273	9,100
Accrued interest	182,143	37,406
Unearned revenue	11,197,182	50,360
Deposits held in custody for others	4,324,622	308,700
Current portion of noncurrent liabilities	26,683,326	285,024
TOTAL CURRENT LIABILITIES	<u>63,868,348</u>	<u>1,962,124</u>
NONCURRENT LIABILITIES		
Accrued compensated absences	5,795,852	-
Federal loan program contributions refundable	7,225,982	-
Bonds payable	19,931,632	-
Unearned revenue	2,170,607	-
Notes payable	-	8,463,599
Net pension liability	328,362,294	-
Capital lease obligations	208,098,479	4,922
TOTAL NONCURRENT LIABILITIES	<u>571,584,846</u>	<u>8,468,521</u>
TOTAL LIABILITIES	<u>\$ 635,453,194</u>	<u>\$ 10,430,645</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pensions	\$ 29,825,648	\$ -
Deferred gain on OCIA lease restructure	3,046,317	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 32,871,965</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 279,776,297	\$ -
Restricted:		
Nonexpendable:		
Grants, bequests and contributions	703,044	111,090,910
Expendable:		
Scholarships, instruction and other	15,788,663	43,758,885
Loans	1,541,780	-
Capital projects	69,512,946	-
Debt service	48,584,030	-
Unrestricted (deficit)	(193,684,026)	12,475,136
TOTAL NET POSITION	<u>\$ 222,222,734</u>	<u>\$ 167,324,931</u>

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>RUSO</u>	<u>Discretely Presented Component Units</u>
OPERATING REVENUES		
Student tuition and fees, net of scholarship discounts and allowances of \$83,350,941 (included in fees are \$8,487,110 of revenues dedicated for bond repayments)	\$ 190,668,488	\$ -
Federal grants and contracts	21,498,935	-
State and local grants and contracts	8,853,712	-
Bookstore operations	1,042,209	-
Housing and food service revenues, net of scholarship discounts and allowances of \$1,831,439 (included in revenues are \$11,800,643 dedicated for bond repayments)	36,829,427	-
Optometry contracts and practice plan	6,373,494	-
Aerospace operations	640,469	-
Parking and University Center revenues (dedicated as security for bond repayments)	5,862,433	-
Other auxiliary operations	1,935,115	-
Interest earned on loans to students	108,171	-
Investment income	-	599,182
Gifts and contributions	-	15,563,044
Other operating revenues	13,212,811	3,710,290
TOTAL OPERATING REVENUES	<u>287,025,264</u>	<u>19,872,516</u>
OPERATING EXPENSES		
Compensation and employee benefits	310,312,839	934,352
Contractual services	23,050,450	236,057
Supplies and materials	42,316,922	89,046
Depreciation	31,658,675	298,813
Utilities	11,825,126	-
Communication expense	1,524,410	-
Scholarships and fellowships	51,948,387	5,037,110
Other operating expenses	40,934,918	11,902,738
TOTAL OPERATING EXPENSES	<u>513,571,727</u>	<u>18,498,116</u>
OPERATING INCOME (LOSS)	<u>\$ (226,546,463)</u>	<u>\$ 1,374,400</u>

Continued on next page.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2016

	<u>RUSO</u>	<u>Discretely Presented Component Units</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	\$ 151,989,375	\$ -
Federal grants and contracts	67,556,870	-
State grants and contracts	9,377,562	-
OTRS on-behalf contributions	14,965,135	-
Gifts	1,508,604	11,029,054
Investment income	1,444,517	497,821
Other nonoperating	2,146,706	-
Interest expense	(10,068,892)	(27,239)
NET NONOPERATING REVENUE	<u>238,919,877</u>	<u>11,499,636</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>12,373,414</u>	<u>12,874,036</u>
CONTRIBUTED CAPITAL		
State appropriations restricted for capital purposes	7,492,272	-
Capital contributions	5,699,777	-
OCIA on-behalf state appropriations	9,058,748	-
TOTAL CONTRIBUTED CAPITAL	<u>22,250,797</u>	<u>-</u>
CHANGE IN NET POSITION	34,624,211	12,874,036
NET POSITION - BEGINNING OF YEAR (Restated see Note A)	<u>187,598,523</u>	<u>154,450,895</u>
NET POSITION, END OF YEAR	<u>\$ 222,222,734</u>	<u>\$ 167,324,931</u>

See notes to financial statements.

**STATEMENT OF CASH FLOWS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 186,016,613
Grants and contracts	31,119,232
Auxiliary enterprises and other receipts	67,604,806
University assessment and other	879,692
Interest collected on loans to students	21,822
Payments to employees for salaries and benefits	(314,256,424)
Payments to suppliers and others	(176,764,349)
Loans issued to students	(914,785)
Collections of loans issued to students	1,159,402
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(205,133,991)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	151,989,375
Non-operating grants	76,934,432
Cash received from non-operating revenues	2,823,583
Direct loan receipts	122,929,955
Direct loan payments	(122,929,955)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>231,747,390</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	31,435,753
Purchases of investments	(11,176,159)
Interest income received	1,416,343
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>21,675,937</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for capital assets	(56,105,640)
Capital appropriations received	7,492,272
Contributions	3,093,986
Proceeds from sale of assets	1,690,000
Drawdown of ODFA receivable	9,589,188
Proceeds of capital debt and leases	34,037,477
Payments on capital debt and leases	(45,166,450)
Interest paid on capital debt and leases	(7,420,492)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(52,789,659)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,500,323)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>216,598,502</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 212,098,179</u>

Continued on next page.

STATEMENT OF CASH FLOWS--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2016

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating loss	\$ (226,546,463)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	31,658,675
Loss on the disposal of capital assets	618,787
On-behalf contributions to teachers' retirement system	14,965,135
Changes in assets and liabilities:	
Accounts receivable	(3,920,708)
Grants and other receivables	2,764,315
OPEB asset	(1,344,241)
Net pension liability	36,147,157
Deferred amounts from pensions	(53,834,098)
Inventories	(78,000)
Loans receivable	249,756
Student and other deposits	1,138,512
Deposits held in custody of others	(114,175)
Other assets	2,718
Accounts payable and accrued expenses	(3,819,787)
Accrued payroll	(303,667)
Deferred revenue	(1,009,938)
Federal loan program contributions refundable	(2,028,061)
Loans to students and employees	38,362
Compensated absences	281,730
	<hr/>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (205,133,991)</u>
NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest on capital debt paid by OCIA on behalf of the University	\$ 2,922,316
Principal on capital debt paid by OCIA on behalf of the University	\$ 6,117,180
Non-cash capital grants and gifts	\$ 1,591,313
Deferred gain on OCIA lease restructure	\$ 1,682,883
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION	
Current assets:	
Cash and cash equivalents	\$ 139,140,832
Restricted cash and cash equivalents	46,193,849
Noncurrent assets:	
Restricted cash and cash equivalents	26,763,498
	<hr/>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 212,098,179</u>

See notes to financial statements.

**STATEMENT OF FIDUCIARY NET POSITION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
JUNE 30, 2016**

	PENSION AND OTHER EMPLOYEE BENEFIT PLAN TRUST FUNDS		
	SRA Plan	OPEB Trust	Pension Trust For the President of the University of Central Oklahoma
Assets			
Cash & Cash Equivalents	\$ -	\$ 1,302,147	\$ -
Accrued Interest Receivable	-	7,763	-
Investments:			
Stocks:			
Common	859,251	-	-
Alternatives	-	1,424,071	-
Pooled Equity Funds	4,189,444	8,030,633	479,133
Fixed Income:			
Pooled Fixed Income Funds	-	3,601,249	-
Traditional	22,891,975	-	-
Real Estate	836,642	284,417	-
Total Investments	<u>28,777,312</u>	<u>13,340,370</u>	<u>479,133</u>
Total Assets	<u>\$ 28,777,312</u>	<u>\$ 14,650,280</u>	<u>\$ 479,133</u>
Liabilities			
Accounts Payable	<u>\$ -</u>	<u>\$ 10,704</u>	<u>\$ -</u>
Net Position Restricted for Pension and OPEB	<u>\$ 28,777,312</u>	<u>\$ 14,639,576</u>	<u>\$ 479,133</u>

See notes to financial statements

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2016**

	PENSION AND OTHER EMPLOYEE BENEFIT PLAN TRUST FUNDS		
	SRA Plan	OPEB Trust	Pension Trust For The President of the University of Central Oklahoma
Additions			
Contributions:			
Employer contributions	\$ 4,857,720	\$ 2,278,191	\$ 228,300
Investment Income:			
Net appreciation (depreciation) in fair value	64,218	(406,787)	(199)
Realized gains	-	88,987	-
Dividends & interest	824,574	251,877	15,061
Other	-	7,253	-
Total investment income	888,792	(58,670)	14,862
Less investment expense	-	(50,534)	(751)
Net investment income	888,792	(109,204)	14,111
Total Additions	5,746,512	2,168,987	242,411
Deductions			
Benefit payments	4,875,460	1,977,285	-
Administrative Expense	-	-	750
Total Deductions	4,875,460	1,977,285	750
Net Increase in net position	871,052	191,702	241,661
Net Position Restricted for Pension and OPEB:			
Beginning of year	27,906,260	14,447,874	237,472
End of year	\$ 28,777,312	\$ 14,639,576	\$ 479,133

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: The Board of Regents of the Regional University System of Oklahoma (the "System") is an agency of the State of Oklahoma created by the Oklahoma State Constitution. The Board has powers and duties granted by the Oklahoma Constitution and Statutes to govern, manage, supervise, and control the operations of six regional state universities (the "Universities"), which are the University of Central Oklahoma, East Central University, Northwestern Oklahoma State University, Southwestern Oklahoma State University, Northeastern State University, Southeastern Oklahoma State University, and the Board's Administrative Office (the "Office"). The System's financial statements are discretely presented in the state's general purpose financial statements as a component unit.

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, The Financial Reporting Entity, and as amended by GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, and Statement No. 61, The Financial Reporting Entity, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading.

The financial statements include the Office and all Universities of the System. The financial statements also include the following blended component units, discretely presented component units, and fiduciary trust funds:

Blended Component Units: The following component units are included in the consolidated financial statements because the System appoints a voting majority of the component units' boards and the System is able to impose its will on the component units. Blended financial information is available upon request. The following have been determined to be blended component units of the system:

- Center for Regional and International Partnerships, Inc. ("CRIPS"). The primary focus of CRIPS is to impact job creation and capital infusion into the rural, high unemployment economies of the region. CRIPS is governed by a board of directors comprised primarily of management of Northeastern State University. In addition, university employees and facilities are used for virtually all activities of the Center.

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

- UCO Student Housing Foundation (the "Housing Foundation") is responsible for administration and operation of the University Suites, a student housing facility constructed with bond revenues issued through the Edmond Economic Development Authority. The Housing Foundation is governed by a Board of Directors comprised primarily of management of the University of Central Oklahoma. In addition, University employees and facilities are used for virtually all activities of the Housing Foundation.

Discretely Presented Component Units: Based on the criteria for determining component units, certain System direct support organizations are included within the System's reporting entity as discretely presented component units. The nature and significance of the relationship between the System and the component units are such that exclusion would cause the System's financial statements to be misleading. These are separate, not-for-profit corporations organized and operated exclusively to assist the System to achieve excellence by providing supplemental support and resources. An annual audit of each organization's financial statements is conducted by independent certified public accountants. Separate financial statements of the System's component units can be obtained by contacting the System's Administrative Office.

The System has numerous foundations included in this report (collectively the "Foundations"). The discretely presented component units included in the System's financial reporting entity are:

East Central University Foundation, Inc. (the "Foundation") ECU is the beneficiary of the Foundation, a separate legal entity with their own Board of Trustees. The Foundation is organized for the benefit of ECU, and its faculty, student body, and programs. The purposes for which the Foundation is organized are exclusively scientific, literary, charitable, educational, and artistic for the benefit of ECU.

University of Central Oklahoma Foundation, Inc. (the "University Foundation") is a separate legal entity with its own Board of Trustees. The Foundation provides support for UCO by way of scholarships and other direct resources. UCO contracts with the Foundation to provide limited services and office space in exchange for the support UCO receives from the Foundation. A portion of the scholarships awarded by the Foundation is remitted to UCO.

University of Central Oklahoma Alumni Association (the "Association") establishes and maintains a close relationship and cooperation between the alumni of UCO and their alma mater. UCO supports the Association by providing personnel, office space, furniture, and equipment at no charge to the Association.

KCSC Classical Radio Foundation ("KCSC Foundation") is a 501(c) (3) organization created to support UCO's KUCCO (formerly, KCSC) Radio Station. Its purpose is to support and promote classical music radio in Oklahoma.

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

Northeastern State System Foundation, Inc. (the "Foundation") The Foundation has a fiscal year ending December 31. NSU is the beneficiary of the Foundation. The Foundation is a separate legal entity with its own Board of Trustees. The Foundation is administered to provide benefit to of NSU. The Foundation uses all contributions, grants and other revenues to aid NSU in charitable, benevolent, religious, educational, scientific and literary purposes.

Southeastern Foundation, Inc. (the "Foundation") SE is the beneficiary of the Foundation, a separate legal entity with its own Board of Trustees. The Foundation is organized for the benefit of SE, and its faculty, student body and programs. The Foundation provides scholarships and support and enhances the further development of SE.

Southwestern Oklahoma State University Foundation, Inc. (the "University Foundation") SWOSU is the beneficiary of the Foundation, a separate legal entity with its own Board of Trustees. SWOSU Foundation is organized for the benefit of SWOSU and its faculty, student body, and programs. SWOSU Foundation provides scholarships and support and enhances the further development of SWOSU.

Southwestern Pharmacy Alumni Foundation, Inc. (the "Pharmacy Foundation") SWOSU is the beneficiary of the Pharmacy Foundation, a separate legal entity with its own Board of Trustees. The Pharmacy Foundation gives scholarships and makes loans available to pharmacy students. The Pharmacy Foundation also provides research grants to faculty and students.

Northwestern Oklahoma State University Foundation, Inc. (the "Foundation") and Alumni Association (the "Association") The Foundation is a perpetual corporation formed under the laws of the State of Oklahoma for charitable, benevolent, educational, and scientific purposes. Its specific purpose is to benefit NWOSU through charitable actions and activities. Its activities are guided by a Board of Trustees, which receives no compensation for their activities.

The Association is an unincorporated association formed for the benefit of the Alumni of Northwestern Oklahoma State University as a whole. Its specific purpose is to provide alumni with information about NWOSU related organizations and activities. Its activities are guided by a Board of Directors who receives no compensation for their activities.

Fiduciary Trust Funds: The Board of Regents has a fiduciary responsibility for the Supplemental Retirement Annuity plan ("SRA"). The SRA statements of fiduciary net position and changes in fiduciary net position are shown as a fiduciary fund in the System's financial statements.

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

The Board of Regents also has a fiduciary responsibility for the Other Post-Employment Healthcare Plan trust (“OPEB”). The OPEB statements of fiduciary net position and changes in fiduciary net position are shown as a fiduciary fund in the System’s financial statements.

The Board of Regents has a fiduciary responsibility for the Retirement Plan For the President of The University of Central Oklahoma (“the Plan”). The Plan statements of fiduciary net position and changes in fiduciary net position are shown as a fiduciary fund in the System’s financial statements.

Financial Statement Presentation: The Systems financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statement 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 System is required to present a statement of net position classified between current and noncurrent assets and liabilities and deferred outflows and inflows of resources; a statement of revenues, expenses and changes in net position, with separate presentation for operating and non-operating revenues and expenses; and a statement of cash flows using the direct method.

Basis of Accounting: For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities. Accordingly, the Systems 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 System considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer’s Cash Management Program are considered cash equivalents.

Investments: The System 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.

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

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 auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Oklahoma. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories: Inventories are carried at the lower of cost or market on the first-in, first-out (FIFO) basis.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. The system has granted authority for each university to establish a capitalization threshold for financial reporting purposes. The threshold for library materials and equipment, adopted by the University's capitalization policies ranges from a unit cost of \$2,500 to \$5,000, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure and have a cost ranging from \$2,500 to \$25,000 or greater, based on each University's capitalization policy, 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, 20 to 30 years for infrastructure and land improvements, and 3 to 10 years for equipment and other capital assets. Depreciation expense includes amortization of assets held under capital lease obligations.

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 and vendors that have not yet been earned.

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

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

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, (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year, and (3) other liabilities including the federal portion of the Perkins Loan Program, that will not be paid within the next fiscal year.

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

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

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

Restricted net position - expendable: Restricted expendable net position includes resources in which the System is legally or contractually obligated to spend 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 System, 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 System's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

Income Taxes: The System, 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 System may be subject to income taxes on unrelated business income under the 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Revenues: The System has classified its revenues as either operating or non-operating revenues according to the following criteria:

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

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9 *Reporting Cash Flows of Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, certain 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 System 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 non-operating revenues in the System'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.

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the System that are applicable to a future reporting period. At June 30, 2016, the System'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 life of the old debt or the life of the new debt, whichever is shorter. In addition, as mentioned below, certain pension amounts are deferred.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the System that are applicable to a future reporting period. At June 30, 2016, the System's deferred inflows of resources were comprised of deferred gains on the restructuring of certain long term debt. In addition, as mentioned below, certain pension amounts are deferred.

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

New Accounting Pronouncements Adopted in Fiscal Year 2016: The System adopted the following new accounting pronouncement during the 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 application of this standard did not have a material impact to the accompanying financial statements, but did expand its required note disclosures.

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- *GASB 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 non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The application of this standard did not have a material impact to the System.
- *GASB Statement No. 82, Pension Issues, Amendment of GASB Statements No. 67, No. 68, and No. 73*
GASB Statement No. 82 addresses certain issues that were raised with respect to the pension implementation of Statements No. 67, No. 68, and No. 73. The College elected to early implement Statement No. 82 which resulted in a restatement of beginning net position for fiscal year 2016.

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

- *GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
GASB No. 73 was issued in June 2015 and 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 requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of

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this Statement is for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The System has not yet determined the impact that implementation of GASB 73 will have on its net position.

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

GASB No. 74 was issued in June 2015, and 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*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The System has not yet determined the impact that implementation of GASB 74 will have on its net position.

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

GASB No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The System has not yet determined the impact that implementation of GASB 75 will have on its net position.

- *GASB Statement No. 77, Tax Abatement Disclosures*

GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The

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System has not yet determined the impact that implementation of GASB 77 will have on its net position.

- *GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

GASB 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The statement does not affect the System's financial statements.

- *GASB Statement No. 79, Certain External Investment Pools and Pool Participants*

GASB 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the System is unknown.

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- GASB Statement No. 80, Blending Requirements for Certain Component Units*
 An Amendment of GASB Statement No. 14 – GASB 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the System is unknown.
- GASB Statement No. 81, Irrevocable Split-Interest Agreements*
 GASB 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The System does not believe that GASB No. 81 will have significant impact on its financial statements.

Prior Period Adjustments

Beginning net position was restated as of July 1, 2015 as follows:

Beginning net position, as of July 1, 2015	\$ 201,179,768
Implementation of GASB Statement No. 82 impact	(13,061,267)
Implementation of GASB Statement No. 68 impact for the president's plan	(745,170)
Addition of Capital Assets	<u>225,192</u>
Beginning net position, restated	<u><u>\$ 187,598,523</u></u>

The early implementation of GASB Statement 82 required the removal of the employee's share of OTRS contributions paid by the employer (i.e., the System) from Deferred Outflows of Resources, as was reported in the prior year.

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During the year the System implemented the requirements of GASB 68 for the Retirement Plan for the President of the University of Central Oklahoma.

NWOSU discovered that certain previously incurred capital costs had not been included in its capital assets. As a result, the University has restated its beginning net position to include those costs in its capital assets.

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. The University deposits its funds with the Office of the State Treasurer (OST). Oklahoma statutes require OST to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The University's deposits with the State Treasurer are pooled with the funds of other State agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

Of the \$197,433,314 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2016, \$88,486,657 represent amounts held within *OK INVEST*, an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. After evaluation of the use and purpose of the University's participation in the internal investment pool, the amount on deposit with *OK INVEST* is treated as demand accounts and reported as cash equivalents.

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

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deposits; (g) prime commercial paper; and (h) repurchase agreements. *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, 2016, none of the University's investments were subject to custody credit risk.

Retiree Medical Trust (OPEB Trust Fund)

The Retiree Medical Trust (the "Trust Fund") does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net position include cash and short-term investments accounts held by the Trust Fund's custodian. The balance of these accounts as of June 30, 2016, was \$1,302,147.

Interest rate risk - Neither the System 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 System's investment in a single issuer. Neither the System'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 - As of June 30, 2016, the System did not have any investments subject to custodial credit risk.

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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, 2016, the System had restricted investments in bond funds amounting to \$227,055. The investment funds had a fair market value of \$227,055 at June 30, 2016. The invested bond funds are not subject to maturity dates and are due on demand.

The System, in association with various Trustees, has by law and in accordance with the trust indentures obtained various security and investment accounts to pay bond indebtedness and secure funds for said future payments. These funds are invested at the discretion of the Trustee, with no input from the System. Invested bond funds of \$227,055 had an average credit rating of Aaa at June 30, 2016, according to Moody's.

Pension and OPEB Plan Investments

Supplemental Retirement Annuity Plan

Through the trust document the Board of Regents of RUSO have exclusive authority and responsibility for the investment of Plan assets and the selection of a company to hold Plan assets. The Board of Trustees has retained TIAA-CREF to be custodian of the Plan's assets and to invest those assets based on direction of the System and its management.

Investment Credit Risk

The Plan has not adopted a policy to address credit risk. As of June 30, 2016, the Plan is not subject to investment credit risk as defined above.

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Concentration of Credit Risk

The Plan does not have a policy to address concentration of credit risk. The plan did not have any investments subject to concentration of credit risk at June 30, 2016.

Interest Rate Risk

The Plan does not have a policy to address interest rate risk. As of June 30, 2016 the Plan did not have any direct investment in debt instruments or investments in any variable annuities with a significant portion of the variable annuity consisting of debt instruments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy does not specifically address foreign currency risk. The Plan did not have any investments subject to foreign currency risk.

Rate of Return – For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.34%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Retiree Medical Trust (OPEB Trust Fund)

The OPEB trust fund was created in accordance with the Oklahoma Trust Act. The trust agreement, article V. Investment of Trust Funds, states the trustees shall invest and reinvest the principal and income of the Trust Fund and keep the Trust Fund invested, without distinction between principal and income in accordance to the approved investment policy of the trust. The investment policy authorizes the Trust Fund to invest in certain equities, fixed income, and various other investment instruments, subject to certain limitations. The Trust Fund's Administrative Committee is responsible for recommending to the System the investment policies and strategies, and retaining/monitoring the various investment managers, trustees, advisors, actuaries and other fiduciaries utilized by the Trust Fund. The System is responsible for approving the recommendations of the Trust Fund's Trustee.

Custodial Credit Risk

At June 30, 2016, \$1,302,147, of cash and cash equivalents was uninsured and uncollateralized.

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Investment Credit Risk

The Trust Fund's investment policy provides that its investments in fixed income instruments to be rated at AA or A1 if the purchase is of individual instruments. The policy also allows for investments in mutual funds. As of June 30, 2016, the Trust Fund's investments, were rated as follows:

<u>Description</u>	<u>Ratings</u>	<u>Fair Value</u>
Pooled Fixed Income (mutual funds)	Not Rated	\$ 3,601,249
Total Pooled Fixed Income (mutual funds)		<u>\$ 3,601,249</u>

Concentration of Credit Risk

The Trust Fund's investment policy does not address concentration of credit risk. The Trust Fund did not have any investments subject to concentration of credit risk at June 30, 2016.

Interest Rate Risk

The Trust Fund's investment policy does not address interest rate risk. As of June 30, 2016 maturities of the Trust Fund's debt securities, in years, were as follows:

	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Pooled Fixed Income (mutual funds)	<u>\$ 3,601,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,601,249</u>

Foreign Currency Risk

The investment policy does not specifically address foreign currency risk. Investments in open-ended pooled equity (mutual funds), which a majority of the underlying securities are international as of June 30, are reported below to indicate possible foreign currency risk.

	<u>Fair Value</u>
Pooled Equity (mutual funds)	\$ 1,896,759

Retirement Plan for the President of the University of Central Oklahoma

Through the trust document the Board of Regents of RUSO have exclusive authority and responsibility for the investment of Plan assets and the selection of a company to hold Plan assets. The Board of Trustees has retained InvesTrust, N.A. to be custodian of the Plan's assets and to invest those assets based on direction of the System and its management.

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Investment Credit Risk

The Plan has not adopted a policy to address investment credit risk. As of June 30, 2016, the Plan is not subject to credit risk.

Concentration of Credit Risk

The Plan does not have a policy to address concentration of credit risk. The plan did not have any investments subject to concentration of credit risk at June 30, 2016.

Interest Rate Risk

The Plan does not have a policy to address interest rate risk. As of June 30, 2016 the Plan did not have any direct investment in debt instruments or investments in any variable annuities with a significant portion of the variable annuity consisting of debt instruments.

Foreign Currency Risk

The investment policy does not specifically address foreign currency risk. The Plan did not have any investments subject to foreign currency risk.

Fair Value Measurements

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a three level hierarchy for measuring fair value.

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

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

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

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Level 3: Inputs to the valuation methodology are unobservable. An entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities are used for determining the fair value of the assets or liabilities.

Supplemental Retirement Annuity Plan

The Plan has the following recurring fair value measurements as of June 30, 2016:

SRA Plan	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
TIAA Traditional	\$ 22,891,975	\$ -	\$ -	\$ 22,891,975
TIAA Real Estate	836,642	836,642	-	-
TIAA-CREF Stock	859,251	859,251	-	-
TIAA-CREF Equity Index	2,918,203	2,918,203	-	-
TIAA-CREF Growth	1,271,241	1,271,241	-	-
Total investments at fair value	\$ 28,777,312	\$ 5,885,337	\$ -	\$ 22,891,975

The TIAA Traditional Annuity is reported at contract value. The contract value of the TIAA Traditional Annuity equals the accumulated cash contributions, interest credited to the plan's contracts, and transfers, if any, less any withdrawals and transfers, if any.

The TIAA Traditional Annuity is not available for sale or transfer on any securities exchange. Accordingly, transactions in similar investment instruments are not observable. While transactions involving the purchases/sales of individual TIAA Traditional contracts are not observable in a public marketplace, contract value may provide a good approximation of fair value as supported by the following:

- New contributions represent current transactions between willing buyers and sellers as prescribed in the relevant GAAP guidance.
- Participants typically allocate contributions between several investment choices and all transactions are executed at current market value with the assumption being that objective, unbiased transactions regularly occur and participants deem the value of the TIAA Traditional Annuity contract to be no less than the participant's accumulation balance and that each investment purchase is made at fair value since these purchases are not distressed and are conducted between willing buyers and sellers in open market conditions where a participant has a variety of investment choices.
- The market-observable presumption is that the contract value of current funding represents a good approximation of fair value based on the willingness of the participant to continue to

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contribute. For each contribution, TIAA continues to record a contractual liability for the current contribution and does not consider such liability to have any embedded gain or loss.

- Upon a distributable event, the participant surrenders the future accumulation benefits in exchange for a cash payout based on the contract value, demonstrating the contract value can be monetized when a distributable event occurs.
- The crediting rate is supported by the investment performance of a large, diversified portfolio (TIAA's General Account), is correlated with the highest quality debt security yields, and is adjusted for contract liquidity. A twenty-year analysis of crediting rates for TIAA Traditional Annuity contracts suggests a rate of return that is representative of a risk-adjusted market rate for this type of product; thus application of observed rates would yield a discounted cash flow which approximates contract value.

Retiree Medical Trust (OPEB Trust Fund)

The Trust fund has the following recurring fair value measurements as of June 30, 2016:

	6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled Equity (mutual funds)	\$ 8,030,633	\$ 8,030,633	\$ -	\$ -
Pooled Fixed Income (mutual funds)	3,601,249	3,601,249	-	-
Alternative Investments(Broadly diversifi	1,424,071	1,424,071	-	-
Alternative Investments(Real Estate)	284,417	284,417	-	-
Total investments at fair value	<u>\$ 13,340,370</u>	<u>\$ 13,340,370</u>	<u>\$ -</u>	<u>\$ -</u>

Retirement Plan for the President of the University of Central Oklahoma

The Plan has the following recurring fair value measurements as of June 30, 2016:

	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Vanguard TGT Retirement Income Fund	\$ 479,133	\$ 479,133	\$ -	\$ -
Total investments at fair value	<u>\$ 479,133</u>	<u>\$ 479,133</u>	<u>\$ -</u>	<u>\$ -</u>

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Discretely Presented Component Units' Investments

Investments of the discretely presented component units at fair value consisted of the following at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 4,846,290	\$ 145,863	\$ -	\$ 4,992,153
Corporate and other bonds	-	9,388,616	-	9,388,616
US government securities	3,671,023	3,337,136	-	7,008,159
Equity securities	56,903,973	-	-	56,903,973
ETF funds	-	167,580	-	167,580
Mutual funds	61,058,870	-	-	61,058,870
Index funds	1,076,726	-	-	1,076,726
Real estate	-	17,500	-	17,500
Unit trust investment	-	62,514	-	62,514
Annuity Contract	-	-	225,917	225,917
Interest in limited liability company	-	-	270,415	270,415
Structured investments unsecured notes	-	1,719,453	320,802	2,040,255
Other investments	-	-	1,791,389	1,791,389
	<u>\$ 127,556,882</u>	<u>\$14,838,662</u>	<u>\$ 2,608,523</u>	145,004,067
			Time Deposits	<u>2,352,780</u>
			Total Investments	<u>\$ 147,356,847</u>

For additional information regarding the investments of the individual discretely presented component units refer to their separately issue financial statements.

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2016:

<u>Receivables</u>	
Student tuition and fees	\$ 43,492,064
Auxiliary enterprises and other operating activities	11,403,680
Federal, state, and private grants and contracts	10,945,704
Cancelled Perkins loans	<u>2,003,639</u>
	67,845,087
Less: allowance for doubtful accounts	<u>(27,942,489)</u>
Net accounts receivable	<u>\$ 39,902,598</u>

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NOTE D--NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2016. Under this program, the federal government provides funds for approximately 75% to 90% of the total contribution for student loans with the System providing the balance. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the System for the amounts forgiven. Amounts refundable to the U.S. Government upon cessation of the Program of \$7,225,982 at June 30, 2016, are reflected in the accompanying statements of net position as noncurrent liabilities.

As the System determines loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to System funded loans and the System portions of federal student loans, as the System is not obligated to fund the federal portion of uncollected student loans. The System has provided an allowance for uncollectible loans that, in management's opinion, is sufficient to absorb loans that will ultimately be written off.

At June 30, 2016 loans receivable consisted of the following:

Perkins loans receivable	\$ 5,581,030
Less: allowance for uncollectible loans	<u>(628,134)</u>
Net loans receivable	<u>\$ 4,952,896</u>

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NOTE E--CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2016:

	Restated Balance June 30, 2015	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2016
Capital assets not being depreciated					
Land	\$ 21,956,806	\$ 1,312,419	\$ -	\$ (413,630)	\$ 22,855,595
Art collections	5,119,705	203,785	-	(4,000)	5,319,490
Construction in-progress	62,093,575	37,262,914	(47,740,089)	(692,462)	50,923,938
Total capital assets not being depreciated	<u>\$ 89,170,086</u>	<u>\$ 38,779,118</u>	<u>\$ (47,740,089)</u>	<u>\$ (1,110,092)</u>	<u>\$ 79,099,023</u>
Other capital assets					
Non-major infrastructure networks	\$ 23,951,703	\$ 429,543	\$ 602,453	\$ -	\$ 24,983,699
Land improvements	23,102,171	2,727,717	204,929	(275,772)	25,759,045
Buildings	700,563,217	9,276,980	46,883,287	(1,449,562)	755,273,922
Art collections	-	250,000	-	-	250,000
Leasehold Improvements	72,696	82,250	-	-	154,946
Furniture, fixtures, and equipment	100,439,877	4,994,760	49,420	(3,265,668)	102,218,389
Library materials	63,655,490	1,225,355	-	(1,010,897)	63,869,948
Total other capital assets	<u>911,785,154</u>	<u>18,986,605</u>	<u>47,740,089</u>	<u>(6,001,899)</u>	<u>972,509,949</u>
Less: accumulated depreciation for					
Non-major infrastructure networks	(15,766,118)	(1,179,751)	-	-	(16,945,869)
Land improvements	(14,754,929)	(1,246,605)	-	275,772	(15,725,762)
Buildings	(281,221,677)	(21,564,386)	-	980,941	(301,805,122)
Art collections	-	(12,500)	-	-	(12,500)
Leasehold Improvements	(47,779)	(7,044)	-	-	(54,823)
Furniture, fixtures, and equipment	(81,940,676)	(5,938,874)	-	3,088,425	(84,791,125)
Library materials	(56,444,632)	(1,709,514)	-	1,009,630	(57,144,516)
Total accumulated depreciation	<u>(450,175,811)</u>	<u>(31,658,674)</u>	<u>-</u>	<u>5,354,768</u>	<u>(476,479,717)</u>
Other capital assets, net	<u>\$ 461,609,343</u>	<u>\$ (12,672,069)</u>	<u>\$ 47,740,089</u>	<u>\$ (647,131)</u>	<u>\$ 496,030,232</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 89,170,086	\$ 38,779,118	\$ (47,740,089)	\$ (1,110,092)	\$ 79,099,023
Other capital assets, at cost	911,785,154	18,986,605	47,740,089	(6,001,899)	972,509,949
Total cost of capital assets	<u>1,000,955,240</u>	<u>57,765,723</u>	<u>-</u>	<u>(7,111,991)</u>	<u>1,051,608,972</u>
Less: accumulated depreciation	<u>(450,175,811)</u>	<u>(31,658,674)</u>	<u>-</u>	<u>5,354,768</u>	<u>(476,479,717)</u>
Capital assets, net	<u>\$ 550,779,429</u>	<u>\$ 26,107,049</u>	<u>\$ -</u>	<u>\$ (1,757,223)</u>	<u>\$ 575,129,255</u>

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

NOTE F--LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balance			Amounts	
	June 30, 2015	Additions	Reductions	June 30, 2016	due within one year
<u>Bonds Payable:</u>					
Bonds payable	\$ 43,050,000	\$ -	\$ (21,665,000)	\$ 21,385,000	\$ 1,750,000
Plus: Premium on Bonds	314,080	-	(8,724)	305,356	8,724
Less: Issuance Discount	(75,337)	-	75,337	-	-
Total bonds payable	<u>\$ 43,288,743</u>	<u>\$ -</u>	<u>\$ (21,598,387)</u>	<u>\$ 21,690,356</u>	<u>\$ 1,758,724</u>
<u>Leases Payable:</u>					
Lease Obligations	\$ 219,418,163	\$ 23,016,755	\$ (19,257,284)	\$ 223,177,634	\$ 18,566,926
Plus: Premium on lease obligation	3,293,621	709,735	(326,171)	3,677,185	189,414
Total Lease Obligations	<u>\$ 222,711,784</u>	<u>\$ 23,726,490</u>	<u>\$ (19,583,455)</u>	<u>\$ 226,854,819</u>	<u>\$ 18,756,340</u>
<u>Notes Payable:</u>					
Notes payable	\$ -	\$ 10,850,000	\$ (10,850,000)	\$ -	\$ -
<u>Other Liabilities:</u>					
Unearned revenue or long-term contract	\$ 3,022,525	\$ -	\$ (412,459)	\$ 2,610,066	\$ 439,459
Federal loan program contributions	9,254,043	7,878	(2,035,939)	7,225,982	-
Accrued compensated absences	11,242,922	6,073,244	(5,791,511)	11,524,655	5,728,803
Total Other Liabilities	<u>\$ 23,519,490</u>	<u>\$ 6,081,122</u>	<u>\$ (8,239,909)</u>	<u>\$ 21,360,703</u>	<u>\$ 6,168,262</u>
Total Long-term Liabilities	<u>\$ 289,520,017</u>	<u>\$ 40,657,612</u>	<u>\$ (60,271,751)</u>	<u>\$ 269,905,878</u>	<u>\$ 26,683,326</u>

Revenue Bonds Payable:

Board of Regents of Oklahoma Colleges Northeastern State University Revenue Bonds Series 2004 (NSU)

On April 1, 2004, the Board of Regents of Oklahoma Colleges issued Northeastern State University Revenue Bonds Series 2004 (the "Bonds") for \$10,000,000 to be used for constructing, furnishing and equipping a new science building on the main campus of NSU. The Bonds are due in annual principal installments through April 2024, plus semiannual interest at rates from 2% to 4.30%. The Bonds are callable for redemption at the option of NSU's management in whole or in part on any interest payment date of the principal amount and accrued interest to date plus a specified premium for each \$5,000 of Bonds redeemed prior to maturity. The Bonds are secured by the gross receipts from a portion of two specific student fees (i.e., facility and technology fees) and all monies in funds and accounts held by the trustee bank are available for debt service payments. The System has obtained insurance coverage that covers the debt service fund requirements of the Bonds. These bonds were refinanced during the year, see refunding of debt note for more information.

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
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Board of Regents of Oklahoma Colleges Student Housing Revenue Bonds (ECU)

During 2015, ECU refinanced the Board of Regents of Oklahoma Colleges Student Housing Revenue Bonds, Series 2003 with Oklahoma Development Finance Authority (“ODFA”) 2014 Revenue bonds. The original bond purpose was for construction and renovating certain Student Housing Facilities. The new bonds are due in annual installments varying from \$160,000 to \$315,000 plus semiannual interest ranging from 2% to 4.55%, with the final installment being due in the year 2034. The Bonds are secured by the revenues to be derived from the Student Housing and Food Services Department and all monies in funds and accounts held by the trustee bank and available for debt service payments. The refinancing resulted in a deferred outflow of resources that will be amortized over a period of twenty years, beginning in fiscal year 2015.

Board of Regents of Oklahoma Colleges Fine Arts Center Revenue Bonds, Series 2005 (ECU)

During 2005, the System issued the Board of Regents of Oklahoma Colleges Fine Arts Center Revenue Bonds, Series 2005 (the “Bonds”), for \$5,000,000 for the purpose of constructing a Fine Arts Center. The Bonds are due in annual installments varying from \$95,000 to \$285,000 plus semiannual interest ranging from 3.0% to 4.6%, with the final installment being due in the year 2035. The Bonds are secured by the gross receipts from the Fine Arts Center student fees and all monies in funds and accounts held by the trustee bank and available for debt service payments. These bonds were refinanced during the year, see refunding of debt note for more information.

University Center and Parking Revenue Refunding Bonds, Series 2003 (UCO)

The University Center and Parking Revenue Bonds, issued June 1, 2003, are secured by and payable both as to principal and interest from UCO’s student facility fee, parking fee, gross receipts from operations of auxiliary enterprises, and all monies in funds and accounts held by the trustee bank and are available for such payment.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 9,690,000	Serial	Final 6/1/2016	\$ 710,000 to 875,000	2.00% to 3.60%	Semiannual
7,500,000	Term	6/1/2019	\$ 2,820,000	4.00%	Semiannual
		6/1/2022	3,195,000	5.00%	Semiannual
		6/1/2023	1,485,000	4.125%	Semiannual
<u>\$ 17,190,000</u>					

NOTES TO FINANCIAL STATEMENTS
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Library Revenue Refunding Bonds, Series 2003 (UCO)

The Library Revenue Bonds, issued June 1, 2003, are secured by and payable both as to principal and interest from gross receipts from a library fee and all monies in funds and accounts held by the trustee bank available for such payment.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 4,150,000	Serial	Final 6/1/2016	\$ 280,000 to 375,000	2.00% to 3.60%	Semiannual
3,185,000	Term	6/1/2019	\$ 1,200,000	4.00%	Semiannual
		6/1/2022	\$ 1,355,000	5.00%	Semiannual
		6/1/2023	\$ 630,000	4.125%	Semiannual
<u>\$ 7,335,000</u>					

Student Facilities Revenue Bonds - Wantland Stadium Revenue Bonds (UCO)

The Wantland Stadium Facility Revenue Bonds, issued July 7, 2004, are secured by a facility fee of \$3 per credit hour at UCO, which is pledged for debt service requirements on these bonds.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 3,075,000	Serial	6/1/2019	\$ 290,000 to 400,000	3.65% to 4.60%	Semiannual
9,235,000	Term	6/1/2024	\$ 2,340,000	5.50%	Semiannual
		6/1/2034	\$ 6,895,000	5.00%	Semiannual
<u>\$ 12,310,000</u>					

In January, 2016, this bond payable was refinanced to a taxable short-term note payable in anticipation of the ODFA 2016C real property issuance in June, 2016.

Student Housing Foundation Revenue Bonds Series 2001A (UCO)

The Student Housing Foundation Revenue Bonds, issued April 19, 2001, are secured by and payable both as to principal and interest from general revenues and the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the UCO Student Housing Foundation's operation of the project.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 8,305,000	Serial	7/1/2031	\$ 150,000 to 615,000	Variable	Semiannual

NOTES TO FINANCIAL STATEMENTS
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At June 30, 2016, future aggregate maturities of principal and interest requirements on the Bonds payable are as follows:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,750,000	\$ 899,613	\$ 2,649,613
2018	1,820,000	831,306	2,651,306
2019	1,900,000	759,725	2,659,725
2020	1,970,000	685,539	2,655,539
2021	2,070,000	592,846	2,662,846
2022-2026	6,890,000	1,639,922	8,529,922
2027-2031	4,075,000	671,330	4,746,330
2032-2036	910,000	55,600	965,600
	<u>\$ 21,385,000</u>	<u>\$ 6,135,881</u>	<u>\$ 27,520,881</u>

Capital Lease Obligations:

Certain leases to finance the purchase of property are capitalized at the present value of future minimum lease payments. The original capitalized cost of all such property under capital lease as of June 30, 2016 is as follows:

<u>Assets Under Capital Lease</u>	
Buildings, Furniture, & Equipment	\$ 274,549,486
Less: Accumulated Depreciation	<u>69,251,806</u>
Total	<u>\$ 205,297,680</u>

NOTES TO FINANCIAL STATEMENTS
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Capital lease obligations are due primarily in monthly installments through 2045. The following is a schedule of the future minimum lease payments for leased property and the present value of the net minimum lease payments at June 30, 2016:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 18,566,926	\$ 8,844,170	\$ 27,411,096
2018	19,158,085	8,243,775	27,401,860
2019	18,317,346	7,514,028	25,831,374
2020	13,035,209	6,583,781	19,618,990
2021	12,593,046	6,062,638	18,655,684
2022-2026	57,818,508	24,746,031	82,564,539
2027-2031	51,920,931	13,666,661	65,587,592
2032-2036	19,815,583	4,653,936	24,469,519
2037-2041	8,890,000	1,916,830	10,806,830
2042-2046	3,062,000	211,944	3,273,944
	<u>\$ 223,177,634</u>	<u>\$ 82,443,794</u>	<u>\$ 305,621,428</u>

During the years ended June 30, 2016, the State of Oklahoma made lease principal and interest payments to Oklahoma Capital Improvement Authority "OCIA" (capital lease obligations) totaling \$9,058,748 on behalf of the Universities of the System. These on-behalf payments have been recorded as restricted state appropriations in the statements of revenues, expenses, and changes in net position.

Refunding of Debt:

East Central University:

During 2016, ECU refinanced the Board of Regents of Oklahoma Colleges Fine Arts Center Revenue Bonds, Series 2005 (the "Bonds") with Oklahoma Development Finance Authority ("ODFA") Real Property 2015A. The original purpose was for constructing a Fine Arts Center for the amount of \$5,000,000. The new debt is due in annual installments varying from \$122,000 to \$278,000 plus interest ranging from 3.70% to 4.50%, with the final installment being due in the year 2035. The refinancing resulted in a deferred outflow of resources that will be amortized over a period of eighteen years, beginning in fiscal year 2016. The refinancing also resulted in an aggregate debt service difference for principal and interest between the original bond agreement and the refinanced bond agreement of \$505,755 which also approximates the economic cost of the lease restructuring.

NOTES TO FINANCIAL STATEMENTS
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Northeastern State University

In June 2016, the NSU entered into capital lease obligation Series 2016B in the amount of \$4,509,000 to refinance Board of Regents of Oklahoma Colleges Northeastern State University Revenue Bonds Series 2004. Lease payments over the term of the agreement, including interest, total \$5,246,160. Payments begin July 15, 2016, and go through May 15, 2024, and will range from \$58,251 to \$54,388 monthly. The economic gain of the refinance was \$513,368

University of Central Oklahoma

RUSO (Wantland Stadium Phase 2 2004B Tax Exempt Refi) Bond Anticipation Note Series 2016 (Federally Taxable)

In January 2016, UCO had one short-term note payable for the issuance of debt in the form of interim financing through federally taxable bond anticipation notes to be ultimately retired from proceeds of a long-term, fixed rate taxable bond issue expected to be issued by the ODFA under the State Master Lease Program.

<u>Original</u> <u>Amount</u>	<u>Date</u>	<u>Frequency</u>	<u>Installment</u> <u>Amount</u>	<u>Effective</u> <u>Interest Rate</u>	<u>Number of</u> <u>Installments</u>
\$10,850,000	1/1/2016	Semi Annual	\$ 52,743 to \$10,850,000	1.00%	2

In June 2016, the ODFA issued Taxable Bond Series 2016C which refunded the 2016 bond anticipation note payable. As a result, the total liability of the remaining 2016 note combined with the new 2016C bond issues is \$10,930,000. This lease restructuring did not result in a significant deferred restructuring charge.

NOTE G--RETIREMENT PLANS

The System's academic and nonacademic personnel are covered by various retirement plans. The plans available to System personnel include the Oklahoma Teachers' Retirement System, which is a State of Oklahoma public employees retirement system, and the Supplemental Retirement Annuity (SRA), a single employer defined benefit pension plan available to employees hired prior to July 1, 1995, and the retirement plan for the president of UCO, a single employer plan.

NOTES TO FINANCIAL STATEMENTS
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Oklahoma Teachers' Retirement System (OTRS)

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

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

Benefit provisions include:

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

NOTES TO FINANCIAL STATEMENTS
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- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions - The contribution requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.55% for any employees' salaries covered by federal funds. Contributions to the pension plan from the System were \$20,541,047. The State of Oklahoma also made on-behalf contributions to OTRS, totaling \$14,965,135; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the System reported a liability of \$291,331,900 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The System's proportion of the net pension liability was based on the System's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the System's proportion was 4.79738 percent.

For the year ended June 30, 2016, the System recognized pension expense of \$18,292,442. At June 30, 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,895,404
Changes of assumptions	13,949,902	
Net difference between projected and actual earnings on pension plan investments	-	19,763,588
Changes in System's proportionate share of contributions	5,403,424	-
Differences between System contributions and proportionate share of contributions	237,499	-
System contributions subsequent to the measurement date	<u>20,541,047</u>	-
Total	<u><u>\$ 40,131,872</u></u>	<u><u>\$ 29,658,992</u></u>

The \$20,541,047 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (7,125,314)
2018	(7,125,314)
2019	(7,125,314)
2020	8,490,316
2021	2,263,250
Thereafter	<u>554,209</u>
Total	<u><u>\$ (10,068,167)</u></u>

NOTES TO FINANCIAL STATEMENTS
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Actuarial Assumptions- The total pension liability as of June 30, 2016, was determined based on an actuarial valuation prepared as if June 30, 2015 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.75% inflation, including 3.00% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.0%	6.1%
Domestic Small Cap Equity	10.0%	6.6%
International Large Cap Equity	11.5%	5.8%
Internationa Small Cap Equity	6.0%	5.8%
Core Plus Fixed Income	17.5%	1.8%
High-yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
Total	100.00%	

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

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

**NOTES TO FINANCIAL STATEMENTS
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Discount Rate- A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2014 and June 30, 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Employers' net pension liability	\$ 402,736,030	\$ 291,331,900	\$ 197,691,666

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

Supplemental Retirement Annuity (SRA)

PLAN DESCRIPTION

A. Administration

The System’s Supplemental Retirement Annuity Plan (the Plan) is a single employer, defined benefit pension plan administered by the Regional University System of Oklahoma (The System). The Plan was established by the System to provide supplemental retirement and death benefits to employees who were hired prior to July 1, 1995, or to those eligible employees’ beneficiaries. The plan is closed to employees hired on or after July 1, 1995. The authority to amend the Plan’s benefit provisions rests with the System.

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The SRA Trust Fund is administered by the System. Plan benefit provisions were established and may be amended under the authority of System. Contribution requirements were established and may be amended by the System.

B. Number of Members

As of June 30, 2016 the Plan members are as follows:

Active Participants	365
Vested Terminated Participants	25
Retired Participants	<u>849</u>
Total plan participants	<u><u>1,239</u></u>

C. Benefits Paid to Members

The Plan provides retirement and death benefits to members of the plan as described:

Normal Retirement

The monthly retirement benefit payable on the normal retirement date is the greater of (a) and (b) below:

- a) Method One Calculation: (50% of average monthly salary less the maximum monthly OTRS retirement benefit) times the ratio of Oklahoma State System of Higher Education (OSSHE) service years (maximum 25) over 25. For employees hired on or after July 1, 1987, both references to "25" are replaced with "30".
- b) Method Two Calculation: 2.4% of the average annual base salary for each OSSHE service year (maximum 30), less the maximum annual OTRS retirement benefit, divided by 12.

The benefit payable at early retirement is calculated in the same manner as the benefit payable at normal retirement, except that actuarial reduction factors are used for early retirement.

NOTES TO FINANCIAL STATEMENTS
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The benefit will be vested for an employee upon the earliest of:

- a) completion of 10 service years in the System and attainment of age 52;
- b) completion of 25 service years in the System; or
- c) the attained age when the sum of the employee's age and the number of OTRS service years total 80, if the employee completed at least 10 service years in the System.

For employees hired on or after July 1, 1987, both references to "10 service years" are replaced with "15 service years," and the reference to "25 service years" is replaced with "30 service years".

Death Benefit

If a vested member dies prior to the commencement of benefits, a survivor benefit is payable for life to the surviving spouse of the participant. Benefits to the surviving spouse may not begin until the spouse has attained the age of 55.

NET PENSION LIABILITY OF THE SYSTEM

The components of the net pension liability of the System at June 30, 2015 and 2016, were as follows:

	2015	2016
Total Pension Liability	\$ 64,554,284	\$ 63,906,395
Plan Fiduciary Net Position	<u>(27,906,261)</u>	<u>(28,777,314)</u>
Net Pension Liability	<u>\$ 36,648,023</u>	<u>\$ 35,129,081</u>
Plan Fiduciary Net Position as a percentage of the total pension liability	43.2%	43.8%

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement. Also presented are assumptions for the fiscal year ended June 30, 2015:

Valuation Date	30-Jun-15	
Actuarial Cost Method	Entry Age Normal Cost method as a level percentage of pay	
Salary increases including inflation	2.50%	
Mortality	<u>Pre-Retirement</u>	
	RP-2000 for non-annuitants	Projected to 2030 as of 6/30/15
	<u>Post-Retirement</u>	
	RP-2000 for annuitants	Projected to 2022 as of 6/30/15
Investment Rate of Return, compounded annually, includes inflation and net of investment expenses	6.00%	
Tax-Exempt, High Quality Municipal Bond Rate	3.75%	
Blended Discount Rate	5.44%	

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
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The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return developed for each major asset class. Actual long term historical results achieved by the Plan were also considered. Best estimates of the rates of return for each major asset class included in the pension plan’s current asset allocation since the plan has not adopted a formal target asset allocation policy, as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Nominal Rate of Return</u>
TIAA Traditional	6%
Equity Accounts	8%
Real Estate	7%
Money Market	0%

Discount rate - The discount rate used to measure the total pension liability was 5.44 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that System contributions will be made at rates equal to the actuarially determined contribution rates. The plan currently has adopted a funding policy to achieve an 80 percent funding level by December 1, 2022. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until 2035. Therefore, a blended discount rate was applied using a high yield 20-year municipal bond index rate of 3.75% (www.bondsonline.com).

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the System, calculated using the discount rate of 5.44 percent, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.44 percent) or 1-percentage-point higher (6.44 percent) than the current rate:

	<u>1% Decrease 4.44%</u>	<u>Current Discount Rate 5.44%</u>	<u>1% Increase 6.44%</u>
Employers' net pension liability - 2015	\$ 42,522,769	\$ 36,648,023	\$ 31,577,578
Employers' net pension liability - 2016	\$ 41,619,633	\$ 35,869,660	\$ 40,832,414

NOTES TO FINANCIAL STATEMENTS
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Contributions - The authority to establish and amend eligible employees' and employer contribution obligations to the Plan rests with the System's Board of Regents. Eligible employees are not required to make contributions to the Plan. The System 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. Actuarial determined employer contributions are developed using the projected credit unit method and an expected investment return of 6.0%, for funding purposes only. Contributions to the pension plan from the System were \$4,857,720.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 06/30/2014	64,642,774	25,917,133	38,725,641
Changes for the year:			
Service cost	138,893		138,893
Interest	3,416,026		3,416,026
Differences between expected and actual experien	644,168		644,168
Assumption Changes	441,404	-	441,404
Contributions - employers		5,534,534	(5,534,534)
Net investment income		1,183,575	(1,183,575)
Benefit payments, including refunds	(4,728,981)	(4,728,981)	-
Administrative Expense		-	-
Other changes			-
Net changes	(88,490)	1,989,128	(2,077,618)
Balances at 06/30/2015	64,554,284	27,906,261	36,648,023

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the System reported a liability of \$36,648,023 of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. At June 30, 2016, the System recognized pension expense of \$4,351,308. At June 30, 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	250,516	-
Net difference between projected and actual earnings on pension plan investments	319,521	-
College contributions subsequent to the measurement date	<u>4,857,720</u>	<u>-</u>
Total	<u>\$ 5,427,757</u>	<u>\$ -</u>

The \$4,857,720 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 329,298
2018	78,782
2019	78,783
2020	<u>83,174</u>
Total	<u>\$ 570,037</u>

Section 415(M) Plan for the President of the University of Central Oklahoma

PLAN DESCRIPTION

A. Administration

The Retirement Plan for the President of The University of Central Oklahoma (the Plan) is a single employer, defined benefit pension plan administered by the Regional University System of Oklahoma (The System). The Plan was established by the System to provide supplemental retirement and death benefits to the current and any successor of the current President of the University of Central Oklahoma. The authority to amend the Plan's benefit provisions rests with the System.

NOTES TO FINANCIAL STATEMENTS
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The trust fund is administered by the System. Plan benefit provisions were established and may be amended under the authority of System. Contribution requirements were established and may be amended by the System.

B. Number of Members

As of June 30, 2016 the Plan members are as follows:

Active Participants	1
Total plan participants	1

C. Benefits Paid to Members

The Plan provides retirement benefits to the eligible employee commencing as of the first day of the month coincident with the Date of Retirement payable beginning the first of the following month as calculated under the grater of (a) or (b) below, less any amounts payable to the employee under the Supplemental Retirement Plan:

- (a) Method One: For an Employee who meets the defined Normal Retirement or Early Retirement Plan definition or is vested at the defined Date of Retirement, the formula will be:

One-half (1/2) of Average Monthly Salary (A.M.S.), less the monthly Teachers' Retirement Maximum Life Option Annuity (T.R.A.), times the Employee's number of Service Years divided by thirty (30).

- (b) Method Two: For an Employee who meets the defined Normal Retirement or Early Retirement Plan definition or is vested and has at least fifteen (15) defined Service Years in the Oklahoma Regional University System immediately preceding date of retirement, the written formula will be:

Two and four-tenths percent (2.4%) times the Employee's Service Years times the Employee's Average Annual Base Salary less the annual Teachers' Retirement Maximum Life Option Annuity (LR.A.), divided by twelve (12). Notwithstanding any provisions of this Section 2.1 to the contrary, with respect to any currently active Participant, no deduction for TIAA will be used to reduce the benefit of any Participant.

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Participant may elect three payment options:

1. Participant shall receive full benefit without option for joint or surviving spouse benefits.
2. Participant shall elect a 100% joint and survivor benefit the Participant shall receive monthly payments payable for life, and payments in the same amount shall, after the retired Participant's death, be continued to the Participant's Spouse during the Spouse's lifetime. In the event the Spouse predeceases the Participant, the amount of benefit payable under this Option shall be increased to the amount which would have been paid under Option 1 effective the first of the month following the month of such Spouse's death.
3. Participant shall elect to receive a 50% Joint and Survivor benefit which is the Option 3 Actuarial Equivalent of the Option 1 benefit under which the Participant shall receive monthly payments payable for life, and payments equal to 50% of the monthly payment to the Participant shall, after the retired Participant's death, be continued to the Participant's Spouse during the Spouse's lifetime. In the event the Spouse predeceases the Participant, the amount of benefit payable under this Option shall be increased to the amount which would have been paid under Option 1 effective the first of the month following the month of such Spouse's death.

Death Benefit

If a vested member dies prior to the commencement of benefits, a survivor benefit is payable for life to the surviving spouse of the participant. Benefits to the surviving spouse may not begin until the spouse has attained the age of 55.

NET PENSION LIABILITY OF THE SYSTEM

The components of the net pension liability of the System at June 30, 2016, were as follows:

	<u>2016</u>
Total Pension Liability	\$ 861,504
Plan Fiduciary Net Position	<u>(479,133)</u>
Net Pension Liability	<u>\$ 382,371</u>
Plan Fiduciary Net Position as a percentage of the total pension liability	55.6%

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement. Also presented are assumptions for the fiscal year ended June 30, 2016:

Valuation Date	30-Jun-16
Actuarial Cost Method	Entry Age Normal Cost method as a level percentage of pay
Mortality	<u>IRS 2016 Combined</u> Static Mortality Table, for males
Investment Rate of Return, compounded annually, includes inflation and net of investment expenses	4.50%
Tax-Exempt, High Quality Municipal Bond Rate	3.75%

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return developed for each major asset class. Actual long term historical results achieved by the Plan were also considered. Best estimates of the rates of return for each major asset class included in the pension plan's current asset allocation since the plan has not adopted a formal target asset allocation policy, as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Equities	4.5%

Discount rate - The discount rate used to measure the total pension liability was 4.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the System, calculated using the discount rate of 4.50 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.50 percent) or 1-percentage-point higher (5.50 percent) than the current rate:

	<u>3.50%</u>	<u>4.50%</u>	<u>5.50%</u>
Employers' net pension liability - 2016	\$ 467,522	\$ 382,371	\$ 305,156

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
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Contributions - The authority to establish and amend eligible employees' and employer contribution obligations to the Plan rests with the System's Board of Regents. Eligible employees are not required to make contributions to the Plan. The System is required to contribute to the SRA an actuarially determined amount on an annual basis. Contributions to the pension plan from the System were \$228,300.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 06/30/2015	\$ 751,257	\$ 237,097	\$ 514,160
Changes for the year:			
Service cost	284,760	-	284,760
Interest	33,807	-	33,807
Differences between expected and actual experience	(208,320)	-	(208,320)
Contributions - employers	-	228,300	(228,300)
Net investment income	-	13,736	(13,736)
Net changes	110,247	242,036	(131,789)
Balances at 06/30/2016	\$ 861,504	\$ 479,133	\$ 382,371

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the System reported a liability of \$382,371 of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2016, the System recognized pension expense of \$261,511. At June 30, 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 166,656
Net difference between projected and actual earnings on pension plan investments	1,656	-
Total	\$ 1,656	\$ 166,656

NOTES TO FINANCIAL STATEMENTS
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The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
	2017	\$ (41,250)
	2018	(41,250)
	2019	(41,250)
	2020	(41,250)
	Total	<u>\$ (165,000)</u>

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

Plan Description

The Retiree Medical Trust for the Regional University System of Oklahoma OPEB Trust Fund is a single-employer other post-employment defined benefits plan (herein after referred to as the "Plan" or "OPEB Trust Fund") administered by the Regional University System of Oklahoma (the System). The plan provides medical and life insurance benefits to eligible retired employees until age 65.

Membership in the Plan at June 30, 2016, (latest actuarial report) is as follows:

Number of Active plan participants	2,003
Number of retired plan participants	<u>259</u>
Total plan participants	<u><u>2,262</u></u>

The OPEB Trust Fund is administered by the System. Plan benefit provisions were established and may be amended under the authority of the System.

Funding Policy

The contribution requirements of the System are established and may be amended by the Regional University System of Oklahoma Board of Regents. Each 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 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

NOTES TO FINANCIAL STATEMENTS
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years. In 2016, the annual required contribution for the System was \$888,094.

Actuarial Method and Assumptions

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

- Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. For the June 30, 2016, actuarial valuation, the Projected Unit Credit Cost Method was used with a 30 year open amortization period. The actuarial assumptions included a 7.0% investment rate of return, projected salary increases for first year of service to fifteen or more years of service of 4.25% to 6%, and an annual healthcare and insurance cost inflationary increase of 6.5% and 5.0%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Annual Cost and Net Obligation (Asset): Annual OPEB cost and net OPEB obligation (asset) of the plan for 2016 is as follows:

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	<u>2016</u>
Annual required contribution	\$ 888,094
Interest on net OPEB obligation	(303,211)
Adjustment to annual required contribution	<u>349,067</u>
Annual OPEB cost	933,950
Contribution made	<u>(2,278,191)</u>
(Increase) Decrease in net OPEB obligation(asset)	(1,344,241)
Net OPEB obligation (asset) at beginning of year	<u>(4,751,748)</u>
Net OPEB obligation (asset) at end of year	<u><u>\$ (6,095,989)</u></u>

Trend Information:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation (Asset)</u>
2016	\$ 933,950	244%	\$ (6,095,989)
2015	\$ 1,820,310	175%	\$ (4,751,748)
2014	\$ 1,934,962	155%	\$ (3,394,150)

Funded Status and Funding Progress

The funded status of the plan as of June 30 was as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial accrued liability (AAL)	\$ 18,642,254	\$ 18,573,730	\$ 23,783,849
Actuarial value of plan assets	<u>14,650,281</u>	<u>14,454,658</u>	<u>12,785,188</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,991,973</u>	<u>\$ 4,119,072</u>	<u>\$ 10,998,661</u>
Funded ratio (actuarial value of plan assets/AAL)	78.6%	77.8%	53.8%
Covered payroll (active plan members)	\$ 115,965,377	\$ 111,085,933	\$ 102,334,537
UAAL as a percentage of covered payroll	3.4%	3.7%	10.7%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO FINANCIAL STATEMENTS
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NOTE I--FUNDS HELD IN TRUST BY OTHERS

Beneficial Interest in State School Land Funds: The System's Universities have 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 individual Universities have 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 the University's "New College Fund". The System received approximately \$6,216,000 during the year ended June 30, 2016, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as state appropriations for capital purposes in the statement of revenues, expenses and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for the System, held in trust by the commissioners of Land Office, was approximately \$111,932,000 at June 30, 2016.

Oklahoma State Regents Endowment Trust Fund: In connection with the Oklahoma State Regents' Endowment Program (the Endowment Program), the State of Oklahoma has matched contributions received under the program. The state match amount, plus any retained accumulated earnings, totaled approximately \$22,204,000 at June 30, 2016, and is invested by the Oklahoma State Regents on behalf of the Universities. The Universities are 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, approximately \$3,222,000 at June 30, 2016, have been reflected as assets in the statement of net position.

NOTE J--RELATED PARTY TRANSACTIONS

NSU is beneficiary of the Northeastern Oklahoma Public Facilities Authority (the "Authority"), a public trust created under Title 60, Section 176, of the Oklahoma statutes. NSU received \$150,000 for the year ended June 30, 2016.

SWOSU leases a building from the Foundation. The lease provides for an annual rental of \$70,000 payable in monthly installments of \$5,833. The lessor is to provide for any significant repairs and maintenance. The lessee is to provide for all utilities, services, and other operating costs, including general repairs and maintenance. The lessee has the sole option to renew for a 10-year period. Terms and conditions of the lease are to be reviewed annually. SWOSU has renewed the lease through June 30, 2017.

NOTES TO FINANCIAL STATEMENTS
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The Foundations are not-for-profit corporations organized for the purpose of receiving and administering gifts for the benefit of the Universities. Distributions of amounts held by the Foundations are subject to the approval of the Foundations Board of Trustees. The Foundations primary function is to provide assistance to students of the universities in the form of scholarships and awards, and during 2016, the Foundations provided approximately \$5,036,843 in scholarships to students. Additionally, the Foundations provide financial assistance to the faculty and staff of the Universities, as well as the Universities programs and projects, and during 2016, the Foundations provided approximately \$2,327,132 in aid to programs, faculty, and staff. Many of the contributions received by the Foundations are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Foundations serve essentially as a conduit. Contributions that are not designated are used where the need is considered the greatest, as determined by the Foundations.

NOTE K--COMMITMENTS AND CONTINGENCIES

The System's Universities participate in a number of federally assisted grant and contract programs. These programs are subject to financial and compliance audits by the grantor or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although it is believed by the University that the amount, if any, would not be significant.

During the ordinary course of business, the System may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2016, will not have material adverse impact to the System.

NOTE L--RISK MANAGEMENT

The System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; employee injuries and illness; 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.

NOTES TO FINANCIAL STATEMENTS
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The System, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and CompSource Oklahoma (formerly the State Insurance Fund), public entity risk pools currently operating as a common risk management and insurance program for its members. The System pays annual premiums to the pools for tort, property, and liability insurance coverage. The Oklahoma Risk Management Pool's governing 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 System 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.

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
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NOTE M--CONDENSED COMBINING FINANCIAL INFORMATION

As noted in the reporting entity section above, the System's financial statements contain two blended component units, CRIPS and the UCO Housing Foundation. Condensed combining financial information of the System, CRIPS and the UCO Housing Foundation is presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	<u>System</u>	<u>CRIPS</u>	<u>UCO Housing Foundation</u>	<u>Total</u>
ASSETS				
Current assets	\$ 227,600	\$ -	\$ 3,272	\$ 230,872
Capital assets, net	570,560	-	4,569	575,129
Other assets	<u>38,016</u>	<u>-</u>	<u>43</u>	<u>38,059</u>
TOTAL ASSETS	836,176	-	7,884	844,060
DEFERRED OUTFLOWS OF RESOURCES				
	46,488	-	-	46,488
LIABILITIES				
Current liabilities	63,479	-	389	63,868
Non-current liabilities	<u>565,355</u>	<u>-</u>	<u>6,230</u>	<u>571,585</u>
TOTAL LIABILITIES	628,834	-	6,619	635,453
DEFERRED INFLOWS OF RESOURCES				
	32,872	-	-	32,872
NET POSITION				
Net investment in capital assets	279,197	-	579	279,776
Restricted-Nonexpendable	703	-	-	703
Restricted- expendable	132,833	-	2,594	135,427
Unrestricted (deficit)	<u>(191,775)</u>	<u>-</u>	<u>(1,908)</u>	<u>(193,683)</u>
TOTAL NET POSITION	\$ 220,958	\$ -	\$ 1,265	\$ 222,223

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
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Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>System</u>	<u>CRIPS</u>	<u>UCO Housing Foundation</u>	<u>Total</u>
Operating revenues				
Student tuition and fees, net	\$ 190,668	\$ -	\$ -	\$ 190,668
Grants and contracts	30,353	-	-	30,353
Other	<u>64,065</u>	<u>-</u>	<u>1,939</u>	<u>66,004</u>
Total operating revenues	285,086	-	1,939	287,025
Operating expenses				
Compensation and benefits	310,313	-	-	310,313
Depreciation	31,659	-	207	31,866
Other	<u>170,804</u>	<u>2</u>	<u>587</u>	<u>171,393</u>
Total operating expenses	512,776	2	794	513,572
Operating income (loss)	(227,690)	(2)	1,145	(226,547)
Nonoperating revenues (expenses)				
State appropriations	151,989	-	-	151,989
Grants and contributions	76,934	-	-	76,934
Interest expense	(9,944)	-	(125)	(10,069)
Other	<u>20,062</u>	<u>-</u>	<u>4</u>	<u>20,066</u>
Net nonoperating revenues expense	239,041	-	(121)	238,920
Contributed capital				
Appropriations for capital	7,492	-	-	7,492
Other	<u>14,759</u>	<u>-</u>	<u>-</u>	<u>14,759</u>
Change in net position	33,602	(2)	1,024	34,624
Net position, beginning of year, restated	<u>187,356</u>	<u>2</u>	<u>241</u>	<u>187,599</u>
Net position, end of year	<u>\$ 220,958</u>	<u>\$ -</u>	<u>\$ 1,265</u>	<u>\$ 222,223</u>

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
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Condensed Statements of Cash Flows

	System	CRIPS	UCO Housing Foundation	Total
Net Cash Provided By (Used In)				
Operating activities	\$ (500,828)	\$ (2)	\$ 295,696	\$ (205,134)
Noncapital financing activities	231,747	-	-	231,747
Capital and related financing activities	347,510	-	(400,300)	(52,790)
Investing activities	<u>(250,997)</u>	<u>-</u>	<u>272,673</u>	<u>21,676</u>
Net Increase (Decrease)	(172,568)	(2)	168,069	(4,501)
Beginning cash and cash equivalents	<u>(72,643)</u>	<u>2</u>	<u>289,240</u>	<u>216,599</u>
Ending cash and cash equivalents	<u>\$ (245,211)</u>	<u>\$ -</u>	<u>\$ 457,309</u>	<u>\$ 212,098</u>

NOTE N--DISCRETELY PRESENTED COMPONENT UNIT INFORMATION

Each of the Universities governed by the Regional University System of Oklahoma has a separate foundation or other entities to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the Universities that comprise the Regional University System of Oklahoma.

Condensed financial statement information related to the discretely presented component units, for the year ended June 30, 2016 is as follows:

Condensed Statement of Net Position

	ECU Foundation	NSU Foundation	NWOSU Foundation & Alumni	SE Foundation	SWOSU Foundation	SWOSU Pharmacy	UCO University Foundation	Alumni Association	KCSC-FM Foundation	TOTAL
ASSETS										
Current assets	\$ 3,170,216	\$ 4,118,150	\$ 348,517	\$ 3,958,535	\$ 599,438	\$ 434,476	\$ 4,405,041	\$ 520,606	\$ 541,710	\$ 18,096,689
Capital assets, net	336,581	34,000	2,821,645	6,510,807	641,298	-	1,327,575	-	-	11,671,906
Other assets	<u>25,310,649</u>	<u>20,837,182</u>	<u>22,268,876</u>	<u>21,209,927</u>	<u>19,254,698</u>	<u>5,526,041</u>	<u>33,341,090</u>	<u>-</u>	<u>238,518</u>	<u>147,986,981</u>
TOTAL ASSETS	28,817,446	24,989,332	25,439,038	31,679,269	20,495,434	5,960,517	39,073,706	520,606	780,228	177,755,576
LIABILITIES										
Current liabilities	13,478	14,853	60,682	1,017,976	4,684	-	850,451	-	-	1,962,124
Non-current liabilities	-	4,922	65,000	7,866,967	-	-	531,632	-	-	8,468,521
TOTAL LIABILITIES	13,478	19,775	125,682	8,884,943	4,684	-	1,382,083	-	-	10,430,645
NET POSITION										
Restricted-nonexpendable	19,190,502	15,359,667	24,143,593	13,083,669	16,633,744	1,289,690	21,290,045	-	100,000	111,090,910
Restricted-expendable	8,998,441	7,438,632	1,004,418	9,078,770	3,636,512	917,866	12,545,728	-	138,518	43,788,885
Unrestricted	<u>615,025</u>	<u>2,171,258</u>	<u>165,345</u>	<u>631,887</u>	<u>220,494</u>	<u>3,752,961</u>	<u>3,855,850</u>	<u>520,606</u>	<u>541,710</u>	<u>12,475,136</u>
TOTAL NET POSITION	<u>\$ 28,803,968</u>	<u>\$ 24,969,557</u>	<u>\$ 25,313,356</u>	<u>\$ 22,794,326</u>	<u>\$ 20,490,750</u>	<u>\$ 5,960,517</u>	<u>\$ 37,691,623</u>	<u>\$ 520,606</u>	<u>\$ 780,228</u>	<u>\$ 167,324,931</u>

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
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Condensed Statements of Revenues, Expenses and Changes in Net Position

	ECU Foundation	NSU Foundation	NWOSU Foundation & Alumni	SE Foundation	SWOSU Foundation	SWOSU Pharmacy	University Foundation	UCO Alumni Association	KCSC-FM Foundation	TOTAL
Operating Revenues										
Investment Income	\$ 143,032	\$ (160,724)	\$ -	794,487	\$ (143,524)	\$ (34,089)	\$ -	\$ -	\$ -	\$ 599,182
Gifts & Contributions	3,161,461	4,236,952	5,037,809	1,252,114	1,598,955	275,753	-	-	-	15,563,044
Other	69,332	21,565	799,208	1,612,895	654,203	80,505	-	472,582	-	3,710,290
Total Operating Revenues	3,373,825	4,097,793	5,837,017	3,659,496	2,109,634	322,169	-	472,582	-	19,872,516
Operating Expenses										
Compensation and benefits	184,063	-	-	-	-	-	-	-	-	184,063
Scholarships and fellowships	2,665,905	1,468,753	888,234	1,169,570	-	136,600	820,686	-	-	7,149,748
Other	403,910	822,725	1,842,283	1,658,209	2,258,792	244,858	3,430,646	413,079	89,803	11,164,305
Total Operating Expenses	3,253,878	2,291,478	2,730,517	2,827,779	2,258,792	381,458	4,251,332	413,079	89,803	18,498,116
Operating Income (Loss)	119,947	1,806,315	3,106,500	831,717	(149,158)	(59,289)	(4,251,332)	59,503	(89,803)	1,374,400
Nonoperating Revenues (Expenses)										
Grants and contributions										
Investment Income	-	-	(106,536)	-	-	-	600,285	(142)	4,214	497,821
Other	-	-	-	-	-	-	10,877,205	-	124,610	11,001,815
Net Nonoperating Revenues	-	-	(106,536)	-	-	-	11,477,490	(142)	128,824	11,499,636
Capital and Other Restricted										
Appropriations										
Other	-	-	-	-	-	-	-	-	-	-
Interaccount transfers										
Change in Net Position	119,947	1,806,315	2,999,964	831,717	(149,158)	(59,289)	7,226,158	59,361	39,021	12,874,036
Net Position at Beginning of Year	28,684,021	23,163,242	22,313,392	21,962,609	20,639,908	6,019,806	30,465,465	461,245	741,207	154,450,895
Net Position at End of Year	\$ 28,803,968	\$ 24,969,557	\$ 25,313,356	\$ 22,794,326	\$ 20,490,750	\$ 5,960,517	\$ 37,691,623	\$ 520,606	\$ 780,228	\$ 167,324,931

NOTE P-- DISCRETELY PRESENTED COMPONENT UNIT ENDOWMENT

The following contains the significant disclosures related to endowments at the System's University foundations:

EAST CENTRAL UNIVERSITY FOUNDATION, INC.:

Endowments

The Foundation's endowments consist of 294 individual donor-restricted funds established for a variety of scholarships and activities. As required by accounting principles generally accepted in the United States, net position associated with endowment funds are classified and reported based on donor-imposed restrictions. The endowments represent only those net position that are under the control of the Foundation.

NOTES TO FINANCIAL STATEMENTS
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Interpretation of Relevant Law: The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) as requiring the preservation of the purchasing power of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Therefore, the Foundation classifies as permanently restricted net position 1) the original value of endowed gifts, 2) any subsequent gifts, and 3) any accumulations to the permanent endowment made in accordance with the direction of the donor gift instrument.

Spending Policy: The Foundation has established a spending policy whereby the total amount available to be disbursed (i.e., the “Distributable Cash Income”) from the Foundation’s endowment fund and operating fund is determined annually.

The Distributable Cash Income is determined using the most recent 5-year average return on investments (ROI). The purpose of the spending policy is to establish an overall spending limit for the amount of money that can be disbursed from the Foundation’s endowment fund and operating fund each fiscal year. The spending policy limit is determined by March 31 of each year and is used for budgeting purposes for the following fiscal year that starts on July 1.

The primary goal of the spending policy is to position the endowment fund and the unrestricted fund so that there is a balance between long-term growth and accumulation versus annual distributions.

The spending policy utilizes the most recent 5-year average ROI percentage, which allows for long-term ROI trends to be built into the spending policy. The spending policy calculation will have an annual floor and ceiling which will enable the Foundation to spend a base amount from the endowment fund in low ROI periods and have extra savings in high ROI periods.

Net Position Composition of Endowments: The net position composition of endowments by type of fund as of June 30, 2016, was as follows:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 19,190,502	\$ 19,190,502

NOTES TO FINANCIAL STATEMENTS
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NORTHEASTERN STATE UNIVERSITY, FOUNDATION, INC:

ENDOWMENT DISCLOSURES

The NSU Foundation's endowment consists of 241 individual donor-restricted funds which are managed and controlled by the NSU Foundation and are primarily established for scholarships, programs, or capital projects. As required by GAAP, net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's financial statements are for a December 31 year-end.

Interpretation of Relevant Law: The Board of Trustees of the NSU Foundation, Inc. has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") 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 NSU Foundation classifies as permanently restricted net position (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. In accordance with SPMIFA, the NSU

Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (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
- (7) The investment policies of the organization

Endowment net position composition by type of fund as of December 31, 2015:

Description	Unrestricted	Expendable	Nonexpendable	Total
Donor-restricted endowment funds	\$ -	\$ 2,215,600	\$ 15,303,782	\$ 17,519,382
Board-designated endowment funds	1,092,481	-	-	1,092,481
Total funds invested	<u>\$ 1,092,481</u>	<u>\$ 2,215,600</u>	<u>\$ 15,303,782</u>	<u>\$ 18,611,863</u>

NOTES TO FINANCIAL STATEMENTS
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Change in endowment net position for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Endowment net position, beginning of year	\$ 1,099,396	\$ 3,475,270	\$ 14,034,590	18,609,256
Investment return:				
Investment income	19,384	14,733	300,225	334,342
Investment fees	(16,967)	(12,946)	(252,702)	(282,615)
Net realized and unrealized gain on investments	<u>(34,146)</u>	<u>(3,833)</u>	<u>(539,503)</u>	<u>(577,482)</u>
Total investment return	(31,729)	(2,046)	(491,980)	(525,755)
Contributions	-	16,649	1,007,925	1,024,574
Appropriation of endowment assets for expenditures	(44,942)	(40,459)	(664,773)	(750,174)
Transfer to move investment appreciation (depreciation)	-	(1,188,357)	1,188,357	-
Transfer to add/remove board or donor designated endowment funds	<u>69,756</u>	<u>(45,457)</u>	<u>229,663</u>	<u>253,962</u>
Endowment net position, end of year	<u>\$ 1,092,481</u>	<u>\$ 2,215,600</u>	<u>\$ 15,303,782</u>	<u>\$ 18,611,863</u>

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 or SPMIFA requires the NSU Foundation to retain as a fund of perpetual duration. In accordance with GAAP, using the total of endowment funds, there was no deficiency of this nature at December 31, 2015.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Foundation has a policy of appropriating for distribution each year amounts up to, but not to exceed 5% of market value averaged over the last five years. Since the Foundation has a policy of designating unrestricted funds each year for investment, it feels that this policy protects the purchasing power of the endowment. In light of current market fluctuations and the future needs of the Foundation, it evaluates the spending policy annually to ensure that it remains in accordance with the long-term objectives of the Foundation.

NORTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC. AND
ALUMNI ASSOCIATION:

ENDOWMENT DISCLOSURES

The Foundation's endowment consists of approximately 202 endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net position associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO FINANCIAL STATEMENTS
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Interpretation of Relevant Law:

The Trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net position (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 Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 10% annually. Actual returns in any given year may vary from this amount.

Strategies for Achieving Objectives:

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

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Spending Policy:

The Foundation has a policy of appropriating for distribution each year the equivalent of up to 5% of its endowment fund's fair value as of the immediately preceding July 1. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1.16% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net position is comprised as follows at June 30, 2016:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	\$ 1,004,418	\$ 24,143,593	\$ 25,148,011
Total endowment funds	<u>\$ —</u>	<u>\$ 1,004,418</u>	<u>\$ 24,143,593</u>	<u>\$ 25,148,011</u>

Changes in endowment net position for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Endowment net position, beginning of year	\$ —	\$ 1,894,747	\$ 19,652,111	\$ 21,546,858
Investment return	—	13,896	—	13,896
Contributions	—	1,133,548	4,491,482	5,625,030
Appropriation of endowment assets for expenditure	<u>—</u>	<u>(2,037,773)</u>	<u>—</u>	<u>(2,037,773)</u>
Endowment net position, end of year	<u>\$ —</u>	<u>\$ 1,004,418</u>	<u>\$ 24,143,593</u>	<u>\$ 25,148,011</u>

SOUTHEASTERN FOUNDATION, INC:

Endowment

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, 2016, these funds totaled \$601,619. 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 position in the Foundation financial statements.

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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 position associated with endowment funds, including funds designated by the Board of 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 position (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
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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. There were no deficiencies of this nature as of June 30, 2016.

Endowment Net Position Composition by Type of Fund as of June 30, 2016, is as follows:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Donor restricted endowment funds	\$ 398,999	\$ 8,931,539	\$ 13,083,669	\$ 22,414,207

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

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Endowment net position beginning of year	\$ 861,191	\$ 8,698,533	\$ 12,267,100	\$ 21,826,824
Contributions	-	741,368	656,213	1,397,581
Investment income	54,265	569,655	-	623,920
Net appreciation (depreciation)	23,969	144,847	-	168,816
Transfers	1,062,508	(1,222,864)	160,356	-
Amounts appropriated				
for expenditures	<u>(1,602,934)</u>	<u>-</u>	<u>-</u>	<u>(1,602,934)</u>
Endowment net position end of year	<u>\$ 398,999</u>	<u>\$ 8,931,539</u>	<u>\$ 13,083,669</u>	<u>\$ 22,414,207</u>

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.:

Endowment Disclosures

The Foundation's endowment consists of approximately 180+ endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net position associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's financial statements are for a December 31 year-end.

NOTES TO FINANCIAL STATEMENTS
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Interpretation of Relevant Law

The Trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net position (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 Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment funds that facilitate the Foundation's ability to provide funding for programs and provide adequate returns for invested funds. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to attain a minimum return of seven percent compounded annually after deducting all expenses and advisory fees over the period of a full market cycle in order to achieve a relative rate of return of three percent over the inflation rate and to earn a real rate of return defined by the endowment spending of the fund plus the inflation rate. The Foundation has established an investment committee to monitor the rates of returns of endowment funds in order to maximize earnings. Actual returns in any given year are dependent on market conditions and other factors, and may vary from time to time.

NOTES TO FINANCIAL STATEMENTS
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Strategies for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation formally adopted a revised investment policy statement on October 25, 2013. The revised investment policy statement includes allocation guidelines for assets diversification ranges of (1) a minimum of 47% up to a maximum of 77% in equities, (2) a minimum of 10% up to a maximum of 40% in fixed income,(3) a minimum of 0% up to a maximum of 10% in cash and cash equivalents, and (4) a minimum of 0% up to a maximum of 26% of alternative investments.

Spending Policy

The Foundation has a policy of appropriating for distribution each year, eighty-five percent of the earnings from each endowment fund for the donor-restricted purpose, if any. The remaining fifteen percent of the earnings plus all of the realized gains or losses are held in the endowment fund in order to provide for inflation and future growth. The Foundation honors the specific requests of each donor, recognizes all investment income, realized and unrealized gains and/or losses as temporarily or permanently restricted based on donor-restrictions, and makes distributions accordingly. In the absence of donor-restrictions on investment income all earnings from donor-restricted endowment funds are classified as temporarily restricted until appropriated for expenditure. All earnings on board-designated endowment funds are classified as unrestricted.

Endowment net position composition as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (502,378)	\$ 2,266,184	\$ 15,536,205	\$ 17,300,011
Board-designated endowment funds	698,789	6,310	-	705,099
 Total endowment funds	 <u>\$ 196,411</u>	 <u>\$ 2,272,494</u>	 <u>\$ 15,536,205</u>	 <u>\$ 18,005,110</u>

Changes in endowment net position during 2015 are as follows:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Endowment net position, beginning of year	\$ 401,996	\$ 2,655,013	\$ 15,014,832	\$ 18,071,841
Investment return:				
Interest and dividends	12,084	266,282	25,930	304,296
Net realized and unrealized gains (losses)	(18,634)	(474,289)	28,651	(464,272)
Total investment returns	(6,550)	(208,007)	54,581	(159,976)
Contributions	-	66,152	525,377	591,529
Program Service Revenue	2,460	-	-	2,460
Other income	12,450	2,507	204	15,161
Appropriation of endowment assets for expnditur	(213,945)	(243,171)	(58,789)	(515,905)
 Endowment net position, end of year	 <u>\$ 196,411</u>	 <u>\$ 2,272,494</u>	 <u>\$ 15,536,205</u>	 <u>\$ 18,005,110</u>

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION:

Endowment

The Foundation's endowment consists of approximately 390 individual donor-restricted endowment funds and 13 other donor-restricted funds. Net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Other endowment funds consist of contributions which were restricted by the donor for scholarships but have been endowed by the Foundation's Board of Trustees to provide scholarships for future periods rather than fully expending such amounts in the current year. All of the endowment funds held by the Foundation are managed and controlled by the Foundation in accordance with the following policies.

Interpretation of Relevant Law

The Board of Trustees (the "Trustees") of the Foundation has interpreted OK UPMIFA as requiring the preservation of the original gift amount as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net position (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 Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

Endowment net position composition by type of fund at June 30, 2016:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Donor-Restricted endowment fund	\$ (17,723)	\$ 1,453,326	\$ 21,290,045	\$ 22,725,648
Other endowment fund	-	680,348	-	680,348
Total endowment fund	<u>\$ (17,723)</u>	<u>\$ 2,133,674</u>	<u>\$ 21,290,045</u>	<u>\$ 23,405,996</u>

Change in endowment net position for the years ended June 30, 2016:

	<u>Unrestricted</u>	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Endowment net assets at June 30, 2015	(4,852)	2,813,521	20,225,997	23,034,666
Investment return:				
Investment income	(823)	632,515	2,223	633,915
Investment fees	-	(96,348)	(365)	(96,713)
Net realized and unrealized investment losses	<u>(8,625)</u>	<u>(248,173)</u>	<u>(1,223)</u>	<u>(258,021)</u>
Total Investment Return	(9,448)	287,994	635	279,181
Contributions	-	1,653	1,063,413	1,065,066
Appropriations	<u>(3,423)</u>	<u>(969,494)</u>	<u>-</u>	<u>(972,917)</u>
Endowment net assets at June 30, 2016	<u>\$ (17,723)</u>	<u>\$ 2,133,674</u>	<u>\$ 21,290,045</u>	<u>\$ 23,405,996</u>

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. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net position and totaled approximately \$18,000 at June 30, 2016. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as other endowment funds with a donor restricted purpose (i.e., scholarships) that are board-designated for endowment. Under this policy, as approved by the Trustees, the endowment assets are invested with the primary objective of realizing appreciation on investment values and the secondary goal of providing current income to support University programs. The asset allocation policies (see below) reflect and are consistent with the investment objectives and risk tolerances expressed through the investment policy. These policies, developed after examining

NOTES TO FINANCIAL STATEMENTS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments (target ranges between 40%-70%) than fixed income investments (target ranges between 25%-45%) to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Generally, the Foundation has a policy of appropriating for distribution semi-annually based on a 4% annualized rate (2% each semi-annual period). The distribution rate is applied to the value of the endowment fund assets, including certain income producing real estate holdings, over an average of three years (i.e., using the average of the last six semi-annual values of endowment assets). In the event that any endowment account has a fair value which is less than the historic gift value, the Trustees meet and specifically evaluate and approve the spending policy amount prior to distribution. The spending policy is evaluated annually (and/or semi-annually), based on market fluctuations and historical trends to ensure that it remains in accordance with the long-term objectives of the Foundation. For the year ended June 30, 2016, the Trustees approved a spending policy distribution of 2.75% for the second semi-annual distribution period.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2016

SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
System's proportion of the net pension liability	4.7023%	4.7973%
System's proportionate share of the net pension liability	\$ 252,975,336	\$ 291,331,900
System's covered-employee payroll	\$ 212,233,542	\$ 222,182,820
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	119.20%	131.12%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%

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

Notes to Schedule:

Only the current and prior fiscal year is presented because 10-year data is not yet available. Amounts presented are based on a measurement date of June 30.

REQUIRED SUPPLEMENTARY INFORMATION--Continued
 REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2016

SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS
 OKLAHOMA TEACHERS RETIREMENT SYSTEM
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 20,296,707	\$ 20,541,047
Contributions in relation to the contractually required contribution	<u>20,296,707</u>	<u>20,541,047</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
System's covered-employee payroll	\$ 222,182,820	\$ 231,942,190
Contributions as a percentage of covered- employee payroll	9.14%	8.86%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2016

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SRA PLAN

	2014	*2015	2016
Total pension liability			
Service cost	\$ 150,122	\$ 138,893	\$ 138,893
Interest	3,656,771	3,416,026	3,298,031
Experience Gain/(Loss)	408,491	644,168	644,168
Changes of assumptions	4,037,483	441,404	-
Benefit payments, including refunds of member contributions	<u>(4,592,272)</u>	<u>(4,728,981)</u>	<u>(4,728,981)</u>
Net change in total pension liability	3,660,595	(88,490)	(647,889)
Total pension liability - beginning	<u>60,982,179</u>	<u>64,642,774</u>	<u>64,554,284</u>
Total pension liability - ending (a)	<u>\$64,642,774</u>	<u>\$64,554,284</u>	<u>\$63,906,395</u>
Plan fiduciary net position			
Contributions - employer	\$ 4,862,045	\$ 5,534,534	\$ 4,857,720
Net investment income	1,547,284	1,183,575	888,793
Benefit payments	<u>(4,592,272)</u>	<u>(4,728,981)</u>	<u>(4,875,460)</u>
Net change in plan fiduciary net position	1,817,057	1,989,128	871,053
Plan fiduciary net position - beginning	<u>24,100,076</u>	<u>25,917,133</u>	<u>27,906,261</u>
Plan fiduciary net position - ending (b)	<u>\$25,917,133</u>	<u>\$27,906,261</u>	<u>\$28,777,314</u>
Net pension liability - ending (a) - (b)	<u>\$38,725,641</u>	<u>\$36,648,023</u>	<u>\$35,129,081</u>
Plan fiduciary net position as a percentage of the total pension liability	40.1%	43.2%	45.0%
Covered employee payroll	\$27,522,016	\$25,912,610	\$21,619,898
Net pension liability as a percentage of covered-employee payroll	140.7%	141.4%	162.5%

Notes to Schedule:

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

An updated actuarial study was performed for June 30, 2015; rollforward procedures were used for the development of June 30, 2016 information.

REQUIRED SUPPLEMENTARY INFORMATION--Continued
 REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2016

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SRA PLAN

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 2,991,644	\$ 2,991,644	\$ 3,953,057
Contributions in relation to the actuarially determined contribution	4,862,045	5,534,534	4,857,720
Contribution deficiency (excess)	<u>\$ (1,870,401)</u>	<u>\$ (2,542,890)</u>	<u>\$ (904,663)</u>
Covered employee payroll	\$ 27,522,016	\$ 21,619,898	\$ 20,480,109
Contributions as a percentage of covered-employee payroll	17.67%	25.60%	23.72%

Notes to Schedule:

1. Only the current and prior fiscal year is presented because 10-year data is not yet available.
2. Valuation Date: June 30 , 2015 for funding purposes during Fiscal Year 2016
3. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Projected Unit Credit
 - Amortization method - Level percent of payroll, closed
 - Amortization period - 20 years
 - Asset valuation method - Actuarial:
 - Fair Value
 - Salary increases - 2.5% per year, compounded annually
 - Investment rate of return - 6.5%, per year, compounded annual,
 - Mortality: Retirement Plan 2000 Mortality Table (RP-2000) with projected mortality improvements:
 - Pre-Retirement: RP-2000 for non-annuitants, projected 2030
 - Post-Reirement: RP-2000 for annuitants projected to 2022

REQUIRED SUPPLEMENTARY INFORMATION--Continued
 REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2016

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 RETIREMENT PLAN FOR PRESIDENT OF THE UNIVERSITY OF CENTRAL OKLAHOMA

	<u>2016</u>
Total pension liability	
Service cost	\$ 284,760
Interest	33,807
Experience Gain/(Loss)	<u>(208,320)</u>
Net change in total pension liability	110,247
Total pension liability - beginning	<u>751,257</u>
Total pension liability - ending (a)	<u><u>\$ 861,504</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 228,300
Net investment income	<u>13,736</u>
Net change in plan fiduciary net position	242,036
Plan fiduciary net position - beginning	<u>237,097</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 479,133</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 382,371</u></u>
Plan fiduciary net position as a percentage of the total pension liability	55.6%
Covered employee payroll	\$ 281,000
Net pension liability as a percentage of covered- employee payroll	136.1%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION--Continued
 REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2016

SCHEDULE OF EMPLOYER CONTRIBUTIONS

RETIREMENT PLAN FOR PRESIDENT OF THE UNIVERSITY OF CENTRAL OKLAHOMA

	<u>2016</u>
Actuarially determined contribution	\$ 63,334
Contributions in relation to the actuarially determined contribution	228,300
Contribution deficiency (excess)	<u>\$ (164,966)</u>
Covered employee payroll	\$ 281,000
Contributions as a percentage of covered-employee payroll	81.25%

Notes to Schedule:

1. Only the current and prior fiscal year is presented because 10-year data is not yet available.
2. Valuation Date: June 30 , 2016 for funding purposes during Fiscal Year 2016
3. Methods and assumptions used to determine contribution rates:
 - Mortality: The IRS 2016 Combined Static Mortality Table, for males, has been used.
 - Interest Rate: 7.0% per annum.
 - Salary Increases: Not applicable.
 - Marriage Assumptions: Not applicable.
 - Withdrawal Rates: None.
 - Disability Rates: None.

REQUIRED SUPPLEMENTARY INFORMATION--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2016

Regional University System of Oklahoma Retiree Health/Dental Insurance

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2014	12,785,188	23,783,849	10,998,661	53.8%	196,734,701	5.6%
6/30/2015	14,454,658	18,573,730	4,119,072	77.8%	221,924,559	1.9%
6/30/2016	14,650,281	18,642,254	3,991,973	78.6%	231,942,190	1.7%

Schedule of Employer Contributions

Year Ended June 30,	Annual OPEB Cost	Percentage Contribution
2016	\$ 933,950	244%
2015	1,820,310	175%
2014	1,934,909	155%

The System obtains an actuarial valuation annually.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Annual Required Contributions: See Note H for actuarial assumptions and other information used to determine the annual required contributions (ARC) for the plan.

Benefit Provisions: See Note H for a complete description of the plan.

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Admin</u>	<u>ECU</u>	<u>NSU</u>	<u>NWOSU</u>	<u>SE</u>	<u>SWOSU</u>	<u>UCO</u>	<u>Reclassification/ System-Wide Entries</u>	<u>TOTAL</u>
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	\$ 342,673	\$ 17,395,022	\$ 30,821,584	\$ 5,135,683	\$ 4,897,987	\$ 18,005,641	\$ 56,105,239	\$ 6,437,003	\$ 139,140,832
Restricted cash and cash equivalents	-	-	4,935,144	269,927	139,158	192,012	38,572,246	2,085,362	46,193,849
Restricted investments	-	-	-	-	-	-	2,085,362	(2,085,362)	-
Investments	-	-	-	-	-	-	-	6,437,003	(6,437,003)
Accounts receivable, net	42,018	2,925,397	6,286,345	435,954	1,753,343	1,767,140	26,725,035	(32,634)	39,902,598
Receivables from state agencies	-	-	1,318,528	220,757	580,467	-	-	343,230	2,462,982
Interest receivable	-	10,124	761,814	4,873	4,495	17,745	-	-	799,051
Prepaid expense	-	-	-	-	-	-	8,265	-	8,265
Inventories	-	-	394,376	13,062	-	150,270	293,662	-	851,370
Current portion of other receivable	-	451,438	-	-	-	-	-	125,968	577,406
Current portion of student loans receivable, net	-	-	-	-	-	-	436,014	-	436,014
Current portion of notes receivable, net	-	-	500,000	-	22,468	103,500	-	(125,968)	500,000
TOTAL CURRENT ASSETS	384,691	20,781,981	45,017,791	6,080,256	7,397,918	20,236,308	130,662,826	310,596	230,872,367
NONCURRENT ASSETS									
Restricted cash and cash equivalents	-	6,629,884	12,865,777	2,047,405	-	4,711,509	-	508,923	26,763,498
Restricted investments	-	227,055	-	-	-	-	508,923	(508,923)	227,055
Investments held by others	-	2,300	-	-	-	510,653	-	(510,653)	2,300
Receivable from OSRHE Endowment Trust Fund	-	343,230	-	-	-	-	-	(343,230)	-
Student Loans receivable, net	-	-	-	-	-	-	899,695	-	899,695
Accounts receivable, noncurrent portion	-	-	-	-	-	213,500	-	(213,500)	-
Other receivable	-	180,000	-	-	-	-	-	724,153	904,153
Notes receivable, net	-	-	3,017,996	-	-	99,191	-	-	3,117,187
Net OPEB Asset	-	-	-	-	-	-	-	6,095,989	6,095,989
Other assets	-	-	-	165	-	5,876	43,291	-	49,332
Capitalized collections	-	-	-	-	-	-	4,747,720	-	4,747,720
Capital assets, net	9,152	84,267,444	164,947,933	27,044,390	47,003,844	74,235,460	172,873,312	-	570,381,535
TOTAL NONCURRENT ASSETS	9,152	91,649,913	180,831,706	29,091,960	47,003,844	79,776,189	179,072,941	5,752,759	613,188,464
TOTAL ASSETS	\$ 393,843	\$ 112,431,894	\$ 225,849,497	\$ 35,172,216	\$ 54,401,762	\$ 100,012,497	\$ 309,735,767	\$ 6,063,355	\$ 844,060,831
DEFERRED OUTFLOWS OF RESOURCES									
Deferred amounts related to pensions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,561,285	\$ 45,561,285
Deferred charge on capital lease restructure	-	769,547	-	33,033	123,197	-	-	-	925,777
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ 769,547	\$ -	\$ 33,033	\$ 123,197	\$ -	\$ -	\$ 45,561,285	\$ 46,487,062

Continued on next page.

SUPPLEMENTARY INFORMATION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

COMBINING STATEMENT OF NET POSITION (Continued)
JUNE 30, 2016

	Admin	ECU	NSU	NWOSU	SE	SWOSU	UCO	Reclassification/ System-Wide Entries	TOTAL
LIABILITIES									
CURRENT LIABILITIES									
Accounts and scholarships payable	\$ 14,997	\$ 2,081,718	\$ 2,802,946	\$ 824,633	\$ 959,745	\$ 1,164,962	\$ 5,956,801	\$ -	\$ 13,805,802
Accrued payroll	17,552	246,580	1,007,764	263,980	130,451	396,064	5,612,882	-	7,675,273
Accrued interest	-	65,875	-	-	45,149	32,033	39,086	-	182,143
Unearned revenue	-	1,380,815	3,228,587	144,876	1,738,093	-	4,951,949	(247,138)	11,197,182
Deposits held in custody for others	-	409,324	117,802	197,819	240,561	304,286	3,054,830	-	4,324,622
Current portion of noncurrent liabilities	16,918	2,870,023	6,763,550	1,445,377	3,672,993	3,385,667	8,281,660	247,138	26,683,326
TOTAL CURRENT LIABILITIES	49,467	7,054,335	13,920,649	2,876,685	6,786,992	5,283,012	27,897,208	-	63,868,348
NONCURRENT LIABILITIES									
Accrued compensated absences	16,917	837,625	1,494,030	119,216	284,746	679,508	2,363,810	-	5,795,852
Federal loan program contributions refundable	-	-	6,172,000	-	-	-	1,053,982	-	7,225,982
Bonds payable	-	4,010,000	-	-	-	-	15,625,000	296,632	19,931,632
Unearned revenue	-	1,601,821	-	-	-	213,500	-	-	1,815,321
Unearned capital asset	-	-	200,000	155,286	-	-	-	-	355,286
ODFA master lease obligations	-	-	-	-	-	-	82,977,199	-	82,977,199
Net pension liability	-	-	-	-	-	-	-	328,362,294	328,362,294
Capital lease obligations	-	24,251,205	52,381,320	6,108,031	20,000,048	22,677,308	-	(296,632)	125,121,280
TOTAL NONCURRENT LIABILITIES	16,917	30,700,651	60,247,350	6,382,533	20,284,794	23,570,316	102,019,991	328,362,294	571,584,846
TOTAL LIABILITIES	\$ 66,384	\$ 37,754,986	\$ 74,167,999	\$ 9,259,218	\$ 27,071,786	\$ 28,853,328	\$ 129,917,199	\$ 328,362,294	\$ 635,453,194
DEFERRED INFLOWS OF RESOURCES									
Deferred amounts related to pensions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,825,648	\$ 29,825,648
Deferred gain on OClA lease restructure	-	303,289	610,047	160,649	272,740	284,184	1,415,408	-	3,046,317
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ -	\$ 303,289	\$ 610,047	\$ 160,649	\$ 272,740	\$ 284,184	\$ 1,415,408	\$ 29,825,648	\$ 32,871,965
NET POSITION									
Net investment in capital assets	\$ 9,152	\$ 53,077,083	\$ 111,237,383	\$ 19,584,557	\$ 24,515,420	\$ 48,996,629	\$ 22,356,073	\$ -	\$ 279,776,297
Restricted:									
Nonexpendable:									
Grants, bequests and contributions	-	-	-	-	-	-	703,044	-	703,044
Expendable:									
Scholarships, instruction and other	-	3,677,047	6,805,531	318,263	-	4,079,191	908,631	-	15,788,663
Loans	-	104,987	479,477	-	194,453	-	762,863	-	1,541,780
Capital projects	-	6,524,897	5,442,686	1,375,140	403,005	4,349,798	51,417,420	-	69,512,946
Debt service	-	-	2,230,712	-	-	-	46,353,318	-	48,584,030
Unrestricted (deficit)	318,307	11,759,152	24,875,662	4,507,422	2,067,555	13,449,367	55,901,811	(306,563,302)	(193,684,026)
TOTAL NET POSITION	\$ 327,459	\$ 75,143,166	\$ 151,071,451	\$ 25,785,382	\$ 27,180,433	\$ 70,874,985	\$ 178,403,160	\$ (306,563,302)	\$ 222,222,734

SUPPLEMENTARY INFORMATION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Admin	ECU	NSU	NWOSU	SE	SWOSU	UCO	Reclassification/ System-Wide Entries	TOTAL
OPERATING REVENUES									
Student tuition and fees, net of scholarship discounts and allowances	\$ -	\$ 18,847,069	\$ 32,089,540	\$ 7,290,649	\$ 16,724,069	\$ 23,463,121	\$ 92,254,040	\$ -	\$ 190,668,488
Federal grants and contracts	-	4,583,854	4,228,829	1,310,860	4,985,745	1,506,799	4,951,843	(68,995)	21,498,935
State and local grants and contracts	-	432,595	-	-	988,529	2,096,259	5,336,329	-	8,853,712
Bookstore operations	-	150,134	-	-	-	-	892,075	-	1,042,209
Housing and food service revenues, net of discounts and allowances	-	6,954,626	3,506,432	4,761,486	2,309,874	5,082,147	14,214,862	-	36,829,427
Optometry contracts and practice plan	-	-	6,373,494	-	-	-	-	-	6,373,494
Aerospace operations	-	-	-	-	640,469	-	-	-	640,469
Parking and University Center revenues (total revenues are dedicated as security for bond repayments)	-	-	-	-	-	-	5,862,433	-	5,862,433
Other auxiliary operations	-	-	-	-	-	1,935,115	-	-	1,935,115
Interest earned on loans to students	-	-	86,349	-	-	-	21,822	-	108,171
University assessments	875,972	-	-	-	-	-	-	(875,972)	-
Other operating revenues	45,738	1,943,204	4,539,467	472,360	1,800,995	702,814	4,027,032	(318,799)	13,212,811
TOTAL OPERATING REVENUES	921,710	32,911,482	50,824,111	13,835,355	27,449,681	34,786,255	127,560,436	(1,263,766)	287,025,264
OPERATING EXPENSES									
Compensation and employee benefits	615,698	32,043,433	66,341,324	18,107,930	31,545,001	43,562,336	122,163,164	(4,066,047)	310,312,839
Contractual services	80,426	5,005,658	4,438,765	2,708,822	2,792,291	3,145,149	5,451,430	(572,091)	23,050,450
Supplies and materials	-	3,982,775	5,820,607	5,113,838	3,540,366	4,034,266	19,825,070	-	42,316,922
Depreciation	5,431	3,563,503	9,549,652	1,910,696	3,331,752	4,085,068	9,212,573	-	31,658,675
Utilities	-	1,146,464	3,728,324	894,765	1,389,366	1,496,473	3,169,734	-	11,825,126
Communication expense	-	215,862	363,804	288,999	261,127	394,618	-	-	1,524,410
Scholarships and fellowships	-	10,372,589	12,328,885	1,893,831	5,311,559	5,023,753	17,017,770	-	51,948,387
Other operating expenses	126,462	5,537,963	7,470,014	1,058,027	2,662,639	2,892,830	21,846,024	(659,041)	40,934,918
TOTAL OPERATING EXPENSES	828,017	61,868,247	110,041,375	31,976,908	50,834,101	64,634,493	198,685,765	(5,297,179)	513,571,727
OPERATING INCOME (LOSS)	93,693	(28,956,765)	(59,217,264)	(18,141,553)	(23,384,420)	(29,848,238)	(71,125,329)	4,033,413	(226,546,463)

Continued on next page.

SUPPLEMENTARY INFORMATION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Admin</u>	<u>ECU</u>	<u>NSU</u>	<u>NWOSU</u>	<u>SE</u>	<u>SWOSU</u>	<u>UCO</u>	<u>Reclassification/ System-Wide Entries</u>	<u>TOTAL</u>
NONOPERATING REVENUES (EXPENSES)									
State appropriations	-	15,525,213	32,520,356	8,886,340	16,392,075	20,202,238	58,463,153	-	151,989,375
Federal grants and contracts	-	7,274,523	20,824,871	4,178,595	7,019,656	6,591,947	21,667,278	-	67,556,870
State grants and contracts	-	5,414,917	-	-	-	3,962,645	-	-	9,377,562
OTRS on-behalf contributions	-	-	-	-	-	-	-	14,965,135	14,965,135
Gifts	-	-	857,533	374,454	-	-	276,617	-	1,508,604
Investment income	-	112,260	313,220	284,219	49,982	145,336	539,500	-	1,444,517
Other nonoperating	-	622,927	-	-	794,127	729,652	-	-	2,146,706
Interest expense	-	(1,232,691)	(2,395,789)	(431,189)	(1,059,695)	(946,669)	(4,002,859)	-	(10,068,892)
NET NONOPERATING REVENUE (EXPENSES)	-	27,717,149	52,120,191	13,292,419	23,196,145	30,685,149	76,943,689	14,965,135	238,919,877
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	93,693	(1,239,616)	(7,097,073)	(4,849,134)	(188,275)	836,911	5,818,360	18,998,548	12,373,414
CAPITAL GIFTS AND GRANTS									
State appropriations restricted for capital purposes	-	1,086,835	4,223,798	1,151,848	1,051,848	1,160,783	1,573,586	(2,756,426)	7,492,272
Capital contributions	-	1,013,257	1,314,696	3,132,807	-	239,017	-	-	5,699,777
OCIA on-behalf state appropriations	-	1,467,537	-	889,410	1,323,821	1,567,782	1,053,772	2,756,426	9,058,748
	-	3,567,629	5,538,494	5,174,065	2,375,669	2,967,582	2,627,358	-	22,250,797
CHANGE IN NET POSITION	93,693	2,328,013	(1,558,579)	324,931	2,187,394	3,804,493	8,445,718	18,998,548	34,624,211
NET POSITION, BEGINNING OF YEAR, RESTATED	233,766	72,815,153	152,630,030	25,460,451	24,993,039	67,070,492	169,957,442	(325,561,850)	187,598,523
NET POSITION, END OF YEAR	<u>\$ 327,459</u>	<u>\$ 75,143,166</u>	<u>\$ 151,071,451</u>	<u>\$ 25,785,382</u>	<u>\$ 27,180,433</u>	<u>\$ 70,874,985</u>	<u>\$ 178,403,160</u>	<u>(306,563,302)</u>	<u>\$ 222,222,734</u>

SUPPLEMENTARY INFORMATION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Admin</u>	<u>ECU</u>	<u>NSU</u>	<u>NWOSU</u>	<u>SE</u>	<u>SWOSU</u>	<u>UCO</u>	<u>Reclassification/ System-Wide Entries</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES									
Tuition and fees	\$ -	\$ 17,323,332	\$ 31,981,807	\$ 7,148,890	\$ 16,594,243	\$ 23,486,530	\$ 89,481,811	\$ -	\$ 186,016,613
Grants and contracts	-	5,794,228	4,150,072	1,247,534	5,851,287	3,841,464	10,234,647	-	31,119,232
Auxiliary enterprises and other receipts	-	10,053,878	14,007,562	5,221,695	4,746,595	7,006,950	26,568,126	-	67,604,806
University assessment and other	879,692	-	-	-	-	-	-	-	879,692
Interest collected on loans to students	-	-	-	-	-	-	21,822	-	21,822
Payments to employees for salaries and benefits	(599,015)	(31,819,351)	(66,904,032)	(18,113,031)	(31,668,489)	(43,273,127)	(121,879,379)	-	(314,256,424)
Payments to suppliers and others	(209,295)	(26,711,227)	(37,774,018)	(11,115,305)	(16,363,699)	(17,699,625)	(66,891,180)	-	(176,764,349)
Loans issued to students	-	-	(585,735)	-	-	-	(329,050)	-	(914,785)
Collections of loans issued to students	-	-	782,781	-	-	-	376,621	-	1,159,402
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	71,382	(25,359,140)	(54,341,563)	(15,610,217)	(20,840,063)	(26,637,808)	(62,416,582)	-	(205,133,991)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
State appropriations	-	15,525,213	32,520,356	8,886,340	16,392,075	20,202,238	58,463,153	-	151,989,375
Non-operating grants	-	12,689,440	20,824,871	4,178,595	7,019,656	10,554,592	21,667,278	-	76,934,432
Cash received from Non-Operating Revenues	-	622,927	857,533	374,454	-	968,669	-	-	2,823,583
Direct Loan receipts	-	13,142,903	35,918,282	5,436,602	11,166,253	-	57,265,915	-	122,929,955
Direct Loan payments	-	(13,142,903)	(35,918,282)	(5,436,602)	(11,166,253)	-	(57,265,915)	-	(122,929,955)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	28,837,580	54,202,760	13,439,389	23,411,731	31,725,499	80,130,431	-	231,747,390
CASH FLOWS FROM INVESTING ACTIVITIES									
Proceeds from sales of investments	-	319,702	-	-	-	-	22,084,763	9,031,288	31,435,753
Purchases of investments	-	(312,384)	-	-	-	-	(10,863,775)	-	(11,176,159)
Interest income received	-	109,505	287,976	283,804	49,430	146,128	539,500	-	1,416,343
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	116,823	287,976	283,804	49,430	146,128	11,760,488	9,031,288	21,675,937
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Cash paid for capital assets	(10,652)	(11,056,169)	(14,051,306)	(2,849,102)	(631,234)	(6,213,097)	(21,294,080)	-	(56,105,640)
Capital appropriations received	-	1,086,835	1,467,372	1,151,848	1,051,848	1,160,783	1,573,586	-	7,492,272
Contributions	-	-	-	3,093,986	-	-	-	-	3,093,986
Proceeds from sale of assets	-	-	-	-	1,500,000	-	190,000	-	1,690,000
Drawdown of ODFFA receivable	-	9,589,188	-	-	-	-	-	-	9,589,188
Proceeds of capital debt and leases	-	4,862,570	4,904,292	459,860	810,000	-	23,000,755	-	34,037,477
Payments on capital debt and leases	-	(5,039,820)	(7,777,251)	-	(1,928,796)	(1,590,583)	(28,830,000)	-	(45,166,450)
Interest paid on capital debt and leases	-	(778,265)	(1,825,749)	(73,770)	(559,385)	(413,614)	(3,769,709)	-	(7,420,492)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(10,652)	(1,335,661)	(17,282,642)	1,782,822	242,433	(7,056,511)	(29,129,448)	-	(52,789,659)
NET CHANGE IN CASH AND CASH EQUIVALENTS	60,730	2,259,602	(17,133,469)	(104,202)	2,863,531	(1,822,692)	344,889	9,031,288	(4,500,323)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	281,943	21,765,304	65,755,974	7,557,217	2,173,614	24,731,854	94,332,596	-	216,598,502
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 342,673	\$ 24,024,906	\$ 48,622,505	\$ 7,453,015	\$ 5,037,145	\$ 22,909,162	\$ 94,677,485	\$ 9,031,288	\$ 212,098,179

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SUPPLEMENTARY INFORMATION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

COMBINING STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Admin</u>	<u>ECU</u>	<u>NSU</u>	<u>NWOSU</u>	<u>SE</u>	<u>SWOSU</u>	<u>UCO</u>	<u>Reclassification/ System-Wide Entries</u>	<u>TOTAL</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES									
Operating income(loss)	\$ 93,693	\$ (28,956,765)	\$ (59,217,264)	\$ (18,141,553)	\$ (23,384,420)	\$ (29,848,238)	\$ (71,125,329)	\$ 4,033,413	\$ (226,546,463)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:									
Depreciation	5,431	3,563,503	9,549,652	1,910,696	3,331,752	4,085,068	9,212,573	-	31,658,675
Loss on the disposal of capital assets	-	495	8,290	8,626	-	-	601,376	-	618,787
On-behalf contributions to teachers' retirement system	-	-	-	-	-	-	-	14,965,135	14,965,135
Changes in assets and liabilities:									
Accounts receivable	(42,018)	(1,230,299)	(628,355)	(106,211)	(507,682)	23,409	(1,462,186)	32,634	(3,920,708)
Grants and other receivables	-	1,783,693	-	101,751	259,041	619,830	-	-	2,764,315
Net pension liability	-	-	-	-	-	-	-	36,147,157	36,147,157
Deferred amounts from pensions	-	-	-	-	-	-	-	(53,834,098)	(53,834,098)
OPEB asset	-	-	-	-	-	-	-	(1,344,241)	(1,344,241)
Inventories	-	-	(43,585)	5,894	-	(9,852)	(30,457)	-	(78,000)
Loans receivable	-	-	197,046	-	5,139	-	47,571	-	249,756
Student and other deposits	-	-	-	(1,015)	-	-	1,139,527	-	1,138,512
Deposits held in custody of others	-	-	-	-	(98,251)	(15,924)	-	-	(114,175)
Other assets	-	-	-	52	-	-	2,666	-	2,718
Accounts payable and accrued expenses	(2,406)	(450,411)	(1,587,324)	691,879	(567,142)	(564,981)	(1,339,402)	-	(3,819,787)
Accrued payroll	17,552	175,161	(576,796)	-	35,026	-	45,390	-	(303,667)
Unearned revenue	-	(293,438)	(56,315)	(4,811)	244,987	(1,132,912)	232,551	-	(1,009,938)
Federal loan program contributions refundable	-	-	(2,001,000)	-	-	-	(27,061)	-	(2,028,061)
Loans to students and employees	-	-	-	-	-	38,362	-	-	38,362
Compensated absences	(870)	48,921	14,088	(75,525)	(158,513)	167,430	286,199	-	281,730
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 71,382</u>	<u>\$ (25,359,140)</u>	<u>\$ (54,341,563)</u>	<u>\$ (15,610,217)</u>	<u>\$ (20,840,063)</u>	<u>\$ (26,637,808)</u>	<u>\$ (62,416,582)</u>	<u>\$ -</u>	<u>\$ (205,133,991)</u>
NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL AND RELATED FINANCING ACTIVITIES									
Interest on capital debt paid by OCIA on behalf of the University	\$ -	\$ 404,511	\$ 828,010	\$ 260,223	\$ 396,893	\$ 477,733	\$ 554,946	\$ -	\$ 2,922,316
Principal on capital debt paid by OCIA on behalf of the University	\$ -	\$ 1,063,026	\$ 1,928,416	\$ 629,177	\$ 926,928	\$ 1,070,807	\$ 498,826	\$ -	\$ 6,117,180
Deferred cost on OCIA lease restructure	\$ -	\$ 769,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 769,547
Non-cash capital grants and gifts	\$ -	\$ -	\$ 1,314,696	\$ -	\$ -	\$ -	\$ 276,617	\$ -	\$ 1,591,313
Deferred gain on OCIA lease restructure	\$ -	\$ 303,289	\$ 610,047	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 913,336

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SUPPLEMENTARY INFORMATION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2016

COMBINING STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Admin</u>	<u>ECU</u>	<u>NSU</u>	<u>NWOSU</u>	<u>SE</u>	<u>SWOSU</u>	<u>UCO</u>	<u>Reclassification/ System-Wide Entries</u>	<u>TOTAL</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION									
Current assets:									
Cash and cash equivalents	\$ 342,673	\$ 17,395,022	\$ 30,821,584	\$ 5,135,683	\$ 4,897,987	\$ 18,005,641	\$ 56,105,239	\$ 6,437,003	\$ 139,140,832
Restricted cash and cash equivalents	-	-	4,935,144	269,927	139,158	192,012	38,572,246	2,085,362	46,193,849
Noncurrent assets:									
Restricted cash and cash equivalents	-	6,629,884	12,865,777	2,047,405	-	4,711,509	-	508,923	26,763,498
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 342,673</u>	<u>\$ 24,024,906</u>	<u>\$ 48,622,505</u>	<u>\$ 7,453,015</u>	<u>\$ 5,037,145</u>	<u>\$ 22,909,162</u>	<u>\$ 94,677,485</u>	<u>\$ 9,031,288</u>	<u>\$ 212,098,179</u>

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Regents

Regional University System of Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Regional University System of Oklahoma (the "System"), a component unit of the State of Oklahoma, and its aggregate discretely presented component units, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the System's basic financial statements, and have issued our report thereon dated October 21, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control in a department of the System, as described in the accompanying schedule of findings and questioned costs as Southwestern Oklahoma State University ("SWOSU") finding 2016-01, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* for the University of Central Oklahoma ("UCO") department and which is described in the accompanying schedule of findings and questioned costs as UCO finding 2016-01.

The SWOSU Department's and the UCO Department's Responses to Findings

The SWOSU Department's and the UCO Department's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The SWOSU Department's and the UCO Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinions on them.

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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arlidge & Associates, P.C.

October 21, 2016



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

Board of Regents
Regional University System of Oklahoma
East Central University
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited East Central 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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2016.

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 are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 21, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



October 21, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAST CENTRAL UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF EDUCATION			
Student financial aid cluster			
Federal Pell Grants	84.063	N/A	\$ 6,793,433
Federal Supplemental Education Opportunity Grants	84.007	N/A	97,274
Federal Work Study Program	84.033	N/A	415,670
Federal Direct Loan Program	84.268	N/A	13,142,903
<i>Total Student Financial Aid Cluster</i>			20,449,280
TRIO program cluster			
TRIO--Upward Bound	84.047	N/A	1,028,127
TRIO--Talent Search	84.044	N/A	518,693
TRIO--Student Support Services	84.042	N/A	411,499
TRIO--McNair Scholars Program	84.217	N/A	251,565
TRIO--Educational Opportunity Centers	84.066	N/A	489,275
<i>Total TRIO program cluster</i>			2,699,159
Other Programs			
Long-term Training - Rehabilitation	84.129	N/A	278,198
Child Care Access Means Parents in School - Tiny Tigers	84.335	N/A	86,953
Strengthening Minority-Serving Institutions	84.382	N/A	116,932
Higher Education Institutional Aid	84.031	N/A	303,870
Pass-through Oklahoma State Regents for Higher Education			
Supporting Effective Instruction State Grant	84.367		11,207
<i>Total Other Programs</i>			797,160
TOTAL U.S. DEPARTMENT OF EDUCATION			23,945,599
Research and Development (R&D) Cluster			
NATIONAL SCIENCE FOUNDATION			
Pass-through Oklahoma State University			
Education and Human Resources - Oklahoma Louis Stokes Alliance	47.076	AA-5-29849	17,881
Office of International Science and Engineering - Atmospheric Carbon			
Dioxide to Oxalic Acid	47.079	IIA-1301789	11,103
<i>Total pass-through Oklahoma State University</i>			28,984
Pass-through University of Central Oklahoma			
Robert Noyce Teacher Scholarship	47.046	DUE-0934030	12,749
Pass-through Brigham Young University			
Mathematical and Physical Sciences - CURM Mini Grant	47.049	ICN-1301789	5,067
TOTAL NATIONAL SCIENCE FOUNDATION			46,800
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>National Institute for Health (NIH)</i>			
Pass-through Oklahoma INBRE IdeA Network			
INBRE Summer Research	93.859		53
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			53
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			46,853

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

EAST CENTRAL UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identification Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Title IV: Child Welfare	93.575	N/A	48,538
Project Aware	93.243	N/A	87,499
Drug Free Communities	93.276	N/A	128,338
Center for Learning & Leadership	93.632	N/A	13,034
Pass-through Oklahoma State Department of Human Services Developmental Disabilities In-Service Training	93.778	00001273	289,038
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			566,447
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Environmental Research Apprenticeship	66.511	N/A	79,013
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			79,013
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Oklahoma State Department of Education Child and Adult Care Food Program	10.558	DC-62-014	14,177
TOTAL U.S. DEPARTMENT OF AGRICULTURE			14,177
U.S. DEPARTMENT OF JUSTICE			
OVW Campus Law Enforcement	16.526	N/A	205,087
TOTAL U.S. DEPARTMENT OF JUSTICE			205,087
U.S. DEPARTMENT OF DEFENSE			
Language Grant Program - In Search of the Firebird	12.900	H98230-13-1-0040	55,129
TOTAL U.S. DEPARTMENT OF DEFENSE			55,129
NATIONAL ENDOWMENT FOR THE HUMANITIES			
National Endowment for the Arts			
Promotion of the Arts_Grants to Organizations - The Big Read	45.024	N/A	13,000
Promotion of the Arts_Grants to Organizations - Ada Fest 2	45.024	N/A	11,637
<i>Total National Endowment for the Arts CFDA # 45.024</i>			24,637
Promotion of the Humanities_Public Programs - Lincoln, The Constitution and Civil War	45.164	N/A	6
Institute of Museum and Library Services			
Laura Bush 21st Century Librarian Program - Library Literacy Skills	45.313	N/A	8,435
<i>Total Institute of Museum and Library Services CFDA # 45.313</i>			8,435
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			33,072

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

EAST CENTRAL UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identification Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the Oklahoma Office of Highway Safety			
Alcohol Impaired Driving Countermeasures Incentive Grants I			
Statewide Judicial Education Program	20.601	N/A	40,457
National Priority Safety Programs - Statewide Judicial Education Program	20.616	N/A	43,150
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			83,607
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Pass-through University of Oklahoma			
Promotion of the Humanities - Federal/State Partnership	43.008	2011-42	20,628
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			20,628
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 25,049,612

See notes to schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EAST CENTRAL UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (“SEFA”) includes the federal award activity of East Central University (the “University”) under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. East Central University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C --FEDERAL DIRECT STUDENT LOAN PROGRAM

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

NOTE D—SUBRECIPIENTS

During the year ended June 30, 2016, the University did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST CENTRAL UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified 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 2 CFR 200.516(a)?

yes no

Identification of major programs:

Program

Student Financial Aid Cluster

CFDA Number

*

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

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

EAST CENTRAL UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

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

None to report for the June 30, 2016 period.

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

None to report for the June 30, 2016 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

EAST CENTRAL UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

Finding 2015-01--Cash Management CFDA # 84.268 Federal Direct Student Loans

Criteria: Procedures over University draws from federal student financial aid programs should provide reasonable assurance that the drawdown of federal cash is only for immediate needs and disbursements made as soon as administratively feasible.

Condition: On July 9, 2014, the University made cash draws against the direct lending program totaling approximately \$603,000 in excess of its cash needs. These excess funds were subsequently returned by the University on July 22, 2014.

Cause: Accounting procedures were not sufficient to preclude cash draws being made in advance.

Effect or potential effect: A lapse in controls over the timing of federal draws can lead to non-compliance with federal cash management requirements.

Recommendation: We recommend that the University review its policies and procedures to ensure that cash draws are properly determined and calculated prior to the request of the draw.

University's response and planned corrective action: University management has implemented additional procedures surrounding the policies and procedures of cash draws from the federal student financial aid programs. Additional training was provided by the Financial Aid office as to where to pull the correct information from within the management information system. The appropriate offices responsible for the federal student financial aid programs and the drawdowns of cash on these programs have an improved communication system and procedures to verify the amounts of drawdowns.

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



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

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

Report on Compliance for Each Major Federal Program

We have audited Northeastern 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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2016.

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 are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 21, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



October 21, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHEASTERN STATE UNIVERSITY
 A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF EDUCATION				
Student financial aid cluster				
Federal Pell Grants	84.063	N/A		\$ 14,138,420
Federal Supplemental Education Opportunity Grants	84.007	N/A		340,744
Federal TEACH Grant	84.379	N/A		320,191
Federal Work Study Program	84.033	N/A		267,793
Federal Perkins Loans	84.038	N/A		4,300,477
Federal Direct Loan Program	84.268	N/A		35,918,282
<i>Total Student Financial Aid Cluster</i>				55,285,907
TRIO program cluster				
TRIO--Talent Search	84.044	P044A110142-349		455,405
TRIO--Student Support Services	84.042	P042A100730		297,651
<i>Total TRIO program cluster</i>				753,056
Other Programs				
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	H325K100320		858
Higher Education Institutional Aid	84.031	P031A110217-15		315,284
Strengthening Minority-Serving Institutions	84.382	P382C110005-15		466,025
Pass-through Maryetta Public Schools				
Fund for the Improvement of Education	84.299	S299A140053		3,136
Improving Teacher Quality ESEA	84.367B	N/A		48,825
<i>Total Other Programs</i>				834,128
TOTAL U.S. DEPARTMENT OF EDUCATION				56,873,091
Research and Development (R&D) Cluster				
U.S. DEPARTMENT OF THE INTERIOR				
Fish and Wildlife Service				
State Wildlife Grants (North Dakota Game and Fish)	15.634	N/A		3,831
TOTAL U.S. DEPARTMENT OF THE INTERIOR				3,831
NATIONAL SCIENCE FOUNDATION				
Pass-through Oklahoma State University				
Education and Human Resources	47.076	AA-5-56595-NSU		1,440
Education and Human Resources	47.076	1-5-56595-NSU		27,972
<i>Subtotal for CFDA #47.076</i>				29,412
Office of Experimental Program to Stimulate Competitive Research	47.079	EPSCoR-2015-1		9,370
Office of Experimental Program to Stimulate Competitive Research	47.079	EPSCoR-2015-5		9,717
Office of Experimental Program to Stimulate Competitive Research	47.079	EPSCoR-2015-2		10,243
Office of Experimental Program to Stimulate Competitive Research	47.079	EPSCoR-2015-16		5,171
Office of Experimental Program to Stimulate Competitive Research	47.079	EPSCoR-2015-22		2,763
Office of Experimental Program to Stimulate Competitive Research	47.079	EPSCoR-2016-3		609
<i>Subtotal for CFDA #47.079</i>				37,873
TOTAL FOR NATIONAL SCIENCE FOUNDATION				67,285

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

NORTHEASTERN STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identification Number</i>	<i>Passed Through to Subrecipients</i>	<i>Federal Expenditures</i>
Research and Development (R&D) Cluster - Continued				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
National Institute for Health				
Pass-through OU Health Science Center				
Biomedical Research and Research Training	93.859	RS20132225-11		22,851
Biomedical Research and Research Training	93.859	RS20132225-16		18,284
Biomedical Research and Research Training	93.859	RS20132225-08		5,108
Biomedical Research and Research Training	93.859	RS20132225-26		1,024
Biomedical Research and Research Training	93.859	RS20132225-37		23,787
Biomedical Research and Research Training	93.860	RS20132225-38		22,673
Biomedical Research and Research Training	93.861	5P20GM103447-15		2,804
Biomedical Research and Research Training	93.862	RS20132225-45		77,815
Biomedical Research and Research Training	93.863	RS20132225-46		73,131
Biomedical Research and Research Training	93.864	RS20132225-75		24,985
Biomedical Research and Research Training	93.865	RS20132225-85		11,683
Biomedical Research and Research Training	93.866	RS20132225-84		13,549
Biomedical Research and Research Training	93.867	RS20132225-92		162
Biomedical Research and Research Training	93.859	RS20132225-83		7,992
Biomedical Research and Research Training	93.859	N/A		6,728
Biomedical Research and Research Training	93.859	5P20GM103447-16		6,813
<i>Subtotal for CFDA #93.859</i>				<u>319,389</u>
Pass-through Washington State Univ/NIH				
Minority Health and Health Disparities Research	93.307	116801G003464		4,828
Extramural Research Programs in Neurosciences & Neurological Disorders	93.853	1R03NS095246-01		30,203
Pass-through Mayo Clinic Arizona				
Network Among Tribal Organizations for Clean Air Policies	93.393	NOR-193301		13,876
TOTAL FOR NATIONAL INSTITUTE FOR HEALTH				<u>368,296</u>
ENVIRONMENTAL PROTECTION AGENCY				
Pass-through Oklahoma Conservation Commission				
Water Pollution Control State, Interstate, and Tribal Program Support	15.634	N/A		3,458
TOTAL FOR ENVIRONMENTAL PROTECTION AGENCY				<u>3,458</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER				<u>442,870</u>
Other Federal Programs				
U.S. SMALL BUSINESS ADMINISTRATION				
Pass-through Southeastern Oklahoma State University				
Small Business Development Centers	59.037	Prime-SBAHQ-14-B-0052		17,635
Small Business Development Centers	59.037	SBAHQ-14-B-0052		4,649
TOTAL U.S. SMALL BUSINESS ADMINISTRATION				<u>22,284</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-through University of New York				
Child Welfare Research Training or Demonstration	93.648	RF-1120721-16-69467		83,251
Child Welfare Research Training or Demonstration	93.648	RF-1128024-16-72851		108,096
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>191,347</u>
U.S. DEPARTMENT OF JUSTICE				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus				
	16.525	2012-WA-AX-0012		78,124
TOTAL U.S. DEPARTMENT OF JUSTICE				<u>78,124</u>

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

NORTHEASTERN STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identification Number</i>	<i>Passed Through to Subrecipients</i>	<i>Federal Expenditures</i>
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Pass-through Oklahoma Humanities Council				
Promotion of the Humanities - Federal/State Partnership	45.024	Y14.101		1,275
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES				<u>1,275</u>
U.S. DEPARTMENT OF COMMERCE				
Pass-through Okla Alliance for Manufacturing Excellence				
Promotion of the Humanities - Federal/State Partnership	45.129	Y14.062		25,809
TOTAL U.S. DEPARTMENT OF COMMERCE				<u>25,809</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 57,634,800</u></u>

See notes to schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NORTHEASTERN STATE UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (“SEFA”) includes the federal award activity of Northeastern State University (the “University”) under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Northeastern State University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C --FEDERAL DIRECT STUDENT LOAN PROGRAM

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

NOTE D—SUBRECIPIENTS

During the year ended June 30, 2016, the University did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTHEASTERN STATE UNIVERSITY
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified 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 2 CFR 200.516(a)?

yes no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
TRIO Cluster	*

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

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

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

NORTHEASTERN STATE UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

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

None to report for the June 30, 2016 period.

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

None to report for the June 30, 2016 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

NORTHEASTERN STATE UNIVERSITY

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

No matters were reportable.



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

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

Report on Compliance for Each Major Federal Program

We have audited Northwestern 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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2016.

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 are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 21, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arlidge & Associates, P.C.

October 21, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF EDUCATION			
Student financial aid cluster			
Federal Pell Grants	84.063	N/A	\$ 2,968,540
Federal Supplemental Education Opportunity Grants	84.007	N/A	66,124
Federal Work Study Program	84.033	N/A	149,157
Federal Direct Loan Program	84.268	N/A	5,436,602
<i>Total Student Financial Aid Cluster</i>			<u>8,620,423</u>
TRIO program cluster			
TRIO--Upward Bound	84.047A	N/A	261,319
TRIO--Upward Bound - Math & Science	84.047M	N/A	264,601
TRIO--Student Support Services	84.042A	N/A	116,903
<i>Total TRIO program cluster</i>			<u>642,823</u>
Other Programs			
Title III--Strengthening Institutions Programs	84.031	N/A	255,477
<i>Total Other Programs</i>			<u>255,477</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>9,518,723</u>
Research and Development (R&D) Cluster			
NATIONAL SCIENCE FOUNDATION			
Pass-through Oklahoma State University			
Education and Human Resources	47.076	AA-5-64291	10,865
<i>Subtotal for CFDA #47.076</i>			<u>10,865</u>
TOTAL FOR NATIONAL SCIENCE FOUNDATION			<u>10,865</u>
Other Federal Programs			
U.S. SMALL BUSINESS ADMINISTRATION			
Pass-through Southeastern Oklahoma State University			
Small Business Development Centers	59.037	1-7620-0038-17	47,750
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			<u>47,750</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 9,577,338</u></u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (“SEFA”) includes the federal award activity of Northwestern Oklahoma State University (the “University”) under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C --FEDERAL DIRECT STUDENT LOAN PROGRAM

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

NOTE D—SUBRECIPIENTS

During the year ended June 30, 2016, the University did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Year Ended June 30, 2016

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified 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 2 CFR 200.516(a)?

yes no

Identification of major programs:

Program

Student Financial Aid Cluster

CFDA Number

*

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

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

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

Year Ended June 30, 2016

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

None to report for the June 30, 2016 period.

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

None to report for the June 30, 2016 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

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

Year Ended June 30, 2016

No matters were reportable.



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

Board of Regents
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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2016.

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 are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 21, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



October 21, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF EDUCATION				
Student financial aid cluster				
Federal Pell Grants	84.063			\$ 5,911,933
Federal Supplemental Education Opportunity Grants	84.007			207,000
Federal Work Study Program	84.033			235,243
Federal Direct Loan Program	84.268			11,166,253
<i>Total Student Financial Aid Cluster</i>				17,520,429
TRIO program cluster				
TRIO--Education Opportunity Centers	84.066A			492,308
TRIO--Student Support Services	84.042A			338,924
TRIO--Student Support Services (Teacher Preparation)	84.042A			216,568
TRIO--Talent Search	84.044A			425,507
TRIO--Upward Bound (Texoma)	84.047A			236,007
TRIO--Upward Bound	84.047A			412,475
TRIO--Upward Bound (Math and Science)	84.047M			293,847
<i>Total TRIO program cluster</i>				2,415,636
Other Programs				
Indian Education--Special Programs for Indian Children	84.299B			411,811
Strengthening Minority-Serving Institutions	84.382C			370,372
Higher Education--Institutional Aid	84.031A			469,030
<i>Total Other Programs</i>				1,251,213
TOTAL U.S. DEPARTMENT OF EDUCATION				21,187,278
Research and Development (R&D) Cluster				
NATIONAL SCIENCE FOUNDATION				
Education and Human Resources	47.076			47,344
Office of Cyberinfrastructure (Summer Science Research Experience)	47.080			1,490
<i>Total National Science Foundation</i>				48,834
NATIONAL INSTITUTE OF HEALTH				
Pass-through OU Health Science Center				
Biomedical Research and Research Training	93.859			27,000
<i>Total National Institute of Health</i>				27,000
TOTAL RESEARCH AND DEVELOPMENT CLUSTER				75,834
U.S. DEPARTMENT OF AGRICULTURE				
Pass-through OK Department of Education				
Summer Food Service Program for Children	10.559			6,963
TOTAL U.S. DEPARTMENT OF AGRICULTURE				6,963
U.S. DEPARTMENT OF THE INTERIOR				
Pass-through U.S. Bureau of Reclamation				
Upper Colorado and San Juan River Basins Endangered				
Fish Recovery Programs	15.529			3,704
Pass-through U.S. Park Service				
National Park Service Conservation, Protection, Outreach and Education	15.954			6,475
TOTAL U.S. DEPARTMENT OF THE INTERIOR				10,179
NATIONAL ENDOWMENT FOR THE ARTS				
Promotion of the Arts-Grants to Organizations and Individuals	45.024			10,000
TOTAL NATIONAL ENDOWMENT FOR THE ARTS				10,000

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

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

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Federal Expenditures</i>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
Pass-through University of Oklahoma Education (NASA-Oklahoma Space Grant Consortium)	43.008		<u>20,755</u>	<u>20,755</u>
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			<u>20,755</u>	<u>20,755</u>
U.S. SMALL BUSINESS ADMINISTRATION				
Small Business Development Centers	59.037		<u>\$ 154,379</u>	<u>1,113,962</u>
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			<u>154,379</u>	<u>1,113,962</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 154,379</u>	<u>\$ 22,424,971</u>

See notes to the schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Southeastern Oklahoma State University (the “University”) under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C --FEDERAL DIRECT STUDENT LOAN PROGRAM

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

NOTE D—SUBRECIPIENTS

Of the federal expenditures presented in this schedule, the University provided federal awards to subrecipients as follows:

Program	CFDA Number	Sub-recipient	Amount Provided
Small Business Development Center	59.037	Northeastern Oklahoma State University	\$ 18,662
Small Business Development Center	59.037	Northwestern Oklahoma State University	37,915
Small Business Development Center	59.037	Rose State College	36,916
Small Business Development Center	59.037	Oklahoma State University Grants & Contracts	60,886
			\$ 154,379

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Year Ended June 30, 2016

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified 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 2 CFR 200.516(a)?

yes no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
TRIO Cluster	*

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

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

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

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

Year Ended June 30, 2016

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

None to report for the June 30, 2016 period.

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

None to report for the June 30, 2016 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

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

Year Ended June 30, 2016

No matters were reportable.



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

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

Report on Compliance for Each Major Federal Program

We have audited Southwestern 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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2016.

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 are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 21, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arlidge & Associates, P.C.

October 21, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF EDUCATION			
Student financial aid cluster			
Federal Pell Grants	84.063	N/A	\$ 6,242,117
Federal Supplemental Education Opportunity Grants	84.007	N/A	71,100
Federal Work Study Program	84.033	N/A	179,625
Federal Direct Loan Program	84.268	N/A	19,753,896
<i>Total Student Financial Aid Cluster</i>			26,246,738
TRIO program cluster			
TRIO--Upward Bound	84.047	N/A	365,232
<i>Total TRIO program cluster</i>			365,232
Other Programs			
Supporting Effective Instruction State Grant - KESAM - K-8 Scholars	84.367	N/A	115,191
<i>Total Other Programs</i>			115,191
TOTAL U.S. DEPARTMENT OF EDUCATION			26,727,161
Research and Development (R&D) Cluster			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-through OU Health Science Center			
National Center for Research Resources - OK INBRE Special Supplement	93.389	N/A	25,000
National Center for Research Resources - Antifungal	93.389	N/A	1,335
<i>Subtotal for CFDA #93.389</i>			26,335
Biomedical Research and Training - Tech Trek at SWOSU	93.859	N/A	435
Biomedical Research and Training - Summer Mentor	93.859	N/A	2,071
			2,506
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			28,841
NATIONAL SCIENCE FOUNDATION			
Biological Sciences - RUI: Modulation of Synaptic Vesicle Exocytosis in C elegans	47.074		37,885
Pass-through Oklahoma State University			
Education and Human Resources - Louis Stokes Alliance	47.076		36,929
Pass-through Oklahoma EPSCoR			
Office of Experimental Program to Stimulate Competitive Research	47.079		5,000
Pass-through University of Central Oklahoma			
Office of Experimental Program to Stimulate Competitive Research	47.079		10,300
TOTAL FOR NATIONAL SCIENCE FOUNDATION			90,114
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			118,955

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

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

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identification Number</i>	<i>Federal Expenditures</i>
Other Federal Programs			
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Vocational Rehabilitation	64.116		315,060
TOTAL U.S. DEPARTMENT OF VETERANTS AFFAIRS			315,060
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
NASA Scholarships and Workforce Development	43.001	N/A	37,623
NASA EPSCoR - Research Implementation and Infrastructure Grant	43.008	N/A	20,030
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			57,653
U.S. DEPARTMENT OF COMMERCE			
Local Technical Assistance - EDA University Center Grant	93.015	N/A	113,593
TOTAL U.S. DEPARTMENT OF COMMERCE			113,593
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Program - SWOSU Adventure Program	10.555	N/A	16,538
Summer Food Services Program for Children - Upward Bound	10.559	N/A	10,070
TOTAL U.S. DEPARTMENT OF AGRICULTURE			26,608
U.S. DEPARTMENT OF THE INTERIOR			
Bureau of Indian Affairs			
Indian Education - Higher Education Grant	15.114	N/A	295,710
TOTAL U.S. DEPARTMENT OF JUSTICE			295,710
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 27,654,740

See notes to schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Southwestern Oklahoma State University (the “University”) under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C --FEDERAL DIRECT STUDENT LOAN PROGRAM

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

NOTE D—SUBRECIPIENTS

During the year ended June 30, 2016, the University did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Year Ended June 30, 2016

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified 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 2 CFR 200.516(a)?

yes no

Identification of major programs:

Program

Student Financial Aid Cluster

CFDA Number

*

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

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

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

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

Year Ended June 30, 2016

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

Finding 2016-01: Cash Account Reconciliations

Criteria: All state agencies are required to perform reconciliations with the Office of Management and Enterprise Services (OMES) and the Oklahoma State Treasurer (OST) related to the agency clearing accounts. Title 62, O.S. §34.11 establishes the Division of Central Accounting and Reporting (DCAR) within OMES, and DCAR is responsible for prescribing the State accounting policy and the forms for reconciliations. DCAR requires that OMES Form 11 and 11A be prepared and submitted each month no later than the 20th day of the month following the report. In addition, Chapter 60 of the OMES Statewide Accounting Manual states “All reconciling items should be documented. Plug numbers are not acceptable. If there is a remaining unreconciled amount, it should be listed as such, not plugged to force balancing”.

Condition: During testwork we noted that while the University performs timely reconciliations of its general ledger clearing account cash balance with the OST, the University does not reconcile the difference between OMES and the University’s general ledger as required on Form 11. As of June 30, 2016, the difference totaled approximately \$120,000 with no explanation as to what the difference included.

Cause and Effect: Because the University does not reconcile amounts reported by OMES, inaccurate reporting by OMES may exist and not be detected on a timely basis.

Recommendation: We recommend that the clearing account be reconciled in accordance with State policy with reconciliations performed on a monthly basis and that all reconciling amounts be investigated and documented.

University’s response:

The university will perform this reconciliation on a monthly basis as required.

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

None to report for the June 30, 2016 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

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

Year Ended June 30, 2016

No matters were reportable.



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

Board of Regents
Regional University System of Oklahoma
University of Central Oklahoma
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the University of Central Oklahoma'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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding 2016-01. Our opinion on each major federal program is not modified with respect to this matter.

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

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, 2016.

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 are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2016-02 that we consider to be a significant deficiency.

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

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

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

We have audited the financial statements of the University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 21, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal

awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arlidge & Associates, P.C.

October 21, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA
 A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF EDUCATION			
Student financial aid cluster			
Federal Pell Grants	84.063		\$ 20,634,652
Federal Supplemental Education Opportunity Grants	84.007		381,511
Federal TEACH Grant	84.379		265,409
Federal Work Study Program	84.033		385,706
Postsecondary Education Scholarships for Veteran's Dependents (IASG)	84.408		5,775
Federal Perkins Loans	84.038		1,476,189
Federal Direct Loan Program	84.268		56,539,003
<i>Total Student Financial Aid Cluster</i>			79,688,245
TRIO program cluster			
TRIO - Student Support Services - FY 11 Traditional	84.042A		98,225
TRIO - Student Support Services - FY 11 STEM	84.042A		86,475
TRIO - Student Support Services - SYNERGY	84.042A		159,961
TRIO - Student Support Services - TEAM	84.042A		165,920
TRIO - Student Support Services - TEACH	84.042A		163,802
TRIO - Student Support Services - SALUTE	84.042A		154,029
TRIO--Student Support Services - STRIVE	84.042A		161,027
TRIO - Student Support Services - LA META	84.042A		156,621
TRIO--Upward Bound	84.047A		310,526
TRIO--Upward Bound Math & Science	84.047M		235,318
<i>Total TRIO program cluster</i>			1,691,904
Other Programs			
Higher Education Institutional Aid	84.031F		1,056,443
Gaining Early Awareness and Readiness for Undergraduate	84.334A		772,360
Pass-through Oklahoma Department of Rehabilitation Services			
Special Education Grants to States (Edmond Regional Preschool Program)	84.173	85122100 / 1000012470	42,014
Pass-through Oklahoma State Regents for Higher Education			
Leading the Change to Common Core State Standards	84.367B	2013 ESEA-NCLB Title II Part A	2,410
Improving (Reading, Writing, Thinking - Oklahoma A+ Schools for Prof Dev)	84.367B	2015 ESEA-NCLB Title II Part A	81,817
Improving Teacher Quality State Grant Program	84.367B	2016 ESEA-NCLB Title II Part A	5,888
<i>Total Other Programs</i>			1,960,932
TOTAL U.S. DEPARTMENT OF EDUCATION			83,341,081
Research and Development (R&D) Cluster			
U.S. DEPARTMENT OF THE INTERIOR			
Migratory Bird Joint Ventures	15.637	N/A	8,280
Survey of Northeastern Cave Soil Survey of Northeastern Oklahoma			
Research Grant - Cave Soil for Pseudogymnoascus descruetans (DNA)	15.650	N/A	3,976
Migratory Bird Monitoring, Assessment and Conservation	15.655	N/A	12,998
Pass-through Oklahoma Department of Wildlife Conservation			
Cooperative Endangered Species Conservation Fund	15.615	M2OP-14-05-01-00/FY 2015 TBD	8,193
TOTAL U.S. DEPARTMENT OF THE INTERIOR			33,447
NATIONAL SCIENCE FOUNDATION			
MRI: Acquisition of a High Performance Computing Cluster for Research			
at a Predominantly Undergraduate Institution	47.070		29,738
Education and Human Resources	47.076		147,140
Pass-through Oklahoma State University			
Computer and Information Science and Engineering	47.070	ACI-1429702	73,494
Pass-through Washington University			
Engineering Grants	47.041	CMMI-1265447/ WU-14-78	14,708
Pass-through University of Illinois			
Digitization Macrofungi Collection	47.074	EF-1205935/2012-02037-02	2,147
TOTAL FOR NATIONAL SCIENCE FOUNDATION			267,227
U.S. DEPARTMENT OF AGRICULTURE			
Migratory Connectivity in the Yellow Rail	10.693	N/A	2,582
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,582

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identification Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
National Institute for Health			
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	N/A	93,577
Pass-through OU Health Science Center			
Biomedical Research and Research Training - INBRE	93.859	8P20GM103447-13/ RS20131215-13 & 2P20GM103447-14/ RS20132225-15	(247)
Biomedical Research and Research Training - INBRE	93.859	8P20GM103447-13/ RS20131215-13	25,000
Biomedical Research and Research Training - INBRE	93.859	2P20GM103447-14/RS20132225-18	89,829
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RS20132225-60	53,626
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RS20132225-57	20,042
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RS20132225-55	14,968
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RS20132225-54	12,410
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RS20132225-51	4,631
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RS20132225-52	20,525
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RS20132225-56	31,343
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RS20132225-53	14,872
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RV20132225-47	31
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RV20132225-47	1,312
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RV20132225-47	786
Biomedical Research and Research Training - INBRE	93.859	5U54GM104938-02/RS20130494-20	375
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RS20132225-59	11,863
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RS20132225-62	60,902
Biomedical Research and Research Training - INBRE	93.859	5P20GM103447-15/RS20132225-67	3,561
<i>Subtotal for CFDA #93.859</i>			<u>365,828</u>
Health Resources and Service Administration - Bureau of Health Professions	93.969	Prime #5UB4HP19197-04-00/ Subaward TS20102005-31	<u>40</u>
TOTAL FOR NATIONAL INSTITUTE FOR HEALTH			<u>459,445</u>
Highway Safety Cluster			
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-through Oklahoma Highway Safety Office			
State and Community Highway Safety (OHSO Pickup Truck Seatbelt Survey)	20.600	M2OP-14-05-01-00/FY 2015 TBD	6,667
State and Community Highway Safety		OHSO TR-13-05-02-00 /TR-14-05-03-00	17
National Priority Safety Program	20.616	OP-13-05-01-00 / M2OP-14-05-01-00/ ST- MC-14-05-01-00	57,372
<i>Total Highway Safety Cluster</i>			<u>64,056</u>
TOTAL FOR U.S. DEPARTMENT OF TRANSPORTATION			<u>64,056</u>
U.S. DEPARTMENT OF STATE			
Pass-through Institute of International Education			
Investing in People in the Middle East and Africa	19.021	Prime # IZ-100-11-GR070	6,629
Investing in People in the Middle East and Africa	19.022	Prime # IZ-100-11-GR070	57,501
Investing in People in the Middle East and Africa	19.023	Prime # SIZ-100-15-GR019	1,580
TOTAL FOR U.S. DEPARTMENT OF STATE			<u>65,710</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			
892,467			
U.S. SMALL BUSINESS ADMINISTRATION			
Pass-through Southeastern Oklahoma State University			
Small Business Development Centers	59.037	SBAHQ-14-B-0052/ 4-603001-EZ-0048	11,810
Small Business Development Centers	59.037	SBAHQ-14-B-0052/ 5-603001-EZ-0048	2,337
Small Business Development Centers	59.037	SBAHQ-13-B-0049/3-603001-Z-0038	1,174
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			<u>15,321</u>
GULF COAST ECOSYSTEM RESTORATION COUNCIL			
Pass-through Gulf South Research Corporation			
Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component Program	87.051	W912BV-12-D-0034	90,702
TOTAL GULF COAST ECOSYSTEM RESTORATION COUNCIL			<u>90,702</u>

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA
A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identification Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-through Oklahoma Department of Human Services Center for Active Living and Learning	93.043	PA # 15004956	32,305
Pass-through OK Partnership for Scholl Readiness Foundation Administration for Children & Families Financial Assistance Award	93.652	Prime # 90C01092	10,522
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>42,827</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Disaster Resistant University Grant (DRU)	97.047	2007-WA-AX-004	5,343
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>5,343</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Grants for Adaptive Sports Programs for Disabled Veterans and VA Assistance to United State Paralympic Integrated Sports Program	64.034		197,141
Pass-through U.S. Olympic Committee VA Assistance to United State Paralympic Integrated Adaptive Sports Program	64.034	2014-PP-001	49,123
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			<u>246,264</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Pass-through Oklahoma Humanities Council Promotion of the Humanities - Federal/State Partnership	45.129	Y16.029	1,000
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			<u>1,000</u>
U.S. DEPARTMENT OF LABOR			
Pass-through It's My Community Initiative, Inc. H-1B Job Training Grants (DOL Employment Training Administration)	17.268	HG-26663-15-60-A-40	43,791
TOTAL U.S. DEPARTMENT OF LABOR			<u>43,791</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 84,678,796</u></u>

See notes to schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (“SEFA”) includes the federal award activity of the University of Central Oklahoma (the “University”) under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. University of Central Oklahoma has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C --FEDERAL DIRECT STUDENT LOAN PROGRAM

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

NOTE D—SUBRECIPIENTS

During the year ended June 30, 2016, the University did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

UNIVERSITY OF CENTRAL OKLAHOMA
 A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X 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 2 CFR 200.516(a)?

 X yes _____ no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
TRIO Cluster	*
Higher Educational Institutional Aid	84.031
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

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

Finding 2016-01: Procurement

Federal Program: CFDA # 84.334A – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)

Criteria: Title 2, Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* §200.317 Procurement by states, requires: “When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds”. Oklahoma Statutes Title 74 §85.4 states “No state agency shall enter into a lease-purchase contract between the state agency as lessee and a private party as lessor if the contract is not capable of complete performance within the current fiscal year in which the contract was entered into unless a valid nonappropriation clause is included in the contract.”

Condition: Two out of the twenty-five invoice items tested from the 84.334 GEAR UP Federal program items relate to a three year software and maintenance contract with a total cost of \$56,500. The invoice was paid in full, in advance, of the services/software provided for a three year period. Also, the contract did not include the nonappropriation clause as stated above.

Cause and Effect: UCO is in violation of both the Uniform Guidance procurement guidelines and Oklahoma Statutes. Funding from the current year was used to fund expenditures in a subsequent fiscal year. Therefore, those expenditures may not be budgeted for the next fiscal year and funding for those expenditures may not be available.

Recommendation: We recommend that the University enforce their purchasing policy and strengthen internal controls related to the purchases using Federal funding. Additionally, we recommend that UCO include the nonappropriation clause as outlined in the state statutes for contracts that include several fiscal years.

University’s response: The University makes every attempt at all points in the purchasing process to follow state statutes and federal guidelines when making purchases. Documentation for this payment did allow for greatly discounted pricing if the contract was paid in full. The necessary step to update the contract to include the non-appropriation clause was missed. Management will follow up with staff to ensure that training is current and regulations are referenced during the procurement process.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

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

Finding 2016-01: Procurement

Federal Program: CFDA # 84.334A – *Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)*

Criteria: Title 2, Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* §200.317 Procurement by states, requires: “When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds”. Oklahoma Statutes Title 74 §85.4 states “No state agency shall enter into a lease-purchase contract between the state agency as lessee and a private party as lessor if the contract is not capable of complete performance within the current fiscal year in which the contract was entered into unless a valid nonappropriation clause is included in the contract.”

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Cause and Effect: UCO is in violation of both the Uniform Guidance procurement guidelines and Oklahoma Statutes. Funding from the current year was used to fund expenditures in a subsequent fiscal year. Therefore, those expenditures may not be budgeted for the next fiscal year and funding for those expenditures may not be available.

Recommendation: We recommend that the University enforce their purchasing policy and strengthen internal controls related to the purchases using Federal funding. Additionally, we recommend that UCO include the nonappropriation clause as outlined in the state statutes for contracts that include several fiscal years.

University’s response: The University makes every attempt at all points in the purchasing process to follow state statutes and federal guidelines when making purchases. Documentation for this payment did allow for greatly discounted pricing if the contract was paid in full. The necessary step to update the contract to include the non-appropriation clause was missed. Management will follow up with staff to ensure that training is current and regulations are referenced during the procurement process.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

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

Finding 2016-02: Time and Effort Reporting

Federal program: CFDA# 84.042 TRIO_Student Support Services

Criteria: Title 2 Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E – Cost Principles §200.430(h)(8)(i)(1) states, “Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated.”*

Condition: We reviewed five Student Support Services staff members time and effort reports and noted one of the five reports appeared to be copied from period to period without changing the line item time entries to reflect work performed. We reviewed additional documentation in the form of the staff member’s calendar and determined that the calendar entries did not match the time and effort report.

Cause and Effect: The staff member failed to complete the time and effort report to accurately reflect the actual time spent and work performed. When time and effort is not accurately tracked and allocated properly for time spent, the federal program may be over charged for salaries and wages or time may be charged on one federal program that actually belongs to another federal program.

Recommendation: We recommend that UCO adhere to the guidelines established in the Uniform Guidance by strengthening internal controls to maintain accurate time and effort records.

University’s response: Currently time and effort reporting is required to be maintained in accordance with Uniform Guidance in relation to all federal funds awarded. These records are maintained at the level of the department for whom the grant was awarded. Upon request, those records are available for review or audit. The University management will recommend that time and effort records be reviewed as least quarterly and a summary report provided to upper management.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

UNIVERSITY OF CENTRAL OKLAHOMA

A Department of the Regional University System of Oklahoma

Year Ended June 30, 2016

No matters were reportable.