

FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
**WITH REPORTS OF INDEPENDENT AUDITORS**



AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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## **Independent Auditor's Report**

Board of Regents of the University of Oklahoma  
Cameron University  
Norman, Oklahoma

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

We have audited the accompanying financial statements of Cameron University (the University), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

### **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 an opinion on these financial statements based on our audit. We did not audit the financial statements of Cameron University Foundation (the Foundation). The Foundation is considered a part of the reporting unit of the University, and accordingly, the Foundation's financial statements are presented with the University's financial statements. The Foundation's financial statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditor. 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 of material misstatement. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cameron University, as of June 30, 2015, and the changes in its financial position and its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note 1, the financial statements of the University's reporting entity are intended to present the financial position, changes in financial position, and cash flows of only the activities of the University and Foundation. They do not purport to, and do not, present fairly the financial position of the Regents as of June 30, 2015, the changes in its financial position or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, in 2015 the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The provisions of GASB Statements No. 68 and 71 required the University to adjust its net position as of July 1, 2014 upon adoption. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplementary Information*

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*McGladrey LLP*

Oklahoma City, Oklahoma  
October 21, 2015

## **Cameron University**

### **Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2015 and 2014**

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This section of Cameron University's (the University) financial statements presents management's discussion and analysis of the University's financial performance during the year ended June 30, 2015. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and current known facts, it should be read in conjunction with the University's basic financial statements and footnotes. The overview of the financial statements and financial analysis is presented for fiscal year 2015, with fiscal year 2014 data presented for comparative purposes.

#### **Financial Analysis of the University as a Whole**

The basic financial statements of the University are the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. The Statement of Net Position presents the financial position of the University at June 30, 2015. The Statement of Revenues, Expenses, and Changes in Net Position summarizes the University's financial activity for the year ended June 30, 2015. The Statement of Cash Flows, presented using the direct method, reflects the effects on cash that result from the University's operating activities, investing activities, and capital and noncapital financing activities for the year ended June 30, 2015.

The following schedules are prepared from the University's basic financial statements. With the exception of the Statement of Cash Flows, the statements are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred and assets are capitalized and depreciated.

#### **Statement of Net Position**

This statement is presented in categories, namely assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The assets are classified between current and noncurrent assets. Current assets include cash and cash equivalents, short-term investments, accounts receivable, and other assets. Noncurrent assets include cash, cash equivalents, and investments that are restricted for long-term purposes, such as investment in capital assets, or have scheduled maturities exceeding one year. Noncurrent assets also include receivables restricted for investment in capital assets as well as capital assets. Capital assets include land, buildings and improvements, infrastructure, equipment, library materials, and construction in progress. Capital assets, with the exception of land and construction in progress, are shown net of depreciation.

Deferred outflows of resources are consumptions of net assets that are applicable to a future period. It includes costs associated with debt restructure and pensions. Deferred inflows of resources are acquisitions of net assets that are applicable to a future period. It includes credits associated with debt restructure and pensions.

Liabilities are also classified between current and noncurrent. Current liabilities include accounts payable, accrued expenses, unearned revenue, and the portion of noncurrent liabilities expected to be paid in the upcoming fiscal year. These liabilities represent obligations due within one year. Noncurrent liabilities include the portion of accrued compensated absences, capital lease obligation, and net pension obligation expected to be paid in fiscal year 2017 or thereafter.

At June 30, 2015, the University had approximately \$25 million in outstanding bonds and capital leases. Additional information related to the University's long-term debt is presented in Note 5 to the financial statements.

Total net position increased to \$16.8 million in fiscal year 2015 from \$15.2 million in fiscal year 2014.

## Cameron University

### Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2015 and 2014

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#### Financial Analysis of the University as a Whole (Continued)

Following is a comparison of the summarized financial position, net position, and capital assets of the University at June 30:

#### Condensed Statements of Net Position

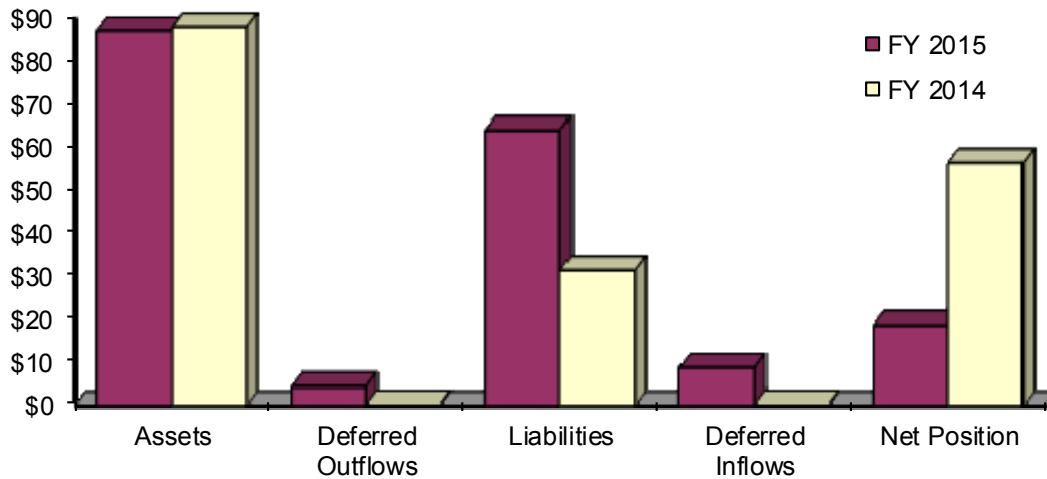
	2015	2014
	<i>(in Millions)</i>	
Assets		
Current assets	\$ 14.2	\$ 12.4
Noncurrent assets:		
Capital assets, net of depreciation	69.7	72.6
Other	3.2	3.0
Total assets	<u>\$ 87.1</u>	<u>\$ 88.0</u>
Deferred Outflows of Resources	<u>\$ 4.4</u>	<u>\$ 0.3</u>
Liabilities		
Current liabilities	\$ 6.5	\$ 4.9
Noncurrent liabilities	57.5	26.7
Total liabilities	<u>\$ 64.0</u>	<u>\$ 31.6</u>
Deferred Inflows of Resources	<u>\$ 8.8</u>	<u>\$ 0.3</u>
Net Position		
Net investment in capital assets	\$ 45.1	\$ 46.4
Restricted—expendable	2.5	2.5
Restricted—nonexpendable	0.1	0.1
Unrestricted	(29.0)	7.4
Total net position	<u>\$ 18.7</u>	<u>\$ 56.4</u>

**Cameron University**

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2015 and 2014**

**Financial Analysis of the University as a Whole (Continued)**

**Analysis of Net Position (in Millions)**



	June 30,	
	2015	2014
	<i>(in Millions)</i>	
Capital Assets, net		
Land	\$ 0.4	\$ 0.4
Buildings and improvements	99.0	99.0
Infrastructure	9.1	9.1
Equipment	12.9	12.5
Library materials	11.9	11.4
Construction in progress	0.9	0.2
Total capital assets	134.2	132.6
Less accumulated depreciation	(64.5)	(60.0)
Net capital assets	\$ 69.7	\$ 72.6

In 2015, the University added \$1.7 million in assets due to the costs associated with various construction projects and acquisitions of equipment and library materials. The University disposed of approximately \$.1 million in partially depreciated equipment. Depreciation amounted to \$4.5 million.



## Cameron University

### Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2015 and 2014

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#### Financial Analysis of the University as a Whole (Continued)

##### Statement of Revenues, Expenses and Changes in Net Position

This statement reflects the effect of operating and nonoperating activities on net position. The statement is classified between operating and nonoperating revenues and expenses.

Following is a comparison of revenues, expenses and other changes in net position for the years ended June 30:

##### Condensed Statements of Revenue, Expenses and Changes in Net Position

	2015	2014
	<i>(In Millions)</i>	
Operating Revenues:		
Tuition and fees, net	\$ 19.4	\$ 19.4
Federal grants and contracts	14.3	16.2
Sales and services	0.5	0.5
Auxiliary enterprises	4.7	4.6
Other	1.0	0.3
Total operating revenues	<u>39.9</u>	<u>41.0</u>
Less operating expenses	<u>63.9</u>	<u>68.3</u>
Operating loss	<u>(24.0)</u>	<u>(27.3)</u>
Nonoperating Revenues:		
State appropriations	21.8	21.8
Onbehalf payments	3.1	3.2
Endowment income	0.3	0.3
Investment income	0.1	0.1
Private donations	0.5	-
Capital appropriations	1.2	1.1
Total nonoperating revenues	<u>27.0</u>	<u>26.5</u>
Less nonoperating expenses	<u>1.4</u>	<u>1.3</u>
Net nonoperating revenue	<u>25.6</u>	<u>25.2</u>
Change in net position	1.6	(2.1)
Net Position, beginning of year	56.4	58.5
Restatement—Implementation of GASB 68 & 71	<u>(39.3)</u>	<u>-</u>
Net Position, beginning of year, as restated	<u>17.1</u>	<u>58.5</u>
Net Position, end of year	<u>\$ 18.7</u>	<u>\$ 56.4</u>

## Cameron University

### Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2015 and 2014

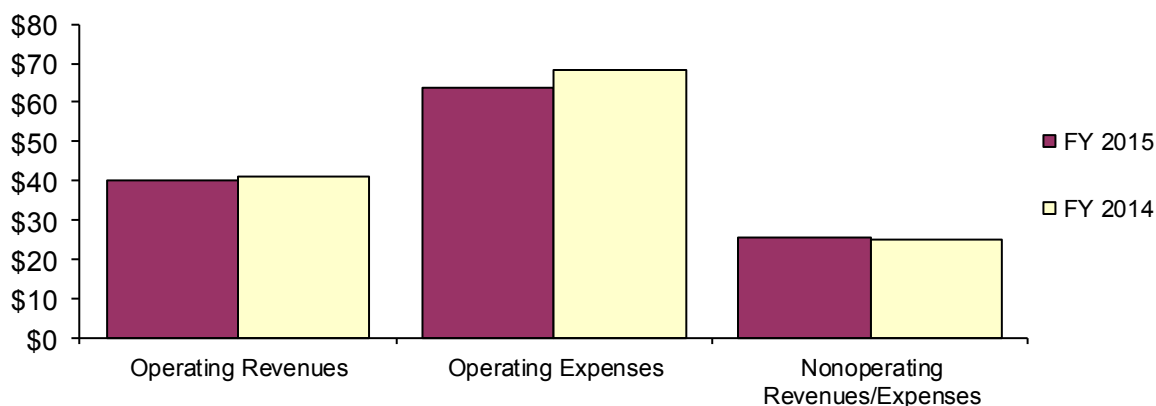
#### Financial Analysis of the University as a Whole (Continued)

Operating revenues includes tuition and fees net of scholarship discounts and allowances, grants and contracts, sales and services, auxiliary enterprises, and other. These revenues decreased by \$1.1 million in 2015. Pell grant revenues decreased approximately \$.9 million during fiscal year 2015. There was no change in tuition and fees revenue from 2014 to 2015. Grants and contracts and auxiliary enterprises had a combined decrease of \$1.8 million in 2015.

The majority of nonoperating revenues are made up of state appropriations. There was no change in state appropriations in fiscal year 2015 as compared to fiscal year 2014.

The University's operating expenses are classified by natural classification, including employee compensation, scholarships, contractual services, etc. In fiscal year 2015, operating expenses decreased by \$4.4 million primarily due to decreases in compensation, contractual services and scholarships. The compensation decrease is due to the effect of applying GASB No. 68. Additional information related to GASB No. 68 is presented in Note 6 of the financial statements. Contractual services decreased due to maintenance savings. The scholarship decrease was due to the reduction in Pell grant recipients.

#### Analysis of Revenues and Expenses (in Millions)



	For the Years Ended June 30,	
	2015	2014
	<i>(In Millions)</i>	
Operating Expenses:		
Compensation	\$ 35.7	\$ 38.3
Contractual services	4.2	4.8
Supplies and materials	4.3	4.2
Depreciation	4.5	4.5
Utilities	1.6	1.7
Communications	0.3	0.3
Scholarships and fellowships	10.6	11.9
Other operating expenses	2.7	2.6
<b>Total operating expenses</b>	<b>\$ 63.9</b>	<b>\$ 68.3</b>

## Cameron University

### Management's Discussion and Analysis (Unaudited) Years Ended June 30, 2015 and 2014

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#### Financial Analysis of the University as a Whole (Continued)

##### Statement of Cash Flows

This statement is used to determine the University's ability to meet its obligations and to determine if external financing is needed. It is presented using the direct method with four major classifications: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Following is a comparison of cash flows for the years ended June 30:

	2015	2014
	<i>(In Millions)</i>	
Cash Provided by (Used In):		
Operating activities	\$ (18.4)	\$ (23.2)
Noncapital financing activities	21.8	24.1
Capital and related financing activities	(1.6)	(2.2)
Investing activities	0.1	-
Net change in cash	1.9	(1.3)
Cash, beginning of year	9.1	10.4
Cash, end of year	<u>\$ 11.0</u>	<u>\$ 9.1</u>

##### Foundation

Cameron University Foundation, Inc. (the Foundation), is a legally separate, Oklahoma not-for-profit corporation organized for the purpose of receiving and administering gifts intended for the University. Because the restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the University's management believes that presenting the Foundation's financial statements as part of the University reporting entity provides users relevant and timely information about resources available to the University. The most recent financial statements of the Foundation are included under the heading "Foundation".

##### Economic Outlook

The University continues to see a decline in enrollment as the economy improves. The Oklahoma economy has suffered due to declining oil and gas revenues causing a 3.5 percent decrease in state appropriations for fiscal year 2016. Reduced state support has resulted in a greater reliance on revenue from student tuition and fees to fund increases in mandatory costs and higher salaries to retain qualified faculty and staff. Management continues to monitor expenditures to ensure resources are used in the most effective and efficient manner. The University remains fully committed to increasing and improving student success and student learning inside and outside the classroom while continuing to be an engaged partner with common education, business, industry, civic and government organizations.

**Cameron University**

**Statement of Net Position  
June 30, 2015**

	University June 30, 2015	Foundation June 30, 2015
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 8,877,746	\$ 961,103
Accrued interest receivable	4,566	76,884
Accounts receivable, net	1,633,356	125,566
Receivables from OSRHE	1,860,922	-
Prepaid expenses and other assets	1,792,620	-
<b>Total current assets</b>	<b>14,169,210</b>	<b>1,163,553</b>
Noncurrent Assets		
Restricted cash and cash equivalents	2,071,243	-
Investments	1,052,957	22,791,822
Prepaid bond insurance costs	108,910	-
Other assets	-	281,624
Capital assets, net	69,728,284	238,000
<b>Total noncurrent assets</b>	<b>72,961,394</b>	<b>23,311,446</b>
<b>Total assets</b>	<b>\$ 87,130,604</b>	<b>\$ 24,474,999</b>
Deferred Outflows of Resources		
Deferred outflows for pensions	\$ 4,395,429	\$ -
Deferred charge on OCIA lease restructure	167,910	-
<b>Total deferred outflows of resources</b>	<b>\$ 4,563,339</b>	<b>\$ -</b>

(Continued)

**Cameron University**

**Statement of Net Position (Continued)  
June 30, 2015**

	University June 30, 2015	Foundation June 30, 2015
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 927,251	\$ 34,724
Accrued payroll	1,224,377	-
Accrued interest	181,911	-
Unearned revenues	1,323,829	-
Notes payable	-	763,318
Deposits held in custody for others	188,742	-
Current portion of noncurrent liabilities	2,706,427	-
<b>Total current liabilities</b>	<b>6,552,537</b>	<b>798,042</b>
Noncurrent Liabilities, net of current portion		
Accrued compensated absences	334,778	-
Capital lease payable, net of premium	16,248,805	-
Revenue bonds payable	7,095,000	-
Net pension liability	33,838,157	-
<b>Total noncurrent liabilities</b>	<b>57,516,740</b>	<b>-</b>
<b>Total liabilities</b>	<b>\$ 64,069,277</b>	<b>\$ 798,042</b>
Deferred Inflows of Resources		
Deferred inflows for pensions	\$ 8,514,092	\$ -
Deferred credit on OCIA lease restructure	342,666	-
<b>Total deferred inflows of resources</b>	<b>\$ 8,856,758</b>	<b>\$ -</b>
Net Position		
Net investment in capital assets	\$ 45,168,601	\$ -
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	66,000	10,152,081
Expendable:		
Educational programs	606,587	7,935,478
Capital projects	1,881,687	-
Other	73,194	-
Unrestricted	(29,028,161)	5,589,398
<b>Total net position</b>	<b>\$ 18,767,908</b>	<b>\$ 23,676,957</b>

See Notes to Financial Statements.

**Cameron University**

**Statement of Revenues, Expenses and Changes in Net Position  
June 30, 2015**

	University Year Ended June 30, 2015	Foundation Year Ended June 30, 2015
<b>Operating Revenues:</b>		
Student tuition and fees, net of scholarship allowance of \$8,695,000	\$ 19,358,860	\$ -
Federal grants and contracts	14,314,953	-
State grants and contracts	133,266	-
Nongovernmental grants and contracts	664,811	-
Sales and services of educational departments	461,593	-
Auxiliary enterprises	4,752,580	-
Gifts and contributions	-	1,975,316
Other operating revenues	286,222	168,374
<b>Total operating revenues</b>	<b>39,972,285</b>	<b>2,143,690</b>
<b>Operating Expenses:</b>		
Compensation and benefits	35,716,021	-
Contractual services	4,173,005	-
Supplies and materials	4,338,968	-
Depreciation	4,531,570	-
Utilities	1,612,405	-
Communications	314,186	-
Scholarships and fellowships	10,633,386	300,730
Other operating expenses	2,669,519	1,804,376
<b>Total operating expenses</b>	<b>63,989,060</b>	<b>2,105,106</b>
<b>Operating income (loss)</b>	<b>(24,016,775)</b>	<b>38,584</b>
<b>Nonoperating Revenues (Expenses):</b>		
State appropriations	21,783,765	-
OTRS on-behalf contributions	1,810,970	-
Oklahoma State Regents for Higher Education endowment income	282,871	-
Investment income	56,753	780,140
Net depreciation on investments	-	(148,527)
Interest expense	(1,294,242)	-
Other nonoperating expense	(15,857)	-
<b>Net nonoperating revenues</b>	<b>22,624,260</b>	<b>631,613</b>
<b>Income (loss) before other revenues, expenses, gains or (losses)</b>	<b>(1,392,515)</b>	<b>670,197</b>
<b>Other Revenues, Expenses, Gains or (Losses):</b>		
On-behalf state appropriations restricted for debt service	1,357,318	-
Private donations restricted for capital purposes	500,000	-
State appropriations restricted for capital purposes	1,198,556	-
<b>Total other revenues, expenses, gains or (losses)</b>	<b>3,055,874</b>	<b>-</b>
<b>Change in net position</b>	<b>1,663,359</b>	<b>670,197</b>
Net Position, beginning of year	56,378,285	23,006,760
Restatement—Implementation of GASB 68 & 71	(39,273,736)	-
Net Position at beginning of year, as restated	17,104,549	23,006,760
Net Position, end of year	<b>\$ 18,767,908</b>	<b>\$ 23,676,957</b>

See Notes to Financial Statements.

**Cameron University**

**Statement of Cash Flows**  
**Year Ended June 30, 2015**

	<b>2015</b>
Cash Flows from Operating Activities	
Tuition and fees	\$ 19,624,801
Federal grants and contracts	14,982,139
Payments to employees	(35,230,387)
Payments to vendors	(12,600,638)
Payments for scholarships and fellowships	(10,633,387)
Sales and services of educational departments	429,453
Auxiliary enterprises	4,744,564
Other operating receipts	286,222
<b>Net cash used in operating activities</b>	<u>(18,397,233)</u>
Cash Flows from Noncapital Financing Activities	
State appropriations	21,783,765
Direct loans received	17,675,806
Direct loans disbursed	(17,675,806)
Agency transactions	(24,091)
<b>Net cash provided by noncapital financing activities</b>	<u>21,759,674</u>
Cash Flows from Capital and Related Financing Activities	
Capital appropriations	1,198,556
Private donations restricted for capital purposes	500,000
Payments on bonds and lease payable	(442,005)
Proceeds from capital lease obligations	167,909
Interest paid on capital debt and leases	(1,353,434)
Purchases of capital assets	(1,631,170)
<b>Net cash used in capital and related financing activities</b>	<u>(1,560,144)</u>
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	379,861
Interest on investments	57,363
Purchases of investments	(388,614)
<b>Net cash provided by investing activities</b>	<u>48,610</u>
<b>Net change in cash and cash equivalents</b>	1,850,907
Cash and Cash Equivalents, beginning of year	9,098,082
Cash and Cash Equivalents, end of year	<u>\$ 10,948,989</u>

(Continued)

Cameron University

Statement of Cash Flows (Continued)  
Year Ended June 30, 2015

	2015
<hr/>	
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (24,016,775)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	4,531,570
OTRS on-behalf contributions	1,810,970
Changes in assets and liabilities:	
Accounts receivable	61,571
Prepaid expenses and other assets	28,398
Deferred outflows for pensions	623
Accounts payable and accrued expenses	1,465,058
Net pension liability	(10,797,360)
Unearned revenues	4,620
Deferred inflows for pensions	8,514,092
<b>Net cash used in operating activities</b>	<u><u>\$ (18,397,233)</u></u>
Noncash Capital and Related Financing Items	
Principal and interest paid by other state agencies	<u><u>\$ 1,357,318</u></u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position	
Current assets:	
Current cash and cash equivalents	\$ 8,877,746
Noncurrent assets:	
Restricted cash and cash equivalents	<u><u>2,071,243</u></u>
	<u><u>\$ 10,948,989</u></u>

See Notes to Financial Statements.



## Cameron University

### Notes to Financial Statements

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

**Nature of operations:** Cameron University (the University) is a regional University operating under the jurisdiction of the Board of Regents of the University of Oklahoma (the Board of Regents) and the Oklahoma State Regents for Higher Education.

**Reporting entity:** The University is one of four institutions of higher education in Oklahoma that comprise the Regents of the University of Oklahoma, which in turn is part of the Higher Education Component Unit of the State of Oklahoma.

The Board of Regents has constitutional authority to govern, control and manage the Regents of the University of Oklahoma, which consists of Cameron University, Rogers State University, University of Oklahoma-Norman Campus and University of Oklahoma Health Sciences Center. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, acquire and take title to real and personal property in its name, and appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

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

In prior years, the University reported itself as a component unit of the State of Oklahoma. Based on an evaluation performed by management during 2015 it was determined that the University is not a legally separate entity. Therefore it is not a component unit of the State. The University is an organizational unit with the Board of Regents as mentioned above.

**Cameron University Foundation:** Cameron University Foundation, Inc. (the Foundation), is a legally separate, Oklahoma not-for-profit corporation organized for the purpose of receiving and administering gifts intended for the University. Because the restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the University's management believes that presenting the Foundation's financial statements as part of the University reporting entity provides users relevant and timely information about resources available to the University. The Foundation reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information for these differences. The Foundation prepares separate, standalone financial statements that may be obtained by contacting the Foundation's management.

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

**Basis of accounting:** The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. GAAP. 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 statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's OK Invest cash management investment policy are considered cash equivalents.

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

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

**Accounts receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Oklahoma. Accounts receivable also include amounts due from the federal, 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. The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history, and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

**Restricted cash and investments:** Cash and investments that are externally restricted for debt service payments, maintain sinking or reserve funds, long-term student loans, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the statement of net position.

**Capital assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University's capitalization policy is all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The University capitalizes interest as a component of capital assets constructed for its own use. There was no capitalized interest in 2015.

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

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

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

**Noncurrent liabilities:** Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) federal loans liability; (3) amounts for accrued compensated absences; (4) net pension liability; and other liabilities that will not be paid within the next fiscal year. Bond discounts and premiums are amortized over the life of the bonds using the straight line method, which is not significantly different from the effective interest method. Bond issuance costs are expensed as incurred regardless of whether they are included in bond proceeds.

**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 Teacher's Retirement System (OTRS) and additions to/deductions from OTRS's fiduciary net position have been determined on the same basis as reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by OTRS are reported at fair value.

## Cameron University

### Notes to Financial Statements

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

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

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

**Restricted net position—expendable:** Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend said resources in accordance with restrictions imposed by external third parties or through enabling legislation.

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

**Unrestricted net position:** Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

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

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

**Operating revenues:** Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of educational departments and of auxiliary enterprises, and (3) certain federal, state, and nongovernmental grants and contracts that relate specifically to revenues used for student financial assistance.

**Nonoperating revenues:** Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB, such as state appropriations, certain governmental 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 statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

## Cameron University

### Notes to Financial Statements

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

**Deferred outflows of resources:** Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2015, the University's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure and deferred outflows related to pensions.

**Deferred inflows of resources:** Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2015, the University's deferred inflows of resources were comprised of credits realized on an OCIA lease restructure and deferred inflows related to pensions.

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

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

**New accounting pronouncements adopted in fiscal year 2015:** The University adopted the following new accounting pronouncement during the year ended June 30, 2015:

*Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* (GASB No. 68) establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. The provisions of the statement are effective for fiscal periods beginning after June 15, 2014. The adoption of GASB No. 68 resulted in a decrease in Net Position of \$41,211,128.

*Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68* (GASB No. 71) was issued in November 2013 and amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement were required to be adopted simultaneously with the adoption of GASB Statement 68. The adoption of GASB No. 71 resulted in the recording of a deferred outflow of \$4,423,198 for contributions after the measurement date of the beginning net pension liability.

**New accounting pronouncements issued not yet adopted:** The GASB has also issued several new accounting pronouncements which will be effective for the University in future fiscal years. A description of the new accounting pronouncements and the University's consideration of the impact of these pronouncements are described below:

*Statement No. 72, Fair Value Measurement and Application* (GASB No. 72) was issued in February 2015 and requires investments to be measured at fair value. Investments are defined as any security or other asset that (a) the government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. The statement requires measurement at acquisition value for donated capital assets, donated works of art, historical treasures and similar assets and capital assets received in a service concession arrangement. This statement is effective for financial statements for periods beginning after June 15, 2015.

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

*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, will be effective for the University beginning with its fiscal year ending June 30, 2016. Those provisions of the statement that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective beginning with fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

*Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans* (GASB No. 74) was issued in June 2015 and replaces Statements No. 43 Financial Reporting for Postemployment Benefits Plans Other than Pension Plans, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The provisions of Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

*Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) was issued in June 2015, will be effective for the University beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

*Statement No. 76, The Hierarchy of Generally Accepted accounting Principles for State and Local Governments* (GASB No. 76) was issued in June 2015 and supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

The University is currently evaluating the impact that these new standards will have on its financial statements.

**Note 2. Deposits and Investments**

**Deposits:** *Custodial credit risk* is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The University's deposit policy for custodial credit risk is described as follows:

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations. The 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 State Treasurer may determine, in the state's name.

The University requires that balances on deposit with financial institutions, including trustees related to the University's bond indenture and capital lease agreements, be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the University's name.

## Cameron University

### Notes to Financial Statements

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

At June 30, 2015, the carrying amounts of the University's deposits were \$10,948,989. This amount consisted of deposits with the State Treasurer of (\$10,935,914) and petty cash and change funds (\$13,075) at June 30, 2015.

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. Government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. Government; (c) money market mutual funds which participate in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; (d) investments related to tri-party repurchase agreements which are collateralized at 102 percent and, whereby, the collateral is held by a third party in the name of the State Treasurer; (e) collateralized certificates of deposits; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* total \$3,007,908 at June 30, 2015.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents.

At June 30, 2015, the distributions of deposits in *OK INVEST* are as follows:

OK INVEST Portfolio	Cost	Fair Value
U.S. Agency securities	\$ 1,207,616	\$ 1,206,311
Certificates of deposit	82,128	82,128
Money market mutual funds	377,613	377,613
Mortgage backed agency securities	1,180,014	1,195,096
Municipal bonds	41,706	45,224
Foreign bonds	23,160	23,160
Commercial paper	60,856	60,856
U.S. Treasury Obligations	34,815	41,792
Total	<u>\$ 3,007,908</u>	<u>\$ 3,032,180</u>

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the 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 which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us/>.

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

## Cameron University

### Notes to Financial Statements

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

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

Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons.

U.S. Government securities risk is the risk that the U.S. Government will not provide financial support to U.S. Government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC or any other government agency.

**Investments:** At June 30, 2015, the University had the following investments:

Investment	Credit Rating	Maturities	Cost	Fair Value	Percent of Total Cost
US Treasuries	N/A	Less than One	\$ 666,415	\$ 666,415	63%
Federal Farm Credit Banks	AA+/Aaa	Less than One	85,425	85,487	8%
Federal Home Loan Banks	AA+/Aaa	Less than One	81,729	80,726	8%
Federal National Mortgage Association	AA+/Aaa/AAA	One to Five	74,912	75,737	7%
Federal Home Loan Mortgage Corporation	AA+/Aaa/AAA	One to Five	144,327	144,592	14%
			1,052,808	1,052,957	100%
OK Invest internal investment pool (classified as cash equivalents in the statement of net position)	N/A	Less than One	3,007,908	3,032,180	N/A
			<u>\$4,060,716</u>	<u>\$4,085,137</u>	

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

**Credit risk:** All United States government obligations are held by the Federal Reserve Bank in the name of the University. Title 70, Section 4306, of the Oklahoma statutes directs, authorizes, and empowers the University's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws.

The Board of Regents has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the United States Government and its agencies, certificates of deposit, and demand deposits. The Board has authorized endowment and similar funds to be invested in direct obligations of the United States Government and its agencies, certificates of deposit, prime commercial paper, bankers' acceptances, demand deposits, corporate debt (no bond below a Single A rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities, and equity securities.

**Concentration of credit risk:** The University places no limit on the amount the University may invest in any one issuer. However, the majority of the investments are investments guaranteed by the U.S. Government.

## Cameron University

### Notes to Financial Statements

#### Note 3. Accounts Receivable

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

Student tuition and fees	\$ 1,834,219
Auxiliary enterprises and other operating activities	615,856
Federal and state agencies	140,887
	<u>2,590,962</u>
Less allowance for doubtful accounts	<u>(957,606)</u>
	<u>\$ 1,633,356</u>

#### Note 4. Capital Assets, Net

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

	Balance June 30, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$ 421,978	\$ -	\$ -	\$ -	\$ 421,978
Construction in progress	182,357	712,750	-	-	895,107
Total capital assets not being depreciated	<u>\$ 604,335</u>	<u>\$ 712,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,317,085</u>
Capital assets being depreciated:					
Nonmajor infrastructure networks	\$ 9,122,190	\$ -	\$ -	\$ -	\$ 9,122,190
Building	98,969,275	-	-	-	98,969,275
Furniture, fixtures and equipment	12,571,996	477,585	-	(129,562)	12,920,019
Library materials	11,414,027	469,730	-	-	11,883,757
Total capital assets being depreciated	<u>132,077,488</u>	<u>947,315</u>	<u>-</u>	<u>(129,562)</u>	<u>132,895,241</u>
Less accumulated depreciation for:					
Nonmajor infrastructure networks	(3,727,584)	(407,315)	-	-	(4,134,899)
Building	(40,625,060)	(2,453,864)	-	-	(43,078,924)
Furniture, fixtures and equipment	(7,739,029)	(1,204,079)	-	95,620	(8,847,488)
Library materials	(7,956,419)	(466,312)	-	-	(8,422,731)
Total accumulated depreciation	<u>(60,048,092)</u>	<u>(4,531,570)</u>	<u>-</u>	<u>95,620</u>	<u>(64,484,042)</u>
Capital assets being depreciated, net	<u>\$72,029,396</u>	<u>\$ (3,584,255)</u>	<u>\$ -</u>	<u>\$ (33,942)</u>	<u>\$68,411,199</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 604,335	\$ 712,750	\$ -	\$ -	\$ 1,317,085
Capital assets being depreciated	132,077,488	947,315	-	(129,562)	132,895,241
Total cost of capital assets	<u>132,681,823</u>	<u>1,660,065</u>	<u>-</u>	<u>(129,562)</u>	<u>134,212,326</u>
Less accumulated depreciation	<u>(60,048,092)</u>	<u>(4,531,570)</u>	<u>-</u>	<u>95,620</u>	<u>(64,484,042)</u>
Capital assets, net	<u>\$72,633,731</u>	<u>\$ (2,871,505)</u>	<u>\$ -</u>	<u>\$ (33,942)</u>	<u>\$69,728,284</u>



## Cameron University

### Notes to Financial Statements

#### Note 5. Long-Term Liabilities

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

	Balance June 30,			Balance June 30,	Amounts Due within
	2014	Additions	Reductions	2015	One year
Bonds and capital lease obligations:					
Revenue bond payable	\$ 7,535,000	\$ -	\$ (215,000)	\$ 7,320,000	\$ 225,000
OCIA capital lease obligations	10,351,289	387,004	(1,362,349)	9,375,944	1,131,586
Premium on OCIA lease obligations	177,182	-	(18,652)	158,530	-
ODFA master lease revenue bonds	9,151,917	-	(640,833)	8,511,084	665,167
Total bonds and capital lease	27,215,388	387,004	(2,236,834)	25,365,558	2,021,753
Other liabilities:					
Net pension liability—OTRS	-	43,818,767	(10,882,246)	32,936,521	-
Net pension liability—supplemental	1,103,016	-	(64,094)	1,038,922	137,286
Accrued compensated absences	862,738	547,388	(527,960)	882,166	547,388
Total other liabilities	1,965,754	44,366,155	(11,474,300)	34,857,609	684,674
Total long-term liabilities	\$29,181,142	\$44,753,159	\$(13,711,134)	\$60,223,167	\$ 2,706,427

Oklahoma Capital Improvement Authority Lease Obligations: The Oklahoma Capital Improvement Authority (OCIA) periodically issues bonds, which are allocated to the State Regents for Higher Education (the State Regents), to be used for specific projects at Oklahoma higher education institutions. The University has participated in these projects as discussed below. In each of the transactions, OCIA and the University have entered into a lease agreement with terms characteristic of a capital lease. As a result, the University recognizes its share of the liability and the related assets in connection with the projects being constructed or acquired, in its financial statements. Annually, the State Legislature appropriates funds to the State Regents to make the monthly lease principal and interest payments on-behalf of the University.

In September 1999, OCIA issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, State Regents allocated \$1,200,000 to the University. Concurrently with the allocation, the University entered into a lease agreement with OCIA, representing the project being funded by the OCIA bonds.

Through June 30, 2015, the University has drawn its total allotment for expenditures incurred in connection with the project. The expenditures have been capitalized as investments in capital assets in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayments made.

In 2004, the University's lease agreement with OCIA was restructured through a refunding of the 1999 Series bonds to OCIA Bond Series 2004A. During fiscal year 2015, OCIA issued Bond Series 2014B to refund Bond Series 2004A. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring resulted in a reduction of principal, thus the University has recorded a deferred inflow of resources of \$31,856, which is the difference between the reacquisition price and the net carrying amount of the old debt, that is being amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. As of June 30, 2015 the unamortized credit totaled \$25,485. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$54,471, which approximates the economic savings of the transaction.

## Cameron University

### Notes to Financial Statements

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

In November 2005, the OCIA issued its OCIA Bond Issues, 2005 Series F. Of the total bond indebtedness, the State Regents for Higher Education allocated \$12,059,247 to the University. Through June 30, 2015, these funds have earned \$1,203,081 of interest income. Concurrently with the allocation, the University entered into an individual lease agreement with OCIA, representing the six projects being funded by the OCIA bonds.

Through June 30, 2015, the University has drawn \$13,262,328 for expenditures incurred in connection with the projects. The expenditures have been capitalized as investments in capital assets in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayments made.

In 2011, the OCIA Series 2005F lease agreement was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA automatically restructured to secure the new bond issues.

This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The University has recorded a deferred outflow of resources of \$1,007,459, which is the difference between the reacquisition price and the net carrying amount of the old debt that is being amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. As of June 30, 2015, the unamortized cost totaled \$167,910. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$49,791 which also approximates the economic cost of the lease restructuring. Although this restructuring resulted in a cost to the University, it is anticipated that the on-behalf payments provided to cover the original lease agreement will also cover the deferred lease restructuring charge.

During fiscal year 2014, the University's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring resulted in a reduction of principal, thus the University has recorded a deferred inflow of resources of \$343,613 on restructuring which is the difference between the reacquisition price and the net carrying amount of the old debt, that is being amortized over the remaining life of the old debt or the new debt, whichever is shorter. As of June 30, 2015 the unamortized credit totaled \$317,181. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$802,126, which approximates the economic savings of the transaction.

During the year ended June 30, 2015, the State Regents made lease interest and principal payments totaling \$1,357,318, on behalf of the University. These on-behalf payments have been recorded as on-behalf state appropriations restricted for debt service in the University's statement of revenues, expenses, and changes in net position. As stated above, the on-behalf payments are subject to annual appropriations by the State Legislature.

## Cameron University

### Notes to Financial Statements

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

Future minimum lease payments under the University's obligation to the OCIA are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,131,586	\$ 424,514	\$ 1,556,100
2017	1,177,862	387,348	1,565,210
2018	1,218,065	334,573	1,552,638
2019	91,298	278,241	369,539
2020	-	274,203	274,203
2021-2025	2,282,010	1,214,040	3,496,050
2026-2030	3,475,123	521,297	3,996,420
	<u>\$ 9,375,944</u>	<u>\$ 3,434,216</u>	<u>\$ 12,810,160</u>

#### ***Housing System Revenue Bonds Series 2004***

Effective July 1, 2004, the University issued bonds in the amount of \$9,000,000 to provide funds to design, construct, expand, equip, furnish, and landscape certain student housing facilities and commons building living/learning center on the campus of the University.

The issuance includes \$2,905,000 of serial bonds and \$6,095,000 of term bonds. The serial bonds are due in varying amounts through 2019 with stated interest rates ranging from 3.0 percent to 4.5 percent. The term bonds require mandatory sinking-fund payments beginning in 2020 and continuing through the final maturity date of 2029. The interest rates on the term bonds range from 5.0 percent to 5.5 percent. At June 30, 2015, the University had \$1,052,957 of investments held in trust for the 2004 bonds.

The bonds are secured by a pledge of housing and student facility fees. Total pledged revenues in fiscal year 2015 were \$2,598,578. Debt service payments of \$578,821 were 22.3 percent of pledged revenues in fiscal year 2015.

The scheduled maturities of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 225,000	\$ 354,540	\$ 579,540
2017	235,000	344,553	579,553
2018	245,000	333,895	578,895
2019	255,000	322,675	577,675
2020	265,000	310,750	575,750
2021-2025	1,545,000	1,310,175	2,855,175
2026-2030	2,000,000	847,500	2,847,500
2031-2035	2,550,000	267,500	2,817,500
	<u>\$ 7,320,000</u>	<u>\$ 4,091,588</u>	<u>\$ 11,411,588</u>

## Cameron University

### Notes to Financial Statements

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

##### ***Oklahoma Development Finance Authority Master Lease***

In May 2006, the University entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (the ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2006A (the Master Lease 2006A). The University received a net amount of \$6,100,235 of the proceeds for implementation of an energy management system. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

The scheduled maturities of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 438,500	\$ 127,803	\$ 566,303
2017	456,667	108,919	565,586
2018	476,750	88,930	565,680
2019	497,833	67,933	565,766
2020	520,000	45,758	565,758
2021	496,833	22,358	519,191
	<u>\$ 2,886,583</u>	<u>\$ 461,701</u>	<u>\$ 3,348,284</u>

In December 2007, the University entered into a 25-year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2007B (Master Lease 2007B). The University received a net amount of \$7,099,000 of proceeds for the construction of the McMahon Centennial Complex. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

The scheduled maturities of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 226,667	\$ 238,717	\$ 465,384
2017	237,000	230,217	467,217
2018	245,500	221,330	466,830
2019	255,000	212,124	467,124
2020	264,083	202,561	466,644
2021-2025	1,501,334	842,460	2,343,794
2026-2030	1,849,083	489,898	2,338,981
2031-2033	1,045,834	83,494	1,129,328
	<u>\$ 5,624,501</u>	<u>\$ 2,520,801</u>	<u>\$ 8,145,302</u>

## Cameron University

### Notes to Financial Statements

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#### Note 6. Retirement Plans

The University's academic and nonacademic personnel are covered by various retirement plans depending on job classification. The plans available to University personnel include:

Name of Plan/System	Type of Plan
Oklahoma Teachers' Retirement System (OTRS)	Cost Sharing Multiple Employer Defined Benefit Plan
Cameron University Defined Contribution Plan	Defined Contribution Plan
Supplemental Retirement Annuity	Defined Benefit Plan
Cameron University President's Retirement Plan (Plan 2)	Defined Benefit Plan

#### ***Oklahoma Teachers' Retirement System***

**Plan description:** The University participates in the OTRS, a cost-sharing multiple-employer public employee retirement system that is self-administered. OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma State Statutes assigns the authority for management and operation of OTRS to the Board of Trustees of the System. OTRS issues a publicly available annual financial report that can be obtained at [www.ok.gov/TRS/](http://www.ok.gov/TRS/).

**Benefits provided:** OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Benefit provisions include:

Members become 100 percent vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined OTRS on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining OTRS 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 percent of final compensation for each year of credited service.

Final compensation for members who joined OTRS prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS 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 percent 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.

## Cameron University

### Notes to Financial Statements

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

Upon the death of a retired member, OTRS will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.

A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2 percent of final average compensation for the applicable years of credited service.

Upon separation from OTRS, 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 OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 7 percent of their annual compensation. The University pays the employee contributions as a pre-tax benefit to the employees. The University's contribution rate is 8.55 percent for the years ended June 30, 2015 and 2014. The University's contributions to OTRS in 2015, including both the employer share and the employee share, was approximately \$4,395,000, equal to the required contributions. In addition, the State of Oklahoma also contributed 5 percent of State revenues from sales, use and individual income taxes to OTRS. The amounts contributed on-behalf of the University and recognized in the University's Statement of Revenues, Expenses and Changes in Net Position as both revenues and compensation and employee benefit expense in 2015 was \$1,810,970. These on-behalf payments do not meet the definition 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, 2015, the University reported a liability of \$32,936,521 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The University's proportion of the net pension liability was based on the University's contributions to OTRS relative to total contributions to OTRS by all participating employers for the year ended June 30, 2014. Based upon this information, the University's proportion was 0.6122182 percent.

For the year ended June 30, 2015, the University recognized pension expense of \$1,942,818. At June 30, 2015, the University 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	\$ -	\$ 542,892
Changes of assumptions	-	-
Net difference between projected and actual investments earnings on pension plan investments	-	7,971,200
University contributions made subsequent to the measurement date	4,395,429	-
Total	<u>\$ 4,395,429</u>	<u>\$ 8,514,092</u>

## Cameron University

### Notes to Financial Statements

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

Deferred pension outflows totaling \$4,395,429 resulting from the University's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows totaling \$7,971,200 resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense over five years. The deferred inflows totaling \$542,892 resulting from differences between expected and actual experience will be recognized in pension expense using the average expected remaining service life of the plan participants. The average expected remaining life of the plan participants is determined by taking the calculated total future service future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the plan are estimated at 6.32 years at June 30, 2014 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2016	\$ (2,094,847)
2017	(2,094,847)
2018	(2,094,847)
2019	(2,094,847)
2020	(102,047)
Thereafter	(32,657)
	<u>\$ (8,514,092)</u>

**Actuarial assumptions:** The total pension liability was determined based on an actuarial valuation prepared as of July 1, 2014 using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Amortization Method—Level percentage of Payroll
- Amortization Period—Amortization over an open 30-year period
- Asset Valuation Method—5-year smooth market
- Inflation—3.00 percent
- Salary Increases—Composed of 3.00 percent inflation, plus 1.00 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return—8.00 percent
- Retirement Age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality—RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90 percent for males and 80 percent for females.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

## Cameron University

### Notes to Financial Statements

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

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	8.9%
Domestic Large Cap Equity	10.0%	8.5%
Domestic Mid Cap Equity	13.0%	9.2%
Domestic Small Cap Equity	10.0%	9.2%
International Large Cap Equity	11.5%	9.2%
International Small Cap Equity	6.0%	9.2%
Core Plus Fixed Income	17.5%	4.3%
High-yield Fixed Income	6.0%	6.7%
Private Equity	5.0%	10.1%
Real Estate**	7.0%	7.8%
Master Limited Partnerships	7.0%	10.1%
Total	<u>100.0%</u>	

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

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

**Discount rate:** The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 5.0 percent of sales, use and individual income taxes, as established by statute. Based on these assumptions, OTRS' fiduciary net position was projected to be available to make 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.

**Sensitivity of the net pension liability to changes in the discount rate:** The following table presents the net pension liability of the University calculated using the discount rate of 8.0 percent, as well as what the University's net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1-percentage point lower (7.0 percent) or 1-percentage point higher (9.0 percent) than the current rate:

	1% Decrease ( 7.00% )	Current Discount Rate ( 8.00% )	1% Increase ( 9.00% )
Net pension liability	<u>\$ 46,592,059</u>	<u>\$ 32,936,521</u>	<u>\$ 21,831,557</u>



## Cameron University

### Notes to Financial Statements

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

##### *Defined Contribution Plan*

**Plan description:** The plan is a Section 401(a) defined contribution plan that became effective January 1, 2015 for certain FLSA nonexempt employees. The purpose of the plan is to provide retirement benefits for the participants and to distribute the funds accumulated to the participants or the eligible beneficiaries. All nonexempt employees hired after the effective date are allowed a one-time election between participation in OTRS or the defined contribution plan.

**Funding policy:** The required contribution rate is 9.0 percent of pensionable compensation. The University contributes the required amounts for participating members. The University's contributions for the year ended June 30, 2015 were approximately \$23,000.

##### *Supplemental Retirement Plan—Plan 1*

**Plan description:** The University maintains a supplemental retirement plan (Plan 1) for certain retired employees. The plan is in substance a single-employer, defined benefit plan administered by the University. Plan 1 has four participants, all of whom are retired and currently receiving benefits. Plan 1 guarantees the participants a level of retirement benefits when considering social security, OTRS and other retirement assets. The authority to establish and amend benefit provisions rests with the Board of Regents. The Plan does not issue a separate financial report, nor is it included in the financial report of another entity.

**Funding policy:** The University has been funding the benefits of Plan 1 on a "pay-as-you-go" basis. Benefits are not distributed to the participants until their retirement. During the year ended June 30, 2015, the University contributed and paid benefits of \$137,286 under Plan 1.

**Annual pension cost and net pension obligation:** The annual required contributions for the year ended June 30, 2015, were determined as part of annual actuarial valuations as of the aforementioned dates, using the projected unit credit method. The actuarial assumptions for 2015 and 2014 included (a) a discount rate of 6.5 percent per year to determine the present value of future benefit payments; (b) retirement at age 63; (c) a return on investments rate of 6.5 percent; (d) annual cost of living adjustment of 3.5 percent; and (e) a 6.5 percent interest rate for post-retirement individual annuity settlement benefits. The unfunded actuarial accrued liability is being amortized using the level dollar amortization method on a closed basis over ten years.

Components of the University's annual pension cost, contributions, and net pension obligation for Plan 1 for the year ended June 30, 2015, are as follows:

Annual required contribution	\$ 216,724
Interest on net pension obligation	32,556
Adjustment to annual required contribution	<u>(93,016)</u>
Annual pension cost	156,264
Contributions made	<u>(137,286)</u>
Increase in net pension obligation	18,978
Net Pension Obligation, beginning of year	<u>930,158</u>
Net Pension Obligation, end of year	<u><u>\$ 949,136</u></u>

## Cameron University

### Notes to Financial Statements

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

**Funded status and funding progress:** The funded status of Plan 1 as of June 30, 2015 was as follows:

Actuarial accrued liability (AAL)	\$ 2,167,724
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,167,724</u>
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Annual covered payroll (active plan members)	\$ -

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, as available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Trend information: Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation (asset) is as follows for Plan 1:

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Liability</u>
2015	\$ 156,264	87.9%	\$ 946,136
2014	131,303	103.8%	930,158
2013	135,732	100.4%	935,143

#### ***Cameron University President's Retirement Plan—Plan 2***

**Plan description:** The University maintains a supplemental retirement plan (Plan 2) for a retired University President. The plan is in substance a single-employer, defined benefit plan administered by the University. Plan 2 has one participant, who is retired and currently receiving benefits. Plan 2 guarantees the participant a level of retirement benefits when considering social security, OTRS and other retirement assets. The authority to establish and amend benefit provisions rests with the Board of Regents. The Plan does not issue separate a financial report, nor is it included in the financial report of another entity.

**Benefits provided:** Plan 2 is a defined benefit plan that may provide a University benefit for the life of the participant. The retirement benefit which is to be provided to the participant will be a guaranteed amount equal to the participant's average compensation, as defined in the plan document, when considering the OTRS benefit and other benefits.

**Contributions:** Contributions required to fund the cost of the pension and other benefits provided by Plan 2 shall be made solely by the University. The University shall contribute to Plan 2 in such amounts and at such times as the University shall determine, acting under the advice of the actuary for Plan 2. Actual payments of contributions may be made at any time permitted by law or regulation.

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:** At June 30, 2015, the University reported a liability of \$89,786 related to Plan 2. 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. For the year ended June 30, 2015, the University recognized pension expense of \$37,642. Deferred outflows for pensions and deferred inflows for pensions were not recognized for Plan 2 as such amounts are not material.

## Cameron University

### Notes to Financial Statements

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

**Actuarial assumptions:** The total pension liability was determined based on an actuarial valuation prepared as of June 30, 2015 using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Asset Method—Market Value of Assets
- Inflation—0.00 percent
- Salary Increases—Not applicable.
- Discount Rate and Long-Term Expected Rate of Return—6.00 percent
- Mortality—RP-2000 Combined Mortality Table, projected to 2015 using Scale AA

**Discount rate:** The discount rate used to measure the total pension liability was 6.00 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 contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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. 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.

**Long-term expected rate of return:** The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are 6.0 percent with all assets being invested in equities.

**Sensitivity of the net pension liability to changes in the discount rate:** The following table presents the net pension liability of the University calculated using the discount rate of 6.0 percent, as well as what the University's net pension liability would be using a discount rate that is 1-percentage point lower (5.0 percent) or 1-percentage point higher (7.0 percent) than the current rate:

	1% Decrease ( 5.00% )	Current Discount Rate ( 6.00% )	1% Increase ( 7.00% )
Net pension liability	\$ 275,801	\$ 89,786	\$ (68,061)

#### Note 7. Other Post-Employment Insurance Benefits

The University provides for the payment of premiums for a \$4,000 life insurance policy to all eligible individuals retiring from employment. To be eligible, the individuals need only have completed the requirements to retire under the OTRS. The University funds the payments out of current operations and does not prefund the expenses. For the year ended June 30, 2015, the amount of expense to the University was approximately \$5,000.

Additionally, the University offers life insurance for all current employees in an amount equal to twice the employee's current salary. The University has ceded all claims over \$75,000 to an insurance company via the purchase of a group life insurance policy. As the employees have no vested benefit in this program and the program can be discontinued at the discretion of the University, the University has not recorded a liability in connection with any future benefit payments.

## Cameron University

### Notes to Financial Statements

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#### Note 7. Other Post-Employment Insurance Benefits (Continued)

At June 30, 2015, the University had approximately \$1,516,000 of rate stabilization reserves with the administrator of the programs discussed above. The rate stabilization reserves are available upon request of the University and are reflected as prepaid expenses and other assets in the statement of net position.

#### Note 8. Funds Held in Trust by Others

**Beneficial interest in state school land funds:** The University has a beneficial interest in the “Section Thirteen Fund State Educational Institutions” and the “New College Fund” administered by the Commissioners of the Land Office as trustees for the various educational institutions entitled thereto. The University has the right to receive annually 3.7 percent of the distributions of income produced by the “Section Thirteen Fund State Educational Institutions” assets and 100 percent of the distributions of income produced by the University’s “New College Fund.” The University received approximately \$1,082,000 during the year ended June 30, 2015, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as state appropriations restricted 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 University, held in trust by the Commissioners of the Land Office, was approximately \$19,832,000 at June 30, 2015.

**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 Endowment Program. The state match amounts, plus retained accumulated earnings, totaled approximately \$5,861,000 at June 30, 2015 and are invested by the State Regents for Higher Education on behalf of the University. The University is entitled to receive an annual distribution of earnings of 4.5 percent of the market value at year end on these funds. Legal title of these endowment funds is retained by the State Regents of Higher Education; only the funds available for distribution, or approximately \$1,572,000 at June 30, 2015, have been reflected as assets in the statement of net position.

#### Note 9. Related Party Transactions

The Cameron University Foundation (the Foundation) is a tax-exempt organization whose objective is the betterment of the University and its related activities. The University is the ultimate beneficiary of the Foundation. The University has an agreement with the Foundation whereby the University will also provide certain administrative services for the benefit of the Foundation. The following transactions occurred between the University and the Foundation during the year ended June 30, 2015:

Scholarship funds awarded to the University	<u>\$ 300,730</u>
Payment of services by the Foundation for the benefit of the University	<u>\$ 1,022,970</u>
Administrative services provided by the University for the benefit of the Foundation	<u>\$ 286,712</u>

The Foundation provides scholarship awards to University students, and also supports the University through payment of certain supplies, materials and services.

## **Cameron University**

### **Notes to Financial Statements**

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#### **Note 10. Commitments and Contingencies**

The University is party to litigation and claims arising in the normal course of business. In the opinion of management, liabilities, if any, resulting from such litigation and claims will not be material to the University.

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

#### **Note 11. Risk Management**

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

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program public entity risk pool currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pool for its 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 University also participates in the College Association of Liability Management (CALM) Workers' Compensation Plan for its workers' compensation coverage. CALM is an interlocal cooperative act agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through CompSource. 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. Effective July 1, 2015, the University discontinued participation in CALM and transferred worker's compensation coverage to the State of Oklahoma Risk Management Program.

## **Required Supplementary Information**

**Cameron University**

**Required Supplementary Information  
Schedule of the University's Proportionate Share of the Net Pension Liability (Unaudited)  
Oklahoma Teachers' Retirement System (OTRS)  
Last 10 Fiscal Years\***

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University's proportion of the net pension liability	0.6%
University's proportionate share of the net pension liability	\$ 32,936,521
University's covered-employee payroll	25,550,629
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	128.9%
Plan fiduciary net position as a percentage of the total pension liability	72.4%

**Notes to Schedule:**

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

**Cameron University**

**Required Supplementary Information  
 Schedule of the University's Contributions (Unaudited)  
 Oklahoma Teachers' Retirement System (OTRS)  
 Last 10 Fiscal Years**

	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,810,970	\$ 1,878,121	\$ 1,931,849	\$ 1,780,780	\$ 1,544,924
Contributions in relation to the contractually required contribution	(1,810,970)	(1,878,121)	(1,931,849)	(1,780,780)	(1,544,924)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	<u>\$ 25,550,629</u>	<u>\$ 25,739,234</u>	<u>\$ 25,628,455</u>	<u>\$ 24,203,445</u>	<u>\$ 23,726,504</u>
Contributions as a percentage of covered-employee payroll	7.09%	7.30%	7.54%	7.36%	6.51%
	2010	2009	2008	2007	2006
Contractually required contribution	\$ 1,371,301	\$ 1,592,939	\$ 1,686,007	\$ 1,593,813	\$ 1,304,343
Contributions in relation to the contractually required contribution	(1,371,301)	(1,592,939)	(1,686,007)	(1,593,813)	(1,304,343)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	<u>\$ 24,042,238</u>	<u>\$ 24,116,965</u>	<u>\$ 23,710,110</u>	<u>\$ 23,958,282</u>	<u>\$ 21,827,729</u>
Contributions as a percentage of covered-employee payroll	5.70%	6.61%	7.11%	6.65%	5.98%



**Cameron University**

**Required Supplementary Information  
Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)  
President's Retirement Plan—Plan 2**

**Last 10 Fiscal Years\***

(Dollar amounts in thousands)

<b>Total Pension Liability</b>	
Service cost	\$ -
Interest	99,303
Changes of benefit terms	-
Differences between expected and actual experience	34,301
Changes of assumptions	-
Benefit payments	<u>(105,617)</u>
<b>Net change in total pension liability</b>	27,987
Total Pension Liability, beginning	<u>1,707,863</u>
Total Pension Liability, ending (a)	<u>1,735,850</u>
<b>Plan Fiduciary Net Position</b>	
Contributions—Employer	-
Contributions—Member	-
Net investment income	94,843
Benefit payments	(105,617)
Administrative expense	<u>-</u>
<b>Net change in plan fiduciary net position</b>	(10,774)
Plan Fiduciary Net Position, beginning	<u>1,656,838</u>
Plan Fiduciary Net Position, ending (b)	<u>1,646,064</u>
<b>Net pension liability, ending (a)-(b)</b>	<u>\$ 89,786</u>
Plan fiduciary net position as a percentage of the total pension liability	94.8%
Covered employee payroll	-
Net pension liability as a percentage of covered-employee payroll	0.0%

**Notes to Schedule:**

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

**Cameron University**

**Required Supplementary Information  
Schedule of Employer Contributions (Unaudited)  
President's Retirement Plan—Plan 2  
Last 10 Fiscal Years \***

	2015	2014	2013	2012	2011	2010
Actuarilly determined contribution	\$ 75,524	\$ 193,534	\$ 495,559	\$ 359,557	\$ 276,094	\$ 319,326
Contributions in relation to the actuarilly determined contribution	-	(25,000)	(409,542)	(460,000)	(150,000)	(550,000)
Contribution deficiency (excess)	<u>\$ 75,524</u>	<u>\$ 168,534</u>	<u>\$ 86,017</u>	<u>\$ (100,443)</u>	<u>\$ 126,094</u>	<u>\$ (230,674)</u>
University's covered-employee payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 374,755</u>	<u>\$ 373,287</u>	<u>\$ 365,638</u>	<u>\$ 339,943</u>
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	132.24%	96.32%	75.51%	93.94%

**Notes to Schedule:**

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\* 10-year data is not yet available.

**Reports Required by  
*Government Auditing Standards*  
and OMB Circular A-133**

**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***

**Independent Auditor's Report**

Board of Regents of the University of Oklahoma  
Cameron University  
Norman, 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 Cameron University (the University), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2015. Our report includes emphasis of matters paragraphs describing the adoption of new accounting standards in the fiscal year ended June 30, 2015, the acknowledgement that the University is an organizational unit of the Regents and these financial statements reflect only the assets, liabilities and revenues and expenses of the University and not the Regents as a whole. The Cameron University Foundation, Inc. (the Foundation) has been presented as part of the reporting entity. This legally separate organization was audited by other auditors. The Foundation was not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "McGladrey LLP".

Oklahoma City, Oklahoma  
October 21, 2015

**Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance**

**Independent Auditor's Report**

Board of Regents of the University of Oklahoma  
Cameron University  
Norman, Oklahoma

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

We have audited the compliance of Cameron University (the University) with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2015. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the 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 its major federal program for the year ended June 30, 2015.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-01. Our opinion on the major federal program is not modified with respect to these matters.

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

## **Report on Internal Control Over Compliance**

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

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

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

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

*McGladrey LLP*

Oklahoma City, Oklahoma  
October 21, 2015

**Cameron University**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Expenditures
<b>U.S. Department of Education:</b>		
Student Financial Aid Cluster:		
Federal Pell Grant	84.063	\$ 10,499,188
Iraq and Afghanistan Service Grant	84.408	5,311
Federal Supplemental Education Opportunity Grant	84.007	125,626
Federal Direct Student Loan Program	84.268	17,675,806
Federal Work Study	84.033	158,958
TEACH Grant	84.379	24,455
<b>Total Student Financial Aid cluster</b>		<u>28,489,344</u>
TRIO Program Cluster:		
Upward Bound	84.047A	322,818
Student Support Services	84.042A	363,966
Talent Search Grant	84.044A	322,280
<b>Total TRIO Program cluster</b>		<u>1,009,064</u>
<b>Total U.S. Department of Education</b>		<u>29,498,408</u>
<b>U.S. Department of Health and Human Services:</b>		
Passed-through College of Osteopathic Medicine of Oklahoma State University:		
AHEC—Geriatrics	93.969	28,249
<b>Total U.S. Department of Health and Human Services</b>		<u>28,249</u>
<b>National Aeronautics Space Administration:</b>		
Passed-through University of Oklahoma NASA Grant		
<b>Total National Aeronautics Space Administration</b>	43.001	<u>8,513</u>
<b>National Science Foundation:</b>		
Passed-through Oklahoma State University:		
Oklahoma Lewis Stokes Alliance for Minority Participants	47.076	27,217
Passed-through Oklahoma EPSCoR:		
Native American Science Workshop	47.079	21,562
ROA Oxidative Stress Protein	47.080	7,939
<b>Total National Science Foundation</b>		<u>56,718</u>
<b>National Center for Research Resources:</b>		
Passed-through University of Oklahoma:		
OUHSC	93.389	20,780
<b>Total National Center for Research Resources</b>		<u>20,780</u>
<b>Total expenditures of federal awards</b>		<u>\$ 29,612,668</u>

See Notes to Schedule of Expenditures of Federal Awards.



## **Cameron University**

### **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015**

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#### **Note 1. Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cameron University (the University) under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule 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 2. Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-133, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

#### **Note 3. Federal Direct Student Loan Program**

Under the Federal Direct Student Loan Program (Direct Loan Program), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University began participation in the Direct Loan Program on July 1, 2010. The University administers the origination and disbursement of the loans to eligible students or parents. The University is not responsible for the collection of these loans.

#### **Note 4. Loans Outstanding**

The University had \$50,276 in Federal Perkins Loans outstanding at June 30, 2015.

#### **Note 5. Subrecipients**

During the year ended June 30, 2015, the University did not provide any federal awards to subrecipients.

**Cameron University**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2015**

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Comment Number	Comment	Corrective Action Taken
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**Findings Related to the Financial Statement Audit as Reported in Accordance with Generally Accepted  
Government Auditing Standards:**

A. Internal Control

No matters are reported.

B. Compliance Findings

No matters are reported.

**Findings and Questioned Costs for Federal Awards:**

A. Internal Control

No matters are reported.

B. Compliance Findings

No matters are reported.

**Cameron University**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

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**I. Summary of Auditor's Results:**

**Financial Statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   No

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? \_\_\_\_\_ Yes      X   No

Type of auditors' report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   Yes    \_\_\_\_\_ No

**Identification of major programs:**

CFDA Number	Name of Federal Program
84.063	Pell Grant
84.408	Iraq and Afghanistan Service Grant
84.007	Federal Supplemental Educational Opportunity Grants
84.268	Federal Direct Student Loans
84.033	Federal Work Study
84.379	Teacher Education Assistance for College and Higher Education Grants

\* See the Schedule of Expenditures of Federal Awards for identification of CFDA numbers applicable to the major programs.

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

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

**(A) Internal Control**

No matters were reported.

**(B) Compliance Findings**

No matters were reported.

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

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III. Findings Required to be Reported in Accordance with OMB Circular A-133:

(A) Internal Control

No matters were reported.

(B) Compliance Findings

2015-01

Program CFDA No:

Pell Grant (84.063)

Iraq and Afghanistan Service Grant (84.408)

Federal Supplemental Educational Opportunity Grants (84.007)

Federal Direct Student Loans (84.268)

Federal Work-Study (84.033)

Teacher Education Assistance for College and Higher Education Grants (84.379)

Federal Award Year: 2014-2015

Finding: Enrollment status of graduated students were not reported to the National Student Loan Data System (NSLDS) within the required time frame.

Criteria: In accordance with 34 CFR 682.610(c)(2)(i), "... an institution shall, upon receipt of a student status confirmation report from the Secretary or a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days if it discovers that a Stafford, SLS, or Plus loan has been made to or on behalf of a student who has ceased to be enrolled on at least a half-time basis."

Condition: In our testing of student status reporting to the National Student Loan Data System (NSLDS) we noted that there were instances in which withdrawn and graduated students did not have their enrollment status change reported to the NSLDS via National Student Clearinghouse (NSC) within 60 days from either the date of withdrawal determination or date of graduation as required by federal regulations for NSLDS reporting. Also in our testing we noted certain instances where incorrect student statuses were reported.

Context: The Student Financial Aid Office did not report enrollment status (including withdrawals, changes in enrollment, or graduation) for students within the sixty day time frame required by federal regulations. There is no known or projected monetary error as this is a compliance reporting issue.

Effect: Untimely reporting of student enrollment status does not allow the Department of Education to properly track and monitor students, including initiation of the loan repayment process.

Cause: The tracking of student statuses involves several steps. The process for reporting student status changes begins when a student a) drops 1 or more but not all courses, b) completely withdraws from all courses, or c) is identified as a graduate as of the end of a semester. When one of these events occurs the institution must update the student's enrollment status within the student system. The institution must then compile a report of student statuses to be submitted to the NSC. There are separate reports for regular status updates and graduate status updates each semester. We noted that not all student statuses were reported correctly within the reports. In addition, we noted that not all student statuses were reported within the time required by federal regulations.

## Cameron University

### Schedule of Findings and Questioned Costs Year Ended June 30, 2015

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Recommendation: We recommend the institution develop appropriate transmission reports that will ensure enrollment status changes, including withdrawals, changes in enrollment status, and graduation, are properly reported to NSLDS within the 60 day time frame required by federal regulations.

Response and Corrective Action Plan: According to third party servicer National Student Clearinghouse (NSC), the University's submission schedule is adequate to meet the 60 day federal reporting requirements. The University is working with NSC to determine the cause in delay of submissions from NSC to NSLDS. The University will review the reporting process to ensure proper reporting of enrollment status changes.