ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
BOARD OF REGENTS & ADMINISTRATION
June 30, 2015

(Front row: Michael Mitchell, Terry Matclock, Jeffrey Dunn, Lake Carpenter; Back row, Mark Stansberry, Connie Reilly, Susan Winchester, Joy Hofmeister, Gary Parker)

Board of Regents

Jeffrey Dunn..Chair

Lake Carpenter ....Vice-Chair

Gary Parker.......................................Secretary

Susan Winchester ....Member

Connie Reilly ....Member

Michael W. Mitchel ....Member

Terry Matlock ....Member

Mark Stansberry.................................Member

Joy Hofmeister...................................Member

Administration

John R. Hargrave, President ....East Central University

Steve Turner, President ....Northeastern State University

Janet Cunningham, President ....Northwestern Oklahoma State University

Sean Burrage, President .... Southeastern Oklahoma State University

Randy Beutler, President ....Southwestern Oklahoma State University

Don Betz, President.. University of Central Oklahoma

Sheridan McCaffree .... Executive Director

REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2015

AUDITED FINANCIAL STATEMENTS

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

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Regents

Regional University System of Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Regional University System of Oklahoma (the System), a component unit of the State of Oklahoma, and its aggregate discretely presented component units as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the System's discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System and its aggregate discretely presented component units as of June 30, 2015, and

309 N. Bryant Ave. • Edmond, OK 73034 • 405.348.0615 • Fax 405.348.0931 • www.jmacpas.com
Member of AICPA and OSCPA

the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note A to the financial statements, in 2015 the System adopted new accounting guidance, GASB Statement No. 68, *Accounting and Reporting for Pensions, an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 19, 2015

Year Ended June 30, 2015

INTRODUCTION

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

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

OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The objective of Management's Discussion and Analysis (MD&A) is to provide an overview of the financial position and activities of the System for the year ended June 30, 2015 with selected comparative information for the year ended June 30, 2014. The MD&A was prepared by management and should be read in conjunction with the accompanying financial statements and notes. The emphasis of discussion about these financial statements will focus on the current year data. Unless otherwise indicated, years in this MD&A refer to the fiscal years ended June 30.

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

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

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

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

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

STATEMENTS OF NET POSITION

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

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

Year Ended June 30, 2015

STATEMENTS OF NET POSITION--Continued

	June 30		
	2015	*2014	% Inc(Dec)
	(Thousands of Dollars)		
ASSETS			
Current assets	$ 249,022	$ 249,964	0%
Capital assets, net	550,554	514,685	7%
Other assets	52,168	63,335	-18%
TOTAL ASSETS	851,744	827,984	3%
DEFERRED OUTFLOWS OF RESOURCES	41,405	1,515	2633%
LIABILITIES			
Current liabilities	68,590	58,911	16%
Noncurrent liabilities	554,703	268,889	106%
TOTAL LIABILITIES	623,293	327,800	90%
DEFERRED INFLOWS OF RESOURCES	68,676	1,795	3726%
NET POSITION			
Net investment in capital assets	271,317	263,470	3%
Restricted-nonexpendable	696	706	-1%
Restricted-expendable	102,952	60,728	70%
Unrestricted	(173,785)	175,000	-199%
TOTAL NET POSITION	$ 201,180	$ 499,904	-60%

* prior year amounts are not restated for MD&A purposes

The System's implementation of new accounting standards during fiscal year 2015 had a significant impact on unrestricted net position. The changes in accounting for pensions are designed to improve transparency regarding pension obligations by requiring recognition of a liability equal to the net pension liability for the System's defined benefit plan and for a proportionate share of participation in the State of Oklahoma Teachers Retirement System cost-sharing defined benefit plan. This standard requires recognition of pension expense using a systematic method designed to match the cost of pension benefits with service periods for eligible employees. These accounting policy changes do not impact the System's funding requirements for the pension plans; however, the implementation resulted in the recognition of a cumulative net pension liability of $291.7 million, deferred inflows related to pension activity of $65.4 million, and deferred outflows related to pension activity of $40.4 million. This results in a significant reduction of unrestricted net position for the System when compared to prior year, and is the primary contributing factor to the negative $173.8 million of unrestricted net position.

Year Ended June 30, 2015

STATEMENTS OF NET POSITION--Continued

The increase in capital assets of $35.8 million was due to various construction projects at each of the six institutions. These projects range from improvements to athletic facilities, to housing and learning facilities. As a result, overall non-current liabilities increased to finance these projects.

Other assets were reduced by $11.2 million during fiscal year 2015 due primarily to the implementation of the new accounting pronouncements that required removal of the net pension asset that was accounted for under the superseded guidance.

Total current liabilities increased by $9.7 million. Of this increase, $5.4 million relates to accounts payable. These accounts payable are what the System owes to others, primarily related to goods or services being provided, with a significant portion of these are related to capital assets. The remaining increase of $3.8 million represents the current portion of non-current liabilities.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

Year Ended June 30, 2015

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

	Years Ended June 30, 2015	* 2014	% Inc(Dec)
	(Thousands of Dollars)		
OPERATING REVENUES			
Student tuition and fees, net	$ 181,946	$ 170,073	7%
Grants and contracts	33,103	31,165	6%
Other	64,438	58,662	10%
TOTAL OPERATING REVENUES	279,487	259,900	8%
OPERATING EXPENSES			
Compensation	306,767	318,075	-4%
Contractual services	22,620	21,129	7%
Supplies & materials	41,919	36,906	14%
Depreciation	30,949	31,806	-3%
Other operating expenses	109,987	109,778	0%
TOTAL OPERATING EXPENSES	512,242	517,694	-1%
NET OPERATING INCOME (LOSS)	(232,755)	(257,794)	-10%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations	172,323	171,904	0%
Grants and contracts	80,481	83,359	-3%
Other revenues	24,065	20,174	19%
Interest expense	(10,927)	(11,226)	-3%
TOTAL NON-OPERATING REVENUES (EXPENSES)	265,942	264,211	1%
CONTRIBUTED CAPITAL	19,729	15,298	29%
CHANGE IN NET POSITION	52,916	21,715	144%
NET POSITION, BEGINNING OF YEAR, RESTATED FOR 2015 (see note A)	148,264	478,189	-69%
NET POSITION, END OF YEAR	$ 201,180	$ 499,904	-60%

* prior year amounts are not restated for MD&A purposes

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

Student tuition and fees, a primary source of funding for the System's academic programs which represent 65.1% of operating revenues, are reflected net of associated discounts and allowances. Net student tuition and fees increased by $11.8 million, although there was an overall slight decrease in enrollment, and reflects a 5.7% increase at UCO, a 6.1% increase at SWOSU, a 10.5% increase at SE, a 9.9% increase at NWOSU, a 7.1% increase at NSU, and a 5.2% increase at ECU. Tuition and fees currently has discounts and allowances of $80.3 million.

Supplies and materials expense increased by $5 million during the fiscal year. A significant portion of supplies and materials expense relate to a $1.5 million dollar upgrade to the telecommunication system at NSU and a $1.2 million dollar increase at UCO for library expenses related to subscriptions, software and periodical fees.

Other revenues and gains saw an increase of $4.4 million during the fiscal year. This increase is a result of NWOSU receiving capital contributions of $2.3 million for the Ranger Field press box and turf projects. NSU also received contributed capital of $1.3 million from land reclamation work at the Broken Arrow campus and from equipment donations.

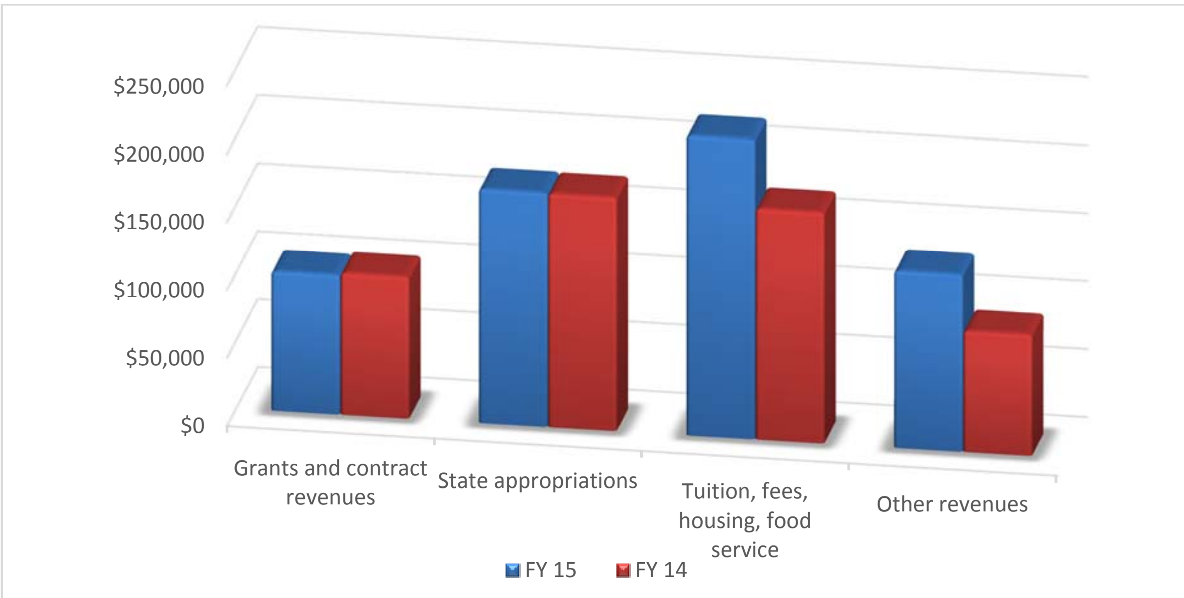
The major sources of revenues and expenditures (operating and non-operating) by financial statement category are summarized in the charts on the next page (in thousands of dollars).

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

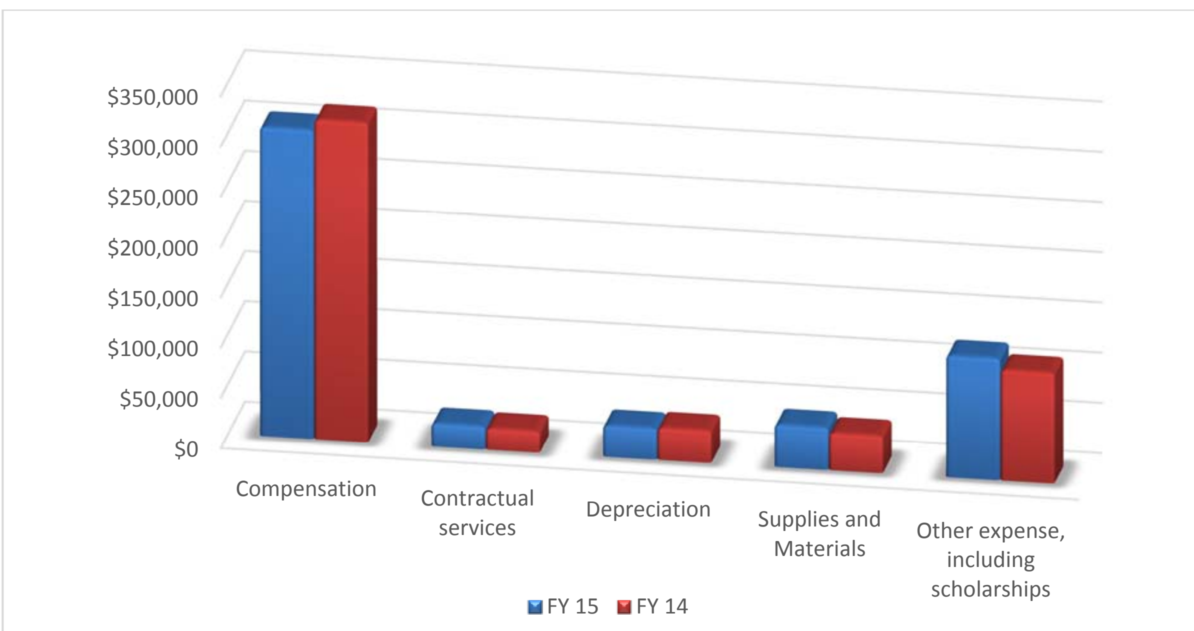
Year Ended June 30, 2015

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

REVENUES



EXPENDITURES



Year Ended June 30, 2015

STATEMENT OF CASH FLOWS

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

CAPITAL ASSETS

Capital assets, net of accumulated depreciation, at June 30, 2015 and June 30, 2014 were as follows:

Capital Asset Summary

	June 30, 2015	June 30, 2014	% Inc. (Dec.)
Non-Depreciable:			
Land	$ 21,957	$ 20,094	9%
Art collections	5,120	5,139	0%
Construction in-progress	61,868	23,812	160%
Depreciable:			
Non-major infrastructure networks	8,186	8,658	-5%
Land improvements	8,347	7,736	8%
Buildings	419,341	422,849	-1%
Leasehold Improvements	25	28	-10%
Furniture, fixtures, and equipment	18,499	19,193	-4%
Library materials	7,211	7,176	0%
Total Capital Assets, Net Accumulated Depreciation	$ 550,554	$ 514,685	7%

CAPITAL ASSETS – Continued

An overall increase in capital assets of $35.9 million occurred during fiscal year 2015. This is primarily attributed to an increase in construction in-progress of $38.1 million. Construction in-progress included some of the following new and continuing projects:

- SE – Paul Laird Field Turf, Strength & Conditioning Center, and Connect2Complete
- SWOSU – Parker Hall renovation and Theatre department Scene Shop
- NWOSU – Ranger Field Press Box and Turf project.
- UCO – Technology Infrastructure, Transformative Learning Quadrangle, and Stem building projects
- ECU – Center for Undergraduate Research and Learning
- NSU – Fitness Center, Broken Arrow Campus Greenhouse, and Residence Hall

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

DEBT

Long-term debt at June 30, 2015 and June 30, 2014 consisted of the following:

Long-term Debt Summary

	June 30, 2015	June 30, 2014	% Inc (Dec)
Bonds payable	$ 43,288,743	$ 45,448,843	-5%
Lease Obligations	222,711,784	217,956,763	2%
Notes payable	-	4,730,000	-100%
Other Liabilities	23,519,490	23,699,045	-1%
Total long-term debt	$ 289,520,017	$ 291,834,651	-1%

Long-term debt was reduced by $2.3 million and is attributable to the pay-down and refinancing of debt that resulted in an overall savings to the System. Much of the refinancing is related to capital leases refinanced by the State of Oklahoma on-behalf of the system.

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

Year Ended June 30, 2015

ECONOMIC OUTLOOK

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

The 2016 state revenue budget was based on $6.6 billion, or 8.5% less than what was spent in the prior year. The first quarter state revenue collections for fiscal year 2016 were $4.8 million, or 0.9 percent below the official estimate upon which the 2016 state budget was based, and $16.9 million below prior year collections.

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

STATEMENT OF NET POSITION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2015

	RUSO	Discretely Presented Component Units
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 169,204,397	$ 9,753,040
Restricted cash and cash equivalents	7,754,549	575,456
Restricted investments	2,167,003	21,268,529
Investments	-	23,664,490
Investments held by others	17,388,827	309,413
Accounts receivable, net	37,594,592	326,701
Receivables from state agencies	2,250,194	-
Interest receivable	772,398	113,673
Inventories	773,368	66,094
Contributions receivable	-	2,256,329
Other assets	7,997	172,092
Current portion of other receivable	10,189,616	-
Current portion of notes receivable, net	918,948	-
TOTAL CURRENT ASSETS	249,021,889	58,505,817
NONCURRENT ASSETS		
Restricted cash and cash equivalents	39,639,556	-
Restricted investments	930,819	28,092,792
Investments	-	62,259,039
Investments held by others	1,704,841	1,476,436
Other receivable	539,500	-
Notes receivable, net	4,324,034	8,809
Net OPEB asset	4,751,748	-
Other assets	277,453	1,317,787
Capital assets, net	550,554,237	12,092,768
TOTAL NONCURRENT ASSETS	602,722,188	105,247,631
TOTAL ASSETS	$ 851,744,077	$ 163,753,448
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pensions	$ 40,374,500	$ -
Deferred charge on capital lease restructure	1,029,936	-
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 41,404,436	$ -

Continued on next page

STATEMENT OF NET POSITION--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2015

	RUSO	Discretely Presented Component Units
LIABILITIES		
CURRENT LIABILITIES		
Accounts and scholarships payable	$ 18,799,372	$ 757,884
Line of credit	-	536,654
Accrued payroll	7,786,737	-
Accrued interest	343,258	38,429
Unearned revenue	11,883,482	144,181
Deposits held in custody for others	3,258,932	387,820
Current portion of non current liabilities	26,518,247	62,027
TOTAL CURRENT LIABILITIES	68,590,028	1,926,995
NONCURRENT LIABILITIES		
Accrued compensated absences	5,177,411	-
Federal loan program contributions refundable	9,254,043	-
Bonds payable	40,608,978	-
Unearned revenue	2,562,566	-
Notes payable	-	8,983,137
Net pension liability	291,700,977	-
Capital lease obligations	205,398,772	6,921
TOTAL NONCURRENT LIABILITIES	554,702,747	8,990,058
TOTAL LIABILITIES	$ 623,292,775	$ 10,917,053
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pensions	$ 65,411,694	$ -
Deferred gain on OCIA lease restructure	3,264,276	-
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 68,675,970	$ -
NET POSITION		
Net investment in capital assets	271,317,320	-
Restricted:		
Nonexpendable:		
Grants, bequests and contributions	695,479	101,699,013
Expendable:		
Scholarships, instruction and other	14,296,572	37,317,879
Loans	2,081,596	-
Capital projects	51,006,181	-
Debt service	35,567,427	-
Unrestricted (deficit)	(173,784,807)	13,819,503
TOTAL NET POSITION	$ 201,179,768	$ 152,836,395

See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2015

	RUSO	Discretely Presented Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship discounts and allowances of $80,316,820 (included in fees are $2,022,311 of revenues dedicated for bond repayments)	$ 181,945,854	$ -
Federal grants and contracts	19,894,048	-
State and local grants and contracts	13,209,001	-
Bookstore operations	1,250,684	-
Housing and food service revenues, net of scholarship discounts and allowances of $1,903,517 (included in revenues are $9,345,904 dedicated for bond repayments)	38,562,251	-
Optometry contracts and practice plan	5,390,647	-
Aerospace operations	552,382	-
Parking and University Center revenues (dedicated as security for bond repayments)	2,634,979	-
Other auxiliary operations	1,459,654	-
Interest earned on loans to students	144,163	-
Investment income	-	4,050,946
Gifts and contributions	-	16,351,446
Other operating revenues	14,442,980	4,640,264
TOTAL OPERATING REVENUES	279,486,643	25,042,656
OPERATING EXPENSES		
Compensation and employee benefits	306,766,659	770,513
Contractual services	22,620,043	260,868
Supplies and materials	41,918,937	83,859
Depreciation	30,949,186	300,098
Utilities	13,090,002	-
Communication expense	1,729,337	-
Scholarships and fellowships	53,861,421	4,643,923
Other operating expenses	41,306,756	20,605,293
TOTAL OPERATING EXPENSES	512,242,342	26,664,554
OPERATING INCOME (LOSS)	(232,755,699)	(1,621,898)

Continued on next page.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2015

	RUSO	**Discretely Presented Component Unit**
NONOPERATING REVENUES (EXPENSES)		
State appropriations	$ 172,322,674	$ -
Federal grants and contracts	69,416,369	-
State grants and contracts	11,064,625	-
OTRS on-behalf contributions	13,909,509	-
Gifts	8,237,467	-
Investment income	1,124,354	-
Other nonoperating	793,602	479,490
Interest expense	(10,926,999)	(29,340)
NET NONOPERATING REVENUE	265,941,601	450,150
INCOME BEFORE CAPITAL CONTRIBUTIONS	33,185,902	(1,171,748)
CONTRIBUTED CAPITAL		
State appropriations restricted for capital purposes	7,646,197	-
Capital contributions	4,154,032	-
OCIA on-behalf state appropriations	7,929,111	-
TOTAL CONTRIBUTED CAPITAL	19,729,340	-
CHANGE IN NET POSITION	52,915,242	(1,171,748)
NET POSITION - BEGINNING OF YEAR, RESTATED (see Note A)	148,264,526	154,008,143
NET POSITION, END OF YEAR	$ 201,179,768	$ 152,836,395

See notes to financial statements.

STATEMENT OF CASH FLOWS
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 179,539,706
Grants and contracts	34,134,649
Auxiliary enterprises and other receipts	63,549,707
University assessment and other	851,834
Interest collected on loans to students	31,003
Payments to employees for salaries and benefits	(313,143,567)
Payments to suppliers and others	(173,965,860)
Loans issued to students	(1,156,288)
Collections of loans issued to students	1,059,789
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(209,099,027)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	193,656,481
Non-operating grants	58,991,134
Cash received from non-operating revenues	1,885,189
Direct loan receipts	127,356,426
Direct loan payments	(127,356,426)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	254,532,804
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	21,241,379
Purchases of investments	(10,065,806)
Interest income received	1,883,652
NET CASH PROVIDED BY INVESTING ACTIVITIES	13,059,225
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for capital assets	(52,826,949)
Capital appropriations received	8,126,992
Contributions	136,237
Proceeds of capital debt and leases	20,447,289
Payments on capital debt and leases	(19,812,016)
Interest paid on capital debt and leases	(9,359,455)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(53,287,902)
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,205,100
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	211,393,402
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 216,598,502

Continued on next page.

STATEMENT OF CASH FLOWS--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

Year Ended June 30, 2015

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating loss	$ (232,755,699)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	30,949,186
Loss on the disposal of capital assets	470,600
On-behalf contributions to teachers' retirement system	14,273,335
Changes in assets and liabilities:	
Accounts receivable	(3,847,136)
Grants and other receivables	(309,690)
OPEB asset	(1,357,598)
Net pension liability	(81,739,661)
Deferred amounts from pensions	61,565,418
Inventories	98,070
Loans receivable	(112,395)
Student and other deposits	193,429
Deposits held in custody of others	(7,370)
Other assets	268
Accounts payable and accrued expenses	1,193,082
Accrued payroll	710,811
Deferred revenue	381,560
Federal loan program contributions refundable	458,210
Compensated absences	736,554
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (209,099,026)
NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest on capital debt paid by OCIA on behalf of the University	2,146,108
Principal on capital debt paid by OCIA on behalf of the University	5,650,422
Non-cash capital grants and gifts	1,308,529
Deferred gain on OCIA lease restructure	1,469,867
TOTAL NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES	$ 10,574,926
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION	
Current assets:	
Cash and cash equivalents	169,204,397
Restricted cash and cash equivalents	7,754,549
Noncurrent assets:	
Restricted cash and cash equivalents	39,639,556
TOTAL CASH AND CASH EQUIVALENTS	$ 216,598,502

See notes to financial statements.

STATEMENT OF FIDUCIARY NET POSITION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2015

	PENSION AND OTHER EMPLOYEE BENEFIT PLAN TRUST FUNDS	
	SRA Plan	**OPEB Trust**
Assets		
Cash & Cash Equivalents	$ -	$ 512,009
Accrued Interest Receivable	-	10,297
Investments:		
Stocks:		
Common	885,694	-
Pooled Equity Funds	4,153,240	8,030,933
Fixed Income:		
Pooled Fixed Income Funds	-	5,901,419
Traditional	22,085,141	-
Real Estate	782,186	-
Total Assets	27,906,261	14,454,658
Liabilities		
Accounts Payable	-	6,784
Net Position Restricted for Pension and OPEB	$ 27,906,261	$ 14,447,874

See notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2015

	PENSION AND OTHER EMPLOYEE BENEFIT PLAN TRUST FUNDS	
	SRA Plan	**OPEB Trust**
Additions		
Contributions:		
Employer contributions	$ 5,534,534	$ 3,177,908
Investment Income:		
Net appreciation (depreciation) in fair value	426,248	(1,048,633)
Realized gains	-	1,189,543
Dividends & interest	757,327	182,709
Other	-	5,045
Total investment income	1,183,575	328,664
Less investment expense	-	31,915
Net investment income	1,183,575	296,749
Total Additions	6,718,109	3,474,657
Deductions		
Benefit payments	4,728,981	1,802,418
Total Deductions	4,728,981	1,802,418
Net Increase in net position	1,989,128	1,672,239
Net Position Restricted for Pension and OPEB:		
Beginning of year	25,917,133	12,775,635
End of year	$ 27,906,261	$ 14,447,874

See notes to financial statements.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

The discretely presented component units included in the System's financial reporting entity are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments: The System accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures, the University has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net position.

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

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

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

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The system has granted authority for each university to establish a capitalization threshold for financial reporting purposes. The threshold for library materials and equipment, adopted by the University's capitalization policies ranges from a unit cost of $2,500 to $5,000, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure and have a cost ranging from $2,500 to $25,000 or greater, based on each University's capitalization policy, are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 30 years for infrastructure and land improvements, and 3 to 10 years for equipment and other capital assets. Depreciation expense includes amortization of assets held under capital lease obligations.

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

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

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year, (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year, and (3) other liabilities including the federal portion of the Perkins Loan Program, that will not be paid within the next fiscal year.

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

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

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

Restricted net position - expendable: Restricted expendable net position includes resources in which the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

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

Income Taxes: The System, as a political subdivision of the State of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the System may be subject to income taxes on unrelated business income under the Internal Revenue Code Section 511(a)(2)(B).

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the System and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as non-operating revenues in the System's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

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

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the System that are applicable to a future reporting period. At June 30, 2015, the System's deferred inflows of resources were comprised of deferred gains on the restructuring of certain long term debt. In addition, as mentioned below, certain pension amounts are deferred.

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

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

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

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

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

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

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

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

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

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

Fiscal Year Ended June 30, 2016

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

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

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

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

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

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

Fiscal Year Ended June 30, 2017

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

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

Fiscal Year Ended June 30, 2018

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

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

Prior Period Adjustments

Beginning net position was restated as of July 1, 2014 as follows:

Beginning net position, as of June 30, 2014	$ 499,904,418
Implementation of GASB Statement No. 68 impact	(351,639,892)
Beginning net position, restated	$ 148,264,526

NOTE B--DEPOSITS AND INVESTMENTS

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

Some deposits with the OST are placed in the OST's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (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% and, whereby, the collateral is held by a third party in the name of the OST; (e) collateralized certificates of deposits; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

Deposits with financial institutions primarily consist of money market funds that invest in U.S. Treasury bills, notes and securities backed by the full faith and credit of the U.S. Government, some of which may be subject to repurchase agreements. Repurchase agreements are collateralized with securities backed by the full faith and credit of the U.S. Government at 102% of maturity value.

At June 30, 2015, the carrying amount of all System deposits with the OST and other financial institutions were $216,598,502. These amounts consisted of deposits with the OST ($203,038,490) and deposits with financial institutions ($13,477,467) and change funds ($82,545). Of funds on deposit with the OST, amounts invested in *OK INVEST* total $68,966,842 at June 30, 2015.

For financial reporting purposes, deposits with the OST that are invested in *OK INVEST* are classified as cash equivalents. The distributions of deposits in OK INVEST are as follows:

OK INVEST Portfolio	Cost	Market
U.S. agency securities	$ 27,688,836	$ 27,658,904
Money market mutual funds	7,421,209	7,421,209
Certificates of deposit	3,119,960	3,119,960
Mortgage backed agency securities	27,055,961	27,401,767
Municipal bonds	956,252	1,036,908
End of Day Commercial Paper Sweep	1,018,795	1,018,794
Foreign bonds	531,038	531,036
Commercial Paper	376,541	376,541
U.S. Treasury obligations	798,250	958,241
	$ 68,966,842	$ 69,523,360

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

Guidelines in the Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the OST website at *http://www.treasurer.state.ok.us/*. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. *OK INVEST* maintains an overall weighted average maturity of no more than four years. Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. The System does not have a separate stand-alone policy addressing these risks.

Retiree Medical Trust (OPEB Trust Fund)

The Retiree Medical Trust (the "Trust Fund") does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net position include cash and short-term investments accounts held by the Trust Fund's custodian. The balance of these accounts as of June 30, 2015, was $512,009.

Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. *Liquidity risk* is the risk that OK INVEST will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in OK INVEST is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation or any other government agency.

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

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

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2015, the System did not have any investments subject to custodial credit risk.

Pension and OPEB Plan Investments

Supplemental Retirement Annuity Plan

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

Credit Risk

The Plan has not adopted a policy to address credit risk. As of June 30, 2015, the Plan's investments in fixed income mutual funds, with an open-period, were rated by Morningstar as follows:

	Morningstar Rating				
Description	***N/A***	***2 Star***	***3 Star***	***4 Star***	***5 Star***
TIAA Traditional	$ 22,085,141	$ -	$ -	$ -	$ -
TIAA Real Estate	-	-		782,186	-
TIAA-CREF Stock	-	885,694	-	-	-
TIAA-CREF Equity Index	-	-	2,866,378	-	-
TIAA-CREF Growth	-	-	-	1,286,862	-
Total Investments	$ 22,085,141	$ 885,694	$ 2,866,378	$ 2,069,048	$ -

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plan does not have a policy to address concentration of credit risk. The plan did not have any investments subject to concentration of credit risk at June 30, 2015.

Interest Rate Risk

For investments, the risk that changes in interest rates will adversely affect the fair value of the investment is known as interest rate risk. The Plan does not have a policy to address interest rate risk. As of June 30, 2015 the Plan did not have any direct investment in debt instruments or investments in any variable annuities with a significant portion of the variable annuity consisting of debt instruments.

Foreign Currency Risk

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

Rate of Return – For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.34%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Retiree Medical Trust (OPEB Trust Fund)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of counterparty, the Trust Fund will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Trust Fund, and are held by counterparty or the counterparty's trust department but not in the name of the Trust Fund. While the investment policy does not specifically address custodial credit risk of deposits, it does limit the amount of cash and short-term investments to no more than 10% of the portfolio. At June 30, 2015, $512,009, of cash and cash equivalents was uninsured and uncollateralized.

Credit Risk

The Trust Fund's investment policy provides that its investments in fixed income instruments to be rated at AA or A1 if the purchase is of individual instruments. The policy also allows for investments in mutual funds. As of June 30, 2015, the Trust Fund's investments in fixed income mutual funds, with an open-period, were rated by Morningstar as follows:

	Morningstart Rating			
Description	***2 Star***	***3 Star***	***4 Star***	***5 Star***
Pooled Equity (mutual funds)	$ -	$ 1,895,304	$ 4,879,256	$ 1,256,372
Pooled Fixed Income (mutual funds)	-	-	920,378	4,981,041
Total mutual funds	$ -	$ 1,895,304	$ 5,799,634	$ 6,237,413

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Trust Fund's investment policy does not address concentration of credit risk. The Trust Fund did not have any investments subject to concentration of credit risk at June 30, 2015.

Interest Rate Risk

For investments, the risk that changes in interest rates will adversely affect the fair value of the investment is known as interest rate risk. The Trust Fund's investment policy does not address interest rate risk. As of June 30, 2015 maturities of the Trust Fund's debt securities were as follows:

	Fair Value	Less than 1	1 to 5	6 to 10	Open-Period
Pooled Equity (mutual funds)	$ 8,030,933	$ -	$ -	$ -	$ 8,030,933
Pooled Fixed Income (mutual funds)	5,901,419	-	-	-	5,901,419
	$ 13,932,352	$ -	$ -	$ -	$ 13,932,352

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy does not specifically address foreign currency risk. Investments in open-ended pooled equity (mutual funds), which a majority of the underlying securities are international as of June 30, are reported below to indicate possible foreign currency risk.

	2015 Fair Value
Pooled Equity (mutual funds)	$ 2,009,310

Discretely Presented Component Units' Investments

Investments of the discretely presented component units at fair value consisted of the following at June 30, 2015:

Type of Investments	Total
Cash and cash equivalents	$ 3,503,466
Certificates of deposits	2,694,231
Equity Securities	55,053,472
Mutual Funds	56,061,309
Index Funds	1,098,573
Annuity Contract	237,273
Interest in limited liability company	340,606
Interest in perpetual trust	1,902,335
Structured Investments-unsecured notes	2,318,483
U.S Government Securities	7,099,148
Corporate and other bonds	6,656,803
Real Estate	105,000
	$ 137,070,699

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

NOTE C--ACCOUNTS RECEIVABLE

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

Receivables	2015
Student tuition and fees	$ 37,818,230
Auxiliary enterprises and other operating activities	10,808,107
Federal, state, and private grants and contracts	11,824,033
Cancelled Perkins loans	1,923,359
	62,373,729
Less: allowance for doubtful accounts	(24,779,137)
Net accounts receivable	$ 37,594,592

NOTE D--NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2015. Under this program, the federal government provides funds for approximately 75% to 90% of the total contribution for student loans with the System providing the balance. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the System for the amounts forgiven. Amounts refundable to the U.S. Government upon cessation of the Program of $9,254,043 at June 30, 2015, are reflected in the accompanying statements of net position as noncurrent liabilities.

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

At June 30, 2015 loans receivable consisted of the following:

Perkins loans receivable	$ 5,812,432
Other loans receivable	27,608
Total loans receivable	5,840,040
Less: allowance for uncollectible loans	(597,058)
Net loans receivable	$ 5,242,982

NOTE E--CAPITAL ASSETS

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

	Balance June 30, 2014	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2015
Capital assets not being depreciated					
Land	$ 20,093,689	$ 1,866,696	$ -	$ (3,579)	$ 21,956,806
Art collections	5,139,205	22,000	-	(41,500)	5,119,705
Construction in-progress	23,812,449	45,211,191	(7,085,224)	(70,033)	61,868,383
Total capital assets not being depreciated	$ 49,045,343	$ 47,099,887	$ (7,085,224)	$ (115,112)	$ 88,944,894
Other capital assets					
Non-major infrastructure networks	$ 23,206,144	$ 108,928	$ 636,631	$ -	$ 23,951,703
Land improvements	21,550,485	1,313,957	237,709	20	23,102,171
Buildings	685,935,659	10,328,165	6,210,884	(1,911,491)	700,563,217
Leasehold Improvements	72,696	-	-	-	72,696
Furniture, fixtures, and equipment	96,842,047	6,971,478	-	(3,373,648)	100,439,877
Library materials	62,796,074	1,849,422	-	(990,006)	63,655,490
Total other capital assets	890,403,105	20,571,950	7,085,224	(6,275,125)	911,785,154
Less: accumulated depreciation for					
Non-major infrastructure networks	(14,547,870)	(1,218,248)	-	-	(15,766,118)
Land improvements	(13,814,865)	(940,044)	-	(20)	(14,754,929)
Buildings	(263,086,496)	(19,444,950)	-	1,309,769	(281,221,677)
Software	(868,644)	-	-	-	(868,644)
Leasehold Improvements	(44,847)	(2,932)	-	-	(47,779)
Furniture, fixtures, and equipment	(76,780,480)	(7,529,276)	-	3,237,724	(81,072,032)
Library materials	(55,620,267)	(1,813,736)	-	989,371	(56,444,632)
Total accumulated depreciation	(424,763,469)	(30,949,186)	-	5,536,844	(450,175,811)
Other capital assets, net	$ 465,639,636	$ (10,377,236)	$ 7,085,224	$ (738,281)	$ 461,609,343
Capital asset summary:					
Capital assets not being depreciated	$ 49,045,343	$ 47,099,887	$ (7,085,224)	$ (115,112)	$ 88,944,894
Other capital assets, at cost	890,403,105	20,571,950	7,085,224	(6,275,125)	911,785,154
Total cost of capital assets	939,448,448	67,671,837	-	(6,390,237)	1,000,730,048
Less: accumulated depreciation	(424,763,469)	(30,949,186)	-	5,536,844	(450,175,811)
Capital assets, net	$ 514,684,979	$ 36,722,651	$ -	$ (853,393)	$ 550,554,237

NOTE F--LONG-TERM LIABILITIES

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

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts due within one year
Bonds Payable:					
Bonds payable	$ 45,890,000	$ -	$ (2,840,000)	$ 43,050,000	$ 2,675,000
Plus: Premium on Bonds	-	322,805	(8,725)	314,080	8,724
Less: Issuance Discount	(441,157)	-	365,820	(75,337)	(3,959)
Total bonds payable	$ 45,448,843	$ 322,805	$ (2,482,905)	$ 43,288,743	$ 2,679,765
Leases Payable:					
Lease Obligations	$ 216,219,600	$ 24,041,155	$ (19,496,988)	$ 220,763,767	$ 17,191,530
Plus: Premium on lease obligation	1,737,163	369,936	(159,082)	1,948,017	121,482
Total Lease Obligations	$ 217,956,763	$ 24,411,091	$ (19,656,070)	$ 222,711,784	$ 17,313,012
Notes Payable:					
Notes payable	$ 4,730,000	$ -	$ (4,730,000)	$ -	$ -
Other Liabilities:					
Unearned revenue or long-term contract	$ 3,136,965	$ 237,579	$ (352,019)	$ 3,022,525	$ 459,959
Federal loan program contributions	10,055,709	556,841	(1,358,507)	9,254,043	-
Accrued compensated absences	10,506,371	5,759,299	(5,022,748)	11,242,922	6,065,511
Total Other Liabilities	$ 23,699,045	$ 6,553,719	$ (6,733,274)	$ 23,519,490	$ 6,525,470
Total Long-term Liabilities	$ 291,834,651	$ 31,287,615	$ (33,602,249)	$ 289,520,017	$ 26,518,247

Revenue Bonds Payable:

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

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

Board of Regents of Oklahoma Colleges Student Housing Revenue Bonds (ECU)

During 2015, the System refinanced the Board of Regents of Oklahoma Colleges Student Housing Revenue Bonds, Series 2003 with Oklahoma Development Finance Authority ("ODFA") bonds. The original bond purpose was for construction and renovating certain Student Housing Facilities. The new bonds are due in annual installments varying from $160,000 to $315,000 plus semiannual interest ranging from 2% to 4.55%, with the final installment being due in the year 2034. The Bonds are secured by the revenues to be derived from the ECU Student Housing and Food Services Department and all monies in funds and accounts held by the trustee bank and available for debt service payments. The refinancing resulted in a deferred outflow of resources that will be amortized over a period of twenty years, beginning in fiscal year 2015. As of June 30, 2015, the unamortized cost totaled $346,417. The refinancing also resulted in an aggregate debt service difference for principal and interest between the original bond agreement and the refinanced bond agreement of $997,402 which also approximates the economic cost of the lease restructuring.

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

During 2005, the System issued the Board of Regents of Oklahoma Colleges Fine Arts Center Revenue Bonds, Series 2005 (the "Bonds"), for $5,000,000 for the purpose of constructing a Fine Arts Center. The Bonds are due in annual installments varying from $95,000 to $285,000 plus semiannual interest ranging from 3.0% to 4.6%, with the final installment being due in the year 2035. The Bonds are secured by the gross receipts from the Fine Arts Center student fees and all monies in funds and accounts held by the trustee bank and available for debt service payments. This bond has been refinanced subsequent to the year end, see Footnote O for more detail.

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

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

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

Library Revenue Refunding Bonds, Series 2003 (UCO)

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

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

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

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

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

Student Housing Foundation Revenue Bonds Series 2001A (UCO)

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

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

At June 30, 2015, future aggregate maturities of principal and interest requirements on the Bonds payable are as follows:

Ending June 30:			
2016	$ 2,675,000	$ 1,886,431	$ 4,561,431
2017	2,780,000	1,786,675	4,566,675
2018	2,890,000	1,677,271	4,567,271
2019	3,010,000	1,561,923	4,571,923
2020	3,125,000	1,440,937	4,565,937
2021-2025	14,175,000	4,926,039	19,101,039
2026-2030	8,115,000	2,555,799	10,670,799
2031-2035	6,280,000	710,244	6,990,244
	$ 43,050,000	$ 16,545,319	$ 59,595,319

Capital Lease Obligations:

Certain leases to finance the purchase of property are capitalized at the present value of future minimum lease payments. The original capitalized cost of all such property under capital lease as of June 30, 2015 is as follows:

Assets Under Capital Lease	2015
Buildings, Furniture, & Equipment	$ 196,559,923
Less: Accumulated Depreciation	51,983,423
Total	$ 144,576,500

Capital lease obligations are due primarily in monthly installments through 2045. The following is a schedule of the future minimum lease payments for leased property and the present value of the net minimum lease payments at June 30, 2015:

	Principal	Interest	Total
Year Ending June 30:			
2016	$ 17,191,530	$ 8,684,266	$ 25,875,796
2017	17,456,075	8,199,383	25,655,458
2018	18,027,692	7,594,274	25,621,966
2019	17,143,347	6,893,544	24,036,891
2020	11,727,378	6,510,465	18,237,843
2021-2025	53,095,673	24,432,566	77,528,239
2026-2030	48,281,375	14,114,472	62,395,847
2031-2035	23,849,535	5,397,731	29,247,266
2036-2040	8,791,437	2,313,893	11,105,330
2041-2045	5,199,725	431,672	5,631,397
	$ 220,763,767	$ 84,572,266	$ 305,336,033

During the years ended June 30, 2015, the State of Oklahoma made lease principal and interest payments to Oklahoma Capital Improvement Authority "OCIA" (capital lease obligations) totaling $7,929,111 on behalf of the Universities of the System. These on-behalf payments have been recorded as restricted state appropriations in the statements of revenues, expenses, and changes in net position.

Refunding of Debt:

East Central University:

Board of Regents of Oklahoma Colleges Student Housing Revenue Bonds,

During 2015, the University refinanced the Board of Regents of Oklahoma Colleges Student Housing Revenue Bonds, Series 2003 with Oklahoma Development Finance Authority ("ODFA") bonds. The original bond purpose was for construction and renovating certain Student Housing Facilities. The new bonds are due in annual installments varying from $160,000 to $315,000 plus semiannual interest ranging from 2% to 4.55%, with the final installment being due in the year 2034. The Bonds are secured by the revenues to be derived from the Student Housing and Food Services Department and all monies in funds and accounts held by the trustee bank and available for debt service payments. The refinancing resulted in a deferred outflow of resources that will be amortized over a period of twenty years, beginning in fiscal year 2015. As of June 30, 2015, the unamortized cost totaled $346,417. The refinancing also resulted in an aggregate debt service difference for principal and interest between the original bond agreement and the refinanced bond agreement of $997,402 which also approximates the economic cost of the lease restructuring.

In 2015, OCIA refinanced one of these obligations was refinanced during the year. The refinancing resulted in a gain of $30,125 that was recorded as a deferred inflow and will be amortized over 5 years the new terms of the refinance. The refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $49,411, which approximates the economic savings of the transaction.

Northeastern State University

In 2015, the OCIA restructured the 2004A by issuing new bonds 2014 Series B. This restructuring was a full refunding and resulted in a gain of $63,418 between the remaining liability of 2004A and the new liability of 2014B. This gain on restructuring was recorded as a deferred inflow of resources that will be amortized over a period of 5 years. As of June 30, 2015, the unamortized cost totaled $52,484. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $104,023, which approximates the economic savings of the transaction. The System has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf, which is $531, 797, at June 30, 2015.

In 2015, the OCIA restructured the 2005F by issuing new bonds 2014 Series A. This restructuring was a partial refunding of the 2005F issue. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The System has recorded a lease obligation payable to OCIA for the total amount of the allotment, less payments made on the University's behalf, which is $11,927,254 at June 30, 2015.

University of Central Oklahoma

In September 2014, the ODFA issued Bond Series 2014B to refund the 2002 note payable. As a result, the total liability of the remaining 2002 note combined with the new 2014B bond issues will be less than the original outstanding liability for the 2002 note. This lease restructuring did not result in a significant deferred restructuring charge. A comparison of the present value of the total debt service costs of the 2002 Note versus the 2014B Bonds resulted in an economic savings of approximately $607,000.

NOTE G--RETIREMENT PLANS

The System's academic and nonacademic personnel are covered by various retirement plans. The plans available to University personnel include the Oklahoma Teachers' Retirement System, which is a State of Oklahoma public employees retirement system, and the Supplemental Retirement Annuity (SRA), a single employer defined benefit pension plan available to employees hired prior to July 1, 1995, and a defined contribution 403(b) plan.

Oklahoma Teachers' Retirement System (OTRS)

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

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

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to $40,000 or $25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

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

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

- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.

- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions **-** The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.55% for any employees' salaries covered by federal funds. Contributions to the pension plan from the System were $33,357,974; which includes the employer "pick-up" of employee contributions. The State of Oklahoma also made on-behalf contributions to OTRS, of which $13,909,509 was recognized by the System; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the System reported a liability of $252,975,336 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 July 1, 2014. The System's proportion of the net pension liability was based on the System's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the System's proportion was 4.7023 percent.

For the year ended June 30, 2015, the System recognized pension expense of $27,386,620. At June 30, 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,169,786
Net difference between projected and actual earnings on pension plan investments	-	61,224,345
System contributions subsequent to the measurement date	33,357,974	-
Total	$ 33,357,974	$ 65,394,131

$33,357,974 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ (16,089,880)
2017	(16,089,880)
2018	(16,089,880)
2019	(16,089,880)
2020	(783,795)
Thereafter	(250,816)

Actuarial Assumptions- The total pension liability as of June 30, 2014, was determined based on an actuarial valuation prepared as if June 30, 2014 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in 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% for males and 80% for females.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.7%
Domestic Large Cap Equity	10.0%	6.2%
Domestic Mid Cap Equity	13.0%	6.9%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	7.0%
Internationa Small Cap Equity	6.0%	7.0%
Core Plus Fixed Income	17.5%	2.1%
High-yield Fixed Income	6.0%	4.5%
Private Equity	5.0%	7.9%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.9%
Total	100.00%	

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

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

Discount Rate- A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2013 and June 30, 2014. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

	I% Decrease (7%)	Current Discount Rate (8%)	I% Increase (9%)
Employers' net pension liability	$ 355,397,169	$ 252,975,336	$ 166,527,811

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

Supplemental Retirement Annuity (SRA)

PLAN DESCRIPTION

A. Administration

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

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

B. Number of Members

As of June 30, 2015 the Plan members are as follows:

Active Participants	404
Vested Terminated Participants	26
Retired Participants	840
Total plan participants	1,270

C. Benefits Paid to Members

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

Normal Retirement

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

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

b) Method Two Calculation: 2.4% of the average annual base salary for each OSSHE service year (maximum 30), less the maximum annual OTRS retirement benefit, divided by 12.

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

The benefit will be vested for an employee upon the earliest of:

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

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

Death Benefit

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

NET PENSION LIABILITY OF THE SYSTEM

The components of the net pension liability of the System at June 30, 2014 & 2015, were as follows:

	2014	2015
Total Pension Liability	$ 64,642,774	$ 63,775,921
Plan Fiduciary Net Position	(25,917,133)	(27,906,261)
Net Pension Liability	$ 38,725,641	$ 35,869,660
Plan Fiduciary Net Position as a percentage of the total pension liability	40.1%	43.8%

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement. Also presented are assumptions for the fiscal year ended June 30, 2014:

Valuation Date	30-Jun-14	
Actuarial Cost Method	Entry Age Normal Cost method as a level percentage of pay	
Salary increases including inflation	2.50%	
Mortality	Pre-Retirement	
	RP-2000 for non-annuitants	Projected to 2029 as of 6/30/14
	Post-Retirement	
	RP-2000 for annuitants	Projected to 2021 as of 6/30/14
Investment Rate of Return, compounded annually, includes inflation and net of investment expenses	6.25%	
Tax-Exempt, High Quality Municipal Bond Rate	3.75%	
Blended Discount Rate	5.50%	

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return developed for each major asset class. Actual long term historical results achieved by the Plan were also considered. Best estimates of the rates of return for each major asset class included in the pension plan's current asset allocation since the plan has not adopted a formal target asset allocation policy, as of June 30, 2015 are summarized in the following table:

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

Discount rate - The discount rate used to measure the total pension liability was 5.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that System contributions will be made at rates equal to the actuarially determined contribution rates. The plan currently has adopted a funding policy to achieve an 80 percent funding level by December 1, 2022. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until 2034. Therefore, a blended discount rate was applied using a high yield 20-year municipal bond index rate of 3.75% (www.bondsonline.com).

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the System, calculated using the discount rate of 5.5 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5 percent) or 1-percentage-point higher (6.5 percent) than the current rate:

	4.50%	5.50%	6.50%
Employers' net pension liability - 2014	$ 44,702,568	$ 38,725,641	$ 33,573,329
Employers' net pension liability - 2015	$ 41,405,794	$ 35,869,660	$ 31,097,327

Contributions - The authority to establish and amend eligible employees' and employer contribution obligations to the Plan rests with the System's Board of Regents. Eligible employees are not required to make contributions to the Plan. The System is required to contribute to the SRA an actuarially determined amount on an annual basis. Under a policy adopted in December 2002, the Plan must achieve 80% funding of the pension benefit obligation by December 1, 2022. Actuarial determined employer contributions are developed using the projected credit unit method and an expected investment return of 6.5%, for funding purposes only. Contributions to the pension plan from the System were $5,534,534.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 06/30/2014	64,642,774	25,917,133	38,725,641
Changes for the year:			
Service cost	150,122	-	150,122
Interest	3,303,515	-	3,303,515
Differences between expected and actual experience	408,491	-	408,491
Contributions - employer	-	5,534,534	(5,534,534)
Net investment income	-	1,183,575	(1,183,575)
Benefit payments, including refunds	(4,728,981)	(4,728,981)	-
Net changes	(866,853)	1,989,128	(2,855,981)
Balances at 06/30/2015	63,775,921	27,906,261	35,869,660

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the System reported a liability of $38,725,641 of 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 July 1, 2014. At June 30, 2015, the System recognized pension expense of $5,241,154. At June 30, 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 136,164.00	$ -
Changes of assumptions	1,345,828	-
Net difference between projected and actual earnings on pension plan investments	-	17,563
System contributions subsequent to the measurement date	5,534,534	-
Total	$ 7,016,526	$ 17,563

$5,534,534 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	$	1,477,601
2017		(4,391)
2018		(4,391)
2019		(4,390)

Retirement Plan for President of the University of Central Oklahoma

Plan Description

The plan is a single employer defined benefit retirement plan administered by the UCO's Board of Regents. The plan was established during fiscal year 2013 with an effective date of July 1, 2012. The purpose of the plan is to provide supplemental retirement benefits to offset years capped at $40,000 by Oklahoma Teachers' Retirement System. Eligibility for the plan is limited to the President of the UCO. The UCO's Board of Regents has the authority to amend the plan and the benefits provided. The plan does not issue a standalone financial report, nor is it included in the financial report of another entity.

Funding Policy

The authority to establish and amend eligible employees' and employer contribution obligations to the plan rests with the UCO's Board of Regents. Eligible employees are not required nor permitted to make contributions to the plan. The University shall determine the amount of contributions to fund the plan under the advice of the plan's actuary. The plan has not had an actuarial study performed for fiscal year 2015; however, an estimated contribution requirement of $115,000 was determined for the fiscal year by the University. As of June 30, 2014, the UCO has contributed $230,000 to the plan.

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

Plan Description

The 415(m) Retirement Plan is a qualified excess benefit plan authorized under Section 415(m) of the Internal Revenue Code. The plan was established during fiscal year 2013 with an effective date of July 1, 2012. This plan is a single employer defined benefit plan, providing benefits to those employees determined eligible for the plan. The plan is designed to pay those accrued benefits that have, during a plan year, been determined that the annual benefit under the Qualified Plan, *the Retirement Plan for the President of the University of Central Oklahoma,* has exceeded the limits imposed by Section 415(b) of the Internal Revenue Code. Eligibility for the plan is limited to the President of the University. The UCO's Board of Regents has the authority to amend the plan and the benefits provided. The plan does not issue a standalone financial report, nor is it included in the financial report of another entity.

Funding Policy

The authority to establish and amend eligible employees' and employer contribution obligations to the plan rests with the UCO's Board of Regents. Eligible employees are not required nor permitted to make contributions to the plan. The UCO shall determine the amount of contributions to fund the plan under the advice of the plan's actuary. As described in the *Retirement Plan for the President of the University of Central Oklahoma,* UCO has not had an actuarial study performed but did estimate the fiscal year's pension cost and net pension obligation for June 30, 2015.

Trend information and information related to the funded status and funding progress of the plan will be provided in subsequent years.

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

Plan Description

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

Membership in the Plan at June 30, 2015, (latest actuarial report) is as follows:

Number of Active plan participants	2,003
Number of retired plan participants	259
Total plan participants	2,262

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

Funding Policy

The contribution requirements of the System are established and may be amended by the Regional University System of Oklahoma Board of Regents. Each University is required to contribute the *annual required contribution of the employer* (ARC), in an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. In 2015, the annual required contribution for the System was $1,790,856.

Actuarial Method and Assumptions

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

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

- Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. For the June 30, 2015, actuarial valuation, the Projected Unit Credit Cost Method was used with a 30 year open amortization period. The actuarial assumptions included a 7.0% investment rate of return, projected salary increases for first year of service to fifteen or more years of service of 4.25% to 6%, and an annual healthcare cost inflationary increase of 6.5%.

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

Annual Cost and Net Obligation (Asset): Annual OPEB cost and net OPEB obligation (asset) of the plan for 2015 is as follows:

	2015
Annual required contribution	$ 1,790,856
Interest on net OPEB obligation	(194,762)
Adjustment to annual required contribution	224,216
Annual OPEB cost	1,820,310
Contribution made	(3,177,908)
(Increase) Decrease in net OPEB obligation(asset)	(1,357,598)
Net OPEB obligation (asset) at beginning of year	(3,394,150)
Net OPEB obligation (asset) at end of year	(4,751,748)

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2015	$ 1,820,310	175%	$ (4,751,748)
2014	$ 1,934,909	155%	$ (3,394,150)
2013	$ 2,154,246	125%	$ (2,329,201)

Funded Status and Funding Progress

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

	2015	2014	2013
Actuarial accrued liability (AAL)	$ 18,573,730	$ 23,783,849	$ 23,226,707
Actuarial value of plan assets	14,454,658	12,785,188	9,972,619
Unfunded actuarial accrued liability (UAAL)	$ 4,119,072	$ 10,998,661	$ 13,254,088
Funded ratio (actuarial value of plan assets/AAL)	77.8%	53.8%	42.9%
Covered payroll (active plan members)	$ 111,085,933	$ 102,334,537	$ 100,050,678
UAAL as a percentage of covered payroll	3.7%	10.7%	13.2%

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

NOTE I--FUNDS HELD IN TRUST BY OTHERS

Beneficial Interest in State School Land Funds: The System's Universities have a beneficial interest in the "Section Thirteen Fund State Educational Institutions" and the "New College Fund" administered by the Commissioners of the Land Office as trustees for the various educational institutions entitled thereto. The individual Universities have the right to receive annually 3.7% of the distributions of income produced by "Section Thirteen Fund State Educational Institutions" assets and 100% of the distributions of income produced by the University's "New College Fund". The System received approximately $6,798,000 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 for capital purposes in the statement of revenues, expenses and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for the System, held in trust by the commissioners of Land Office, was approximately $114,077,000 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 program. The state match amount, plus any retained accumulated earnings, totaled approximately $19,887,000 at June 30, 2015, and is invested by the Oklahoma State Regents on behalf of the Universities. The Universities are entitled to receive an annual distribution of 5% of the market value at year end on these funds. As legal title of the State Regents matching endowment funds is retained by the Oklahoma State Regents, only the funds available for distribution, approximately $2,394,000 at June 30, 2015, have been reflected as assets in the statements of net position. In connection with the program, private contributions totaling approximately $1,921,000 as of June 30, 2015, are being held by the Foundation for the benefit of the Universities. Additional private contributions and other funds of approximately $722,000 as of June 30, 2015, are included in the financial statements of the System.

NOTE J--RELATED PARTY TRANSACTIONS

Northeastern State University is beneficiary of the Northeastern Oklahoma Public Facilities Authority (the "Authority"), a public trust created under Title 60, Section 176, of the Oklahoma statutes. The University received $150,000 for the year ended June 30, 2015.

Southwestern Oklahoma State University leases a building from the Foundation. The lease provides for an annual rental of $70,000 payable in monthly installments of $5,833. The lessor is to provide for any significant repairs and maintenance. The lessee is to provide for all utilities, services, and other operating costs, including general repairs and maintenance. The lessee has the sole option to renew for a 10-year period. Terms and conditions of the lease are to be reviewed annually. The University has renewed the lease through June 30, 2016.

The Foundations are not-for-profit corporations organized for the purpose of receiving and administering gifts for the benefit of the Universities. Distributions of amounts held by the Foundations are subject to the approval of the Foundations Board of Trustees. The Foundations primary function is to provide assistance to students of the Universities in the form of scholarships and awards, and during 2015, the Foundations provided approximately $4,643,923 in scholarships to students. Additionally, the Foundations provide financial assistance to the faculty and staff of the Universities, as well as the Universities programs and projects, and during 2015, the Foundations provided approximately $2,226,000 in aid to programs, faculty, and staff. Many of the contributions received by the Foundations are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Foundations serves essentially as a conduit. Contributions that are not designated are used where the need is considered the greatest, as determined by the Foundations.

NOTE K--COMMITMENTS AND CONTINGENCIES

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

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

NOTE L--RISK MANAGEMENT

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

The System, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and CompSource Oklahoma (formerly the State Insurance Fund), public entity risk pools currently operating as a common risk management and insurance program for its members. The System pays annual premiums to the pools for tort, property, and liability insurance coverage. The Oklahoma Risk Management Pool's governing agreement specifies that the pool will be self-sustaining though member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

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

NOTE M--CONDENSED COMBINING FINANCIAL INFORMATION

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

CONDENSED STATEMENT OF NET POSITION

	System	CRIPS	UCO Housing Foundation	Total
ASSETS				
Current assets	$ 246,442	$ 2	$ 2,578	$ 249,022
Capital assets, net	545,788	-	4,766	550,554
Other assets	51,425	-	743	52,168
TOTAL ASSETS	843,655	2	8,087	851,744
DEFERRED OUTFLOWS OF RESOURCES	41,405	-	-	41,405
LIABILITIES				
Current liabilities	68,248	-	342	68,590
Non-current liabilities	548,183	-	6,520	554,703
TOTAL LIABILITIES	616,431	-	6,862	623,293
DEFERRED INFLOWS OF RESOURCES	68,676	-	-	68,676
NET POSITION				
Net investment in capital assets	273,289	-	(1,972)	271,317
Restricted-Nonexpendable	696	-	-	696
Restricted- expendable	100,089	-	2,863	102,952
Unrestricted (deficit)	(174,131)	2	344	(173,785)
TOTAL NET POSITION	$ 199,943	$ 2	$ 1,235	$ 201,180

Condensed Statements of Revenues, Expenses and Changes in Net Position

	System	CRIPS	UCO Housing Foundation	Total
Operating Revenues				
Student tuition and fees, net	$ 181,946	$ -	$ -	$ 181,946
Grants and contracts	33,103	-	-	33,103
Other	62,441	-	1,997	64,438
Total Operating Revenues	277,490	-	1,997	279,487
Operating Expenses				
Compensation and benefits	306,767	-	-	306,767
Depreciation	30,745	-	204	30,949
Other	173,975	2	549	174,526
Total Operating Expenses	511,487	2	753	512,242
Operating Income (Loss)	(233,997)	(2)	1,244	(232,755)
Nonoperating Revenues (Expenses)				
State appropriations	172,323	-	-	172,323
Grants and contributions	80,481	-	-	80,481
Interest expense	(10,801)	-	(126)	(10,927)
Other	24,065	-	-	24,065
Net Nonoperating Revenues(Expenses)	266,068	-	(126)	265,942
Contributed Capital				
Appropriations for capital	7,646	-	-	7,646
Other	12,083	-	-	12,083
Change in Net Position	51,800	(2)	1,118	52,916
Net Position at Beginning of Year	148,144	4	116	148,264
Net Position at End of Year	$ 199,944	$ 2	$ 1,234	$ 201,180

Condensed Statements of Cash Flows

	System	CRIPS	UCO Housing Foundation	Total
Net Cash Provided By (Used In)				
Operating activities	$ (209,175)	$ (2)	$ 78	$ (209,099)
Noncapital financing activities	254,533	-	-	254,533
Capital and related financing activities	(52,901)	-	(387)	(53,288)
Investing activities	14,040	-	(981)	13,059
Net Increase (Decrease)	6,497	(2)	(1,290)	5,205
Beginning cash and cash equivalents	210,853	4	536	211,393
Ending cash and cash equvalents	$ 217,350	$ 2	$ (754)	$ 216,598

NOTE N--DISCRETELY PRESENTED COMPONENT UNIT INFORMATION

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

Condensed financial statement information related to the discretely presented component units, for the year ended June 30, 2015 is as follow:

Condensed Statement of Net Position

	ECU Foundation	NSU Foundation	NWOSU Foundation & Alumni	SE Foundation	SWOSU Foundation	SWOSU Pharmacy	UCO University Foundation	Alumni Association	KCSC-FM Foundation	TOTAL
ASSETS										
Current assets	$ 1,715,884	$ 23,063,723	$ 1,126,366	$ 4,153,259	$ 18,990,867	$ 6,057,306	$ 2,256,726	$ 461,245	$ 680,441	$ 58,505,817
Capital assets, net	317,631	121,703	2,857,495	6,742,245	664,393	-	1,389,301	-	-	12,092,768
Other assets	25,046,289	-	18,460,749	20,017,831	1,178,336	-	28,390,892	-	60,766	93,154,863
TOTAL ASSETS	27,079,804	23,185,426	22,444,610	30,913,335	20,833,596	6,057,306	32,036,919	461,245	741,207	163,753,448
LIABILITIES										
Current liabilities	10,283	15,263	41,288	640,161	193,688	37,500	988,812	-	-	1,926,995
Non-current liabilities	-	6,921	89,930	8,310,565	-	-	582,642	-	-	8,990,058
TOTAL LIABILITIES	10,283	22,184	131,218	8,950,726	193,688	37,500	1,571,454	-	-	10,917,053
NET POSITION										
Restricted-nonexpendable	18,100,438	14,086,837	19,652,111	12,267,100	16,193,168	1,173,362	20,225,997	-	-	101,699,013
Restricted- expendable	7,391,281	7,085,099	1,894,747	9,399,645	4,014,534	886,803	6,585,004	-	60,766	37,317,879
Unrestricted	1,577,802	1,991,306	766,534	295,864	432,206	3,959,641	3,654,464	461,245	680,441	13,819,503
TOTAL NET POSITION	$ 27,069,521	$ 23,163,242	$ 22,313,392	$ 21,962,609	$ 20,639,908	$ 6,019,806	$ 30,465,465	$ 461,245	$ 741,207	$ 152,836,395

Condensed Statements of Revenues, Expenses and Changes in Net Position

	ECU Foundation	NSU Foundation	NWOSU Foundation & Alumni	SE Foundation	SWOSU Foundation	SWOSU Pharmacy	University Foundation	UCO Alumni Association	KCSC-FM Foundation	TOTAL
Operating Revenues										
Investment Income	$ 352,671	$ 1,493,581	$ 554,695	326,911	$ 1,071,325	$ 251,763	$ -	$ -	$ -	$ 4,050,946
Gifts & Contributions	2,433,876	4,310,262	2,023,598	1,347,572	1,046,948	985,051	4,168,666	-	35,473	16,351,446
Other	5,368	24,577	1,976,019	1,581,574	546,052	134,880	-	371,794	-	4,640,264
Total Operating Revenues	2,791,915	5,828,420	4,554,312	3,256,057	2,664,325	1,371,694	4,168,666	371,794	35,473	25,042,656
Operating Expenses										
Compensation and benefits	-	-	-	-	-	-	-	-	-	-
Scholarships and fellowships	524,495	1,427,033	641,180	1,107,679	-	118,050	825,486	-	-	4,643,923
Other	1,476,014	900,511	4,447,192	1,572,174	1,756,885	459,026	10,883,945	351,556	173,328	22,020,631
Total Operating Expenses	2,000,509	2,327,544	5,088,372	2,679,853	1,756,885	577,076	11,709,431	351,556	173,328	26,664,554
Operating Income (Loss)	791,406	3,500,876	(534,060)	576,204	907,440	794,618	(7,540,765)	20,238	(137,855)	(1,621,898)
Nonoperating Revenues (Expenses)										
Grants and contributions										
Investment Income	-	-	-	-	-	-	475,427	(496)	4,559	479,490
Other	-	-	-	-	-	-	(29,340)	-	-	(29,340)
Net Nonoperating Revenues	-	-	-	-	-	-	446,087	(496)	4,559	450,150
Change in Net Position	791,406	3,500,876	(534,060)	576,204	907,440	794,618	(7,094,678)	19,742	(133,296)	(1,171,748)
Net Position at Beginning of Year	26,278,115	19,662,366	22,847,452	21,386,405	19,732,468	5,225,188	37,560,143	441,503	874,503	154,008,143
Net Position at End of Year	$ 27,069,521	$ 23,163,242	$ 22,313,392	$ 21,962,609	$ 20,639,908	$ 6,019,806	$ 30,465,465	$ 461,245	$ 741,207	$ 152,836,395

NOTE O—SUBSEQUENT EVENTS

In August 2015, the System refinanced the ECU Fine Arts Center Revenue Bonds, Series 2005. The new bonds are due in annual installments varying from $122,000 to $278,000 plus interest ranging from 3.70% to 4.50%, with the final installment being due in the year 2035. See Board of Regents of Oklahoma Colleges Fine Arts Center Revenue Bonds, Series 2005 in footnote F for more detail.

NOTE P-- DISCRETELY PRESENTED COMPONENT UNIT ENDOWMENT

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

EAST CENTRAL UNIVERSITY FOUNDATION, INC.:

Endowments

The Foundation's endowments consist of 290 individual donor-restricted funds established for a variety of scholarships and activities. As required by accounting principles generally accepted in the United States, net position associated with endowment funds are classified and reported based on donor-imposed restrictions. The endowments represent only those net position that are under the control of the Foundation.

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

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

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

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

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

Net Position Composition of Endowments: The net position composition of endowments by type of fund as of June 30, 2015, was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 18,100,438	$ 18,100,438

As can be seen, all of the Foundation's endowments are classified as permanently restricted.

NORTHEASTERN STATE UNIVERSITY, FOUNDATION, INC:

ENDOWMENT DISCLOSURES

The NSU Foundation's endowment consists of 225 individual donor-restricted funds which are managed and controlled by the NSU Foundation and are primarily established for scholarships, programs, or capital projects. As required by GAAP, net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's financial statements are for a December 31 year-end.

Interpretation of Relevant Law: The Board of Trustees of the NSU Foundation, Inc. has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift a of the gift date of the donor- restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the NSU Foundation classifies as permanently restricted net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the NSU

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

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

Endowment net position composition by type of fund as of December 31, 2014:

Description	Unrestricted	Temporarily Restricted	Permenently Restricted	Total
Donor-restricted endowment funds	$ -	$ 3,475,270	$ 14,034,590	$ 17,509,860
Board-designated endowment funds	1,099,396	-	-	1,099,396
Total funds invested	$ 1,099,396	$ 3,475,270	$ 14,034,590	$ 18,609,256

Change in endowment net position for the year ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position, beginning of year	$ 1,048,320	$ 2,732,179	$ 11,998,660	15,779,159
Investment return:				
Investment income	20,186	15,831	276,766	312,783
Investment fees	(5,790)	(4,754)	(89,435)	(99,979)
Net realized and unrealized gain on investments	70,654	49,204	976,145	1,096,003
Total investment return	85,050	60,281	1,163,476	1,308,807
Contributions	100	12,330	1,289,185	1,301,615
Appropriation of endowment assets for expenditures	(39,900)	(30,054)	(568,169)	(638,123)
Transfer to move investment appreciation (depreciation)	-	561,672	(561,672)	-
Transfer to add/remove board or donor designated endowment funds	5,826	138,863	713,111	857,800
Endowment net position, end of year	$ 1,099,396	$ 3,475,271	$ 14,034,591	$ 18,609,258

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the NSU Foundation to retain as a fund of perpetual duration. In accordance with GAAP, using the total of endowment funds, there was no deficiency of this nature at December 31, 2014.

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

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

ENDOWMENT DISCLOSURES

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

Interpretation of Relevant Law:
The Trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters:

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

Strategies for Achieving Objectives:

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

Spending Policy:

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

Endowment net position is comprised as follows at June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ —	$ 1,894,747	$ 19,652,111	$ 21,546,858
Total endowment funds	$ —	$ 1,894,747	$ 19,652,111	$ 21,546,858

Changes in endowment net position for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position, beginning of year	$ —	$ 3,087,510	$ 18,303,799	$ 21,391,309
Investment return	—	751,497	—	751,497
Contributions	—	2,411,998	1,348,312	3,760,310
Appropriation of endowment assets for expenditure	—	(4,356,258)	—	(4,356,258)
Endowment net position, end of year	$ —	$ 1,894,747	$ 19,652,111	$ 21,546,858

SOUTHEASTERN FOUNDATION, INC:

Endowment

Board Designated Endowments

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

Donor Designated Endowments

The Organization's endowment consists of approximately 200 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

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

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

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2015.

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

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

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

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

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY FOUNDATION, INC.:

Endowment Disclosures

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

Interpretation of Relevant Law
The Trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net position (a) the original value of gifts donated to the permanent endowment. (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

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

Strategies for Achieving Objectives

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

Spending Policy

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

Endowment net position composition as of December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (317,611)	$ 2,655,013	$ 15,014,832	$ 17,352,234
Board-designated endowment funds	719,607	-	-	719,607
Total endowment funds	$ 401,996	$ 2,655,013	$ 15,014,832	$ 18,071,841

Changes in endowment net position during 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position, beginning of year	$ 1,022,901	$ 3,747,308	$ 13,496,188	$ 18,266,397
Investment return:				
Interest and dividends	12,446	160,855	15,016	188,317
Net realized and unrealized gains (losses)	54,980	(705,251)	1,428,325	778,054
Total investment returns	67,426	(544,396)	1,443,341	966,371
Contributions	-	19,091	134,791	153,882
Program Service Revenue	12,863	-	-	12,863
Other income	18,526	3,612	27	22,165
Reclassification - donor directed	15,001	(2,210)	(1,579)	11,212
Appropriation of endowment assets for expnditure	(734,721)	(568,392)	(57,936)	(1,361,049)
Endowment net position, end of year	$ 401,996	$ 2,655,013	$ 15,014,832	$ 18,071,841

UNIVERSITY OF CENTRAL OKLAHOMA FOUNDATION:

Endowment

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

Interpretation of Relevant Law

The Board of Trustees (the "Trustees") of the Foundation has interpreted OK UPMIFA as requiring the preservation of the original gift amount as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

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

Endowment net position composition by type of fund at June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Doner-Restricted endowment funds	$ (4,852)	$ 2,105,712	$ 20,225,997	$ 22,326,857
Other endowment funds	-	707,809	-	$ 707,809
Total endowmwnt funds	$ (4,852)	$ 2,813,521	$ 20,225,997	$ 23,034,666

Endowment net position composition by type of fund at June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Doner-Restricted endowment funds	$ (1,825)	$ 3,034,940	$ 19,235,267	$ 22,268,382
Other endowment funds	-	732,213	-	732,213
Total endowmwnt funds	$ (1,825)	$ 3,767,153	$ 19,235,267	$ 23,000,595

Change in endowment net position for the years ended June 30, 2015 and 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2014	(1,825)	3,767,153	19,235,267	23,000,595
Investment return:				
Investment income	(3,007)	587,273	2,053	586,319
Investment fees	-	(102,176)	(397)	(102,573)
Net realized and unrealized investment losses	184	(361,490)	(986)	(362,292)
Total Investment Return	(2,823)	123,607	670	121,454
Contributions	-	5,079	998,560	1,003,639
Provision for losses on uncollectible pledges	-	-	(8,500)	(8,500)
Other income	-	301	-	301
Appropriations	(204)	(1,082,619)	-	(1,082,823)
Endowment net assets at June 30, 2015	$ (4,852)	$ 2,813,521	$ 20,225,997	$ 23,034,666

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net position and totaled approximately $5,000 and $2,000, at June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as other endowment funds with a donor restricted purpose (i.e., scholarships) that are board-designated for endowment. Under this policy, as approved by the Trustees, the endowment assets are invested with the primary objective of realizing appreciation on investment values and the secondary goal of providing current income to support University programs. The asset allocation policies (see below) reflect and are consistent with the investment objectives and risk tolerances expressed through the investment policy. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

Generally, the Foundation has a policy of appropriating for distribution semi-annually based on a 4% annualized rate (2% each semi-annual period). The distribution rate is applied to the value of the endowment fund assets, including certain income producing real estate holdings, over an average of three years (i.e., using the average of the last six semi-annual values of endowment assets). In the event that any endowment account has a fair value which is less than the historic gift value, the Trustees meet and specifically evaluate and approve the spending policy amount prior to distribution. The spending policy is evaluated annually (and/or semi-annually), based on market fluctuations and historical trends to ensure that it remains in accordance with the long-term objectives of the Foundation. For the year ended June 30, 2015, the Trustees approved a spending policy distribution of 2.75% for the second semi-annual distribution period.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2015

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

	2015
System's proportion of the net pension liability	4.7023%
System's proportionate share of the net pension liability	$ 252,975,336
System's covered-employee payroll	$ 212,233,542
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	119.20%
Plan fiduciary net position as a percentage of the total pension liability	72.43%

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

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.
Amounts presented are based on a measurement date of June 30, 2014.

June 30, 2015

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

	2015
Contractually required contribution	$ 33,357,974
Contributions in relation to the contractually required contribution	33,357,974
Contribution deficiency (excess)	$ -
System's covered-employee payroll	$ 222,182,820
Contributions as a percentage of covered-employee payroll	15.01%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2015

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

	2014	2015
Total pension liability		
Service cost	$ 150,122	$ 150,122
Interest	3,656,771	3,303,515
Experience Gain/(Loss)	408,491	408,491
Changes of assumptions	4,037,483	-
Benefit payments, including refunds of member contributions	(4,592,272)	(4,728,981)
Net change in total pension liability	3,660,595	(866,853)
Total pension liability - beginning	60,982,179	64,642,774
Total pension liability - ending (a)	$ 64,642,774	$ 63,775,921
Plan fiduciary net position		
Contributions - employer	$ 4,862,045	$ 5,534,534
Net investment income	1,547,284	1,183,575
Benefit payments	(4,592,272)	(4,728,981)
Net change in plan fiduciary net position	1,817,057	1,989,128
Plan fiduciary net position - beginning	24,100,076	25,917,133
Plan fiduciary net position - ending (b)	$ 25,917,133	$ 27,906,261
Net pension liability - ending (a) - (b)	$ 38,725,641	$ 35,869,660
Plan fiduciary net position as a percentage of the total pension liability	40.1%	43.8%
Covered employee payroll	$ 27,522,016	$ 25,912,610
Net pension liability as a percentage of covered-employee payroll	140.7%	138.4%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION--Continued
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA

June 30, 2015

SCHEDULE OF EMPLOYER CONTRIBUTIONS
SRA PLAN

	2014	2015
Actuarially determined contribution	$ 2,991,644	$ 2,991,644
Contributions in relation to the actuarially determined contribution	4,862,045	5,534,534
Contribution deficiency (excess)	$ (1,870,401)	$ (2,542,890)
Covered employee payroll	$27,522,016	$25,912,610
Contributions as a percentage of covered-employee payroll	17.67%	21.36%

Notes to Schedule:

1. Only two fiscal years presented because 10-year data is not yet available.

2. Valuation Date: July 1, 2013 for funding purposes during Fiscal Year 2014

3. Actuarially determined contribution rate is calculated as of July 1 prior to the end of the fiscal year in which contributions are reported

4. Methods and assumptions used to determine contribution rates:
   Actuarial cost method - Projected Unit Credit
   Amortization method - Level percent of payroll, closed
   Amortization period - 20 years
   Asset valuation method - Actuarial:
   Fair Value
   Salary increases - 2.5% per year, compunded annually
   Investment rate of return - 6.5%, per year, compounded annual,

June 30, 2015

Regional University System of Oklahoma Retiree Health/Dental Insurance

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2013	$ 9,972,619	$ 23,226,707	$ 13,254,088	42.9%	$ 100,050,678	13.2%
6/30/2014	12,785,188	23,783,849	10,998,661	53.8%	102,334,537	10.7%
6/30/2015	14,454,658	18,573,730	4,119,072	77.8%	111,085,933	3.7%

Schedule of Employer Contributions

Year Ended June 30,	Annual OPEB Cost	Percentage Contribution
2015	$ 1,820,310	175%
2014	1,934,909	155%
2013	2,154,246	80%

The System obtains and actuarial valuation annually.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF NET POSITION
June 30, 2015

	Admin	ECU	NSU	NWOSU	SE	SWOSU	UCO	Reclassification/ System-Wide Entries	TOTAL
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 281,943	$ 14,450,625	$ 33,224,619	$ 5,052,321	$ 2,088,200	$ 20,382,127	$ 93,724,562	$ -	$ 169,204,397
Restricted cash and cash equivalents	-	-	6,498,847	351,842	85,414	210,412	608,034	-	7,754,549
Restricted investments	-	-	-	-	-	-	2,167,003	-	2,167,003
Investments held by others	-	-	-	-	-	-	17,388,827	-	17,388,827
Accounts receivable, net	-	1,415,218	5,657,990	329,743	1,245,661	1,734,549	25,262,848		35,646,009
Receivables from state agencies	-	-	508,064	322,508	839,508	238,406	-	341,708	2,250,194
Grants and contracts receivable	-	1,948,583	-	-	-	-	-	-	1,948,583
Interest receivable	-	8,891	736,570	4,458	3,942	18,537	-	-	772,398
Prepaid expense	-	-			-	-	7,997	-	7,997
Inventories	-	-	350,789	18,956	-	140,418	263,205	-	773,368
Current portion of other receivable	-	10,065,616	-	-	-	-	-	124,000	10,189,616
Current portion of notes receivable, net	-	-	500,000	-	27,607	124,000	391,341	(124,000)	918,948
TOTAL CURRENT ASSETS	281,943	27,888,933	47,476,879	6,079,828	4,290,332	22,848,449	139,813,817	341,708	249,021,889
NONCURRENT ASSETS									
Restricted cash and cash equivalents	-	7,314,679	26,032,508	2,153,054	-	4,139,315	-	-	39,639,556
Restricted investments	-	234,373	-	-	-	-	696,446	-	930,819
Investments held by others	-	2,300	810,464	-	-	892,077	-	-	1,704,841
Receivable from OSRHE Endowment Trust Fund	-	341,708	-	-	-	-	-	(341,708)	-
Accounts receivable, noncurrent portion	-	-	-	-	-	269,500		(269,500)	-
Other receivable	-	270,000	-	-	-	-	-	269,500	539,500
Notes receivable, net	-	-	3,215,042	-	-	117,053	991,939	-	4,324,034
Net OPEB Asset	-	-	-	-	-	-	231,010	4,520,738	4,751,748
Other assets	-	-	-	217	-	-	46,226	231,010	277,453
capitalized collections	-	-	-	-	-	-	4,747,870	-	4,747,870
Capital assets, net	3,931	77,548,622	158,540,316	25,889,418	50,410,235	72,107,431	161,306,414	-	545,806,367
TOTAL NONCURRENT ASSETS	3,931	85,711,682	188,598,330	28,042,689	50,410,235	77,525,376	168,019,905	4,410,040	602,722,188
TOTAL ASSETS	$ 285,874	$ 113,600,615	$ 236,075,209	$ 34,122,517	$ 54,700,567	$ 100,373,825	$ 307,833,722	4,751,748	$ 851,744,077
DEFERRED OUTFLOWS OF RESOURCES									
Deferred amounts related to pensions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 40,374,500	$ 40,374,500
Deferred charge on capital lease restructure	-	476,385	-	141,626	297,219	114,706	-	-	1,029,936
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ -	$ 476,385	$ -	$ 141,626	$ 297,219	$ 114,706	$ -	$ 40,374,500	$ 41,404,436

COMBINING STATEMENT OF NET POSITION (Continued)
June 30, 2015

	Admin	ECU	NSU	NWOSU	SE	SWOSU	UCO	Reclassification/ System-Wide Entries	TOTAL
LIABILITIES									
CURRENT LIABILITIES									
Accounts and scholarships payable	$ 17,403	$ 4,163,573	$ 3,740,406	$ 203,178	$ 1,526,887	$ 1,851,722	$ 7,296,203	$ -	$ 18,799,372
Accrued payroll	-	71,419	1,584,560	193,556	95,425	274,285	5,567,492	-	7,786,737
Accrued interest	-	123,791	53,743	-	44,731	33,766	87,227	-	343,258
Unearned revenue	-	1,427,115	3,284,902	149,687	1,493,106	1,056,412	4,719,398	(247,138)	11,883,482
Deposits held in custody for others	-	317,666	168,107	198,834	338,812	320,210	1,915,303	-	3,258,932
Current portion of noncurrent liabilities	17,353	2,661,822	6,425,720	1,446,263	3,483,551	3,895,671	8,340,729	247,138	26,518,247
TOTAL CURRENT LIABILITIES	34,756	8,765,386	15,257,438	2,191,518	6,982,512	7,432,066	27,926,352	-	68,590,028
NONCURRENT LIABILITIES									
Accrued compensated absences	17,352	762,518	1,511,369	137,092	440,950	441,227	1,866,903	-	5,177,411
Federal loan program contributions refundable	-	-	8,173,000	-	-	-	1,081,043	-	9,254,043
Bonds payable	-	8,198,978	4,815,000	-	-	-	27,595,000	-	40,608,978
Unearned revenue	-	1,848,959	-	-	-	269,500	-	-	2,118,459
Unearned capital asset	-	-	250,000	194,107	-	-	-	-	444,107
Net pension liability	-	-	-	-	-	-	-	291,700,977	291,700,977
Capital lease obligations	-	21,355,914	52,774,682	6,334,111	22,289,179	24,970,883	77,674,003	-	205,398,772
TOTAL NONCURRENT LIABILITIES	17,352	32,166,369	67,524,051	6,665,310	22,730,129	25,681,610	108,216,949	291,700,977	554,702,747
TOTAL LIABILITIES	$ 52,108	$ 40,931,755	$ 82,781,489	$ 8,856,828	$ 29,712,641	$ 33,113,676	$ 136,143,301	291,700,977	$ 623,292,775
DEFERRED INFLOWS OF RESOURCES									
Deferred amounts related to pensions								65,411,694	65,411,694
Deferred gain on OCIA lease restructure	$ -	$ 330,092	$ 663,690	$ 172,056	$ 292,106	$ 304,363	$ 1,501,969	$ -	$ 3,264,276
NET POSITION									
Net investment in capital assets	3,931	54,418,363	108,351,527	18,318,632	24,906,184	44,252,073	21,066,610	-	271,317,320
Restricted:									
Nonexpendable:									
Grants, bequests and contributions	-	-	-	-	-	-	695,479	-	695,479
Expendable:									
Scholarships, instruction and other	-	3,521,008	7,317,901	334,212	-	2,665,124	458,327	-	14,296,572
Loans	-	380,086	752,180	-	156,960	-	792,370	-	2,081,596
Capital projects	-	6,934,593	8,613,445	2,151,633	-	3,901,518	29,404,992	-	51,006,181
Debt service	-	-	1,517,139	-	-	-	34,050,288	-	35,567,427
Unrestrictedn(deficit)	229,835	7,561,103	26,077,838	4,430,782	(70,105)	16,251,777	83,720,386	(311,986,423)	(173,784,807)
TOTAL NET POSITION	$ 233,766	$ 72,815,153	$ 152,630,030	$ 25,235,259	$ 24,993,039	$ 67,070,492	$ 170,188,452	$ (311,986,423.00)	$ 201,179,768

SUPPLEMENTARY INFORMATION
REGIONAL UNIVERSITY SYSTEM OF OKLAHOMA
June 30, 2015

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Admin	ECU	NSU	NWOSU	SE	SWOSU	UCO	Reclassification/ System-Wide Entries	TOTAL
OPERATING REVENUES									
Student tuition and fees, net of scholarship discounts and allowances	$ -	$ 18,814,087	$ 30,678,525	$ 7,080,259	$ 15,722,123	$ 20,237,124	$ 89,413,736	$ -	$ 181,945,854
Federal grants and contracts	-	4,374,056	5,341,194	1,471,874	4,726,101	1,591,837	3,134,129	(745,143)	19,894,048
State and local grants and contracts	-	777,810	-	-	886,045	5,114,212	6,430,934	-	13,209,001
Bookstore operations	-	165,574	-	-	-	-	1,085,110	-	1,250,684
Housing and food service revenues, net of discounts and allowances	-	5,921,381	3,547,491	4,551,760	2,441,686	5,247,455	16,852,478	-	38,562,251
Optometry contracts and practice plan	-	-	5,390,647	-	-	-	-	-	5,390,647
Aerospace operations	-	-	-	-	552,382	-	-	-	552,382
Parking and University Center revenues (total revenues are dedicated as security for bond repayments)	-	-	-	-	-	-	2,634,979	-	2,634,979
Other auxiliary operations	-	-	-	-	-	1,459,654	-	-	1,459,654
Interest earned on loans to students	-	-	113,160	-	-	8,663	22,340	-	144,163
University assessments	814,367	-	-	-	-	-	-	(814,367)	(0)
Other operating revenues	5,518	1,408,661	5,128,209	433,157	1,928,223	636,858	5,197,105	(294,751)	14,442,980
TOTAL OPERATING REVENUES	819,885	31,461,569	50,199,226	13,537,050	26,256,560	34,295,803	124,770,811	(1,854,261)	279,486,643
OPERATING EXPENSES									
Compensation and employee benefits	595,746	33,572,224	67,015,545	18,059,985	33,077,434	43,191,116	118,876,941	(7,622,332)	306,766,659
Contractual services	38,195	5,485,970	4,167,916	2,815,780	3,297,677	3,713,946	3,616,947	(516,388)	22,620,043
Supplies and materials	8,121	4,168,468	6,744,031	2,403,519	4,355,053	4,888,261	19,351,484	-	41,918,937
Depreciation	4,316	3,511,300	10,508,430	1,892,531	3,448,808	4,058,145	7,525,656	-	30,949,186
Utilities	-	1,463,267	3,940,580	1,021,764	1,657,209	1,747,234	3,259,948	-	13,090,002
Communication expense	-	214,293	361,047	363,867	361,944	428,186	-	-	1,729,337
Scholarships and fellowships	-	11,440,171	12,593,209	1,902,635	5,481,426	5,379,659	17,064,321	-	53,861,421
Other operating expenses	123,041	5,451,529	8,124,985	1,244,735	3,173,037	3,980,383	20,546,920	(1,337,874)	41,306,756
TOTAL OPERATING EXPENSES	769,419	65,307,222	113,455,743	29,704,816	54,852,588	67,386,930	190,242,217	(9,476,593)	512,242,342
OPERATING INCOME (LOSS)	50,466	(33,845,653)	(63,256,517)	(16,167,766)	(28,596,028)	(33,091,127)	(65,471,406)	7,622,332	(232,755,699)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

	Admin	ECU	NSU	NWOSU	SE	SWOSU	UCO	Reclassification/ System-Wide Entries	TOTAL
NONOPERATING REVENUES (EXPENSES)									
State appropriations	-	17,803,364	37,427,558	10,319,262	18,844,628	23,172,812	64,755,050	-	172,322,674
Federal grants and contracts	-	7,709,786	21,507,312	4,207,978	7,810,312	6,847,174	21,333,807	-	69,416,369
State grants and contracts	-	7,281,299	-	-	-	3,783,326	-	-	11,064,625
OTRS on-behalf contributions	-	-	-	-	-	-	-	13,909,509	13,909,509
Gifts	-	-	749,429	342,158	372,602	-	6,773,278	-	8,237,467
Investment income	-	84,566	57,453	286,183	52,032	144,544	499,576	-	1,124,354
Other nonoperating	-	9,460	-	-	-	784,142	-	-	793,602
Interest expense	-	(1,311,335)	(2,374,707)	(312,527)	(1,064,973)	(1,555,322)	(4,308,135)	-	(10,926,999)
NET NONOPERATING REVENUE (EXPENSES)	-	31,577,140	57,367,045	14,843,054	26,014,601	33,176,676	89,053,576	13,909,509	265,941,601
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	50,466	(2,268,513)	(5,889,472)	(1,324,712)	(2,581,427)	85,549	23,582,170	21,531,841	33,185,902
CAPITAL GIFTS AND GRANTS									
State appropriations restricted for capital purposes	-	1,133,231	3,859,011	1,097,904	1,097,904	1,210,791	1,710,449	(2,463,093)	7,646,197
Capital Contributions	-	227,452	1,308,529	2,314,924	-	303,127	-		4,154,032
OCIA on-behalf state appropriations	-	1,218,092	-	756,255	1,141,231	1,548,540	801,900	2,463,093	7,929,111
	-	2,578,775	5,167,540	4,169,083	2,239,135	3,062,458	2,512,349	-	19,729,340
CHANGE IN NET POSITION	50,466	310,262	(721,932)	2,844,371	(342,292)	3,148,007	26,094,519	21,531,841	52,915,242
NET POSITION, BEGINNING OF YEAR, RESTATED	183,300	72,504,891	153,351,962	22,390,888	25,335,331	63,922,485	144,093,933	(333,518,264)	148,264,526
NET POSITION, END OF YEAR	$ 233,766	$ 72,815,153	$ 152,630,030	$ 25,235,259	$ 24,993,039	$ 67,070,492	$ 170,188,452	$ (311,986,423)	$ 201,179,768

STATEMENT OF CASH FLOWS
Year Ended June 30, 2015

	Admin	ECU	NSU	NWOSU	SE	SWOSU	UCO	Reclassification/ System-Wide Entries	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES									
Tuition and fees	$ -	$ 18,667,200	$ 30,444,399	$ 7,092,109	$ 15,520,810	$ 20,569,821	$ 87,245,367	$ -	$ 179,539,706
Grants and contracts	-	4,835,308	5,510,805	1,511,367	5,629,596	6,829,769	9,817,804	-	34,134,649
Auxiliary enterprises and other receipts	-	7,502,484	13,774,494	4,997,070	5,215,972	7,682,226	24,377,461	-	63,549,707
Univeristy assessment and other	851,834	-	-	-	-	-	-	-	851,834
Interest collected on loans to students	-	-	-	-	-	8,663	22,340	-	31,003
Payments to employees for salaries and benefits	(590,075)	(33,451,360)	(66,163,573)	(18,013,344)	(33,058,327)	(43,497,542)	(118,369,346)		(313,143,567)
Payments to suppliers and others	(175,259)	(28,032,378)	(35,242,904)	(9,772,708)	(18,133,207)	(20,238,781)	(62,370,623)	-	(173,965,860)
Loans issued to students	-	-	(833,798)	-	-	-	(322,490)	-	(1,156,288)
Collections of loans issued to students	-	-	819,891	-	-	-	239,898	-	1,059,789
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	86,500	(30,478,746)	(51,690,686)	(14,185,506)	(24,825,156)	(28,645,844)	(59,359,589)	-	(209,099,027)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
State appropriations	-	17,803,364	37,427,558	10,319,262	18,844,628	23,172,812	86,088,857		193,656,481
Non-operating grants	-	14,835,032	21,507,312	4,207,978	7,810,312	10,630,500	-	-	58,991,134
Cash received from Non-Operating Revenues	-	9,460	749,429	342,158	-	784,142	-	-	1,885,189
Direct Loan receipts	-	15,354,432	35,745,920	4,845,670	11,113,402	-	60,297,002	-	127,356,426
Direct Loan payments	-	(15,354,432)	(35,745,920)	(4,845,670)	(11,113,402)	-	(60,297,002)	-	(127,356,426)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	32,647,856	59,684,299	14,869,398	26,654,940	34,587,454	86,088,857	-	254,532,804
CASH FLOWS FROM INVESTING ACTIVITIES									
Proceeds from sales of investments	-	315,551	-	-	1	1,279,590	19,646,237	-	21,241,379
Purchases of investments	-	(351,162)	-	-	-	-	(9,714,644)	-	(10,065,806)
Interest income received	-	80,625	289,889	280,109	336,718	396,735	499,576	-	1,883,652
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	45,014	289,889	280,109	336,719	1,676,325	10,431,169	-	13,059,225
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Cash paid for capital assets	(3,076)	(5,205,483)	(8,284,498)	(946,446)	(905,151)	(2,916,925)	(34,565,370)	-	(52,826,949)
Capital appropriations received	-	1,133,231	1,528,499	1,097,904	1,327,163	1,329,746	1,710,449	-	8,126,992
Contributions	-	136,237	-	-	-	-	-	-	136,237
Proceeds of capital debt and leases	-	6,355,796	-	-	-	(404,000)	14,495,493	-	20,447,289
Payments on capital debt and leases	-	(4,903,359)	(2,938,749)	(428,478)	(1,863,059)	(722,414)	(8,955,957)	-	(19,812,016)
Interest paid on capital debt and leases	-	(1,020,944)	(1,823,375)	(68,509)	(789,540)	(1,444,765)	(4,212,322)	-	(9,359,455)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(3,076)	(3,504,522)	(11,518,123)	(345,529)	(2,230,587)	(4,158,358)	(31,527,707)	-	(53,287,902)
NET CHANGE IN CASH AND CASH EQUIVALENTS	83,424	(1,290,398)	(3,234,621)	618,472	(64,084)	3,459,577	5,632,730	-	5,205,100
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	198,519	23,055,702	68,990,595	6,938,745	2,237,698	21,272,277	88,699,866	-	211,393,402
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 281,943	$ 21,765,304	$ 65,755,974	$ 7,557,217	$ 2,173,614	$ 24,731,854	$ 94,332,596	$ -	$ 216,598,502

Continued on next page.

STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2015

	Admin	ECU	NSU	NWOSU	SE	SWOSU	UCO	Reclassification/ System-Wide Entries	TOTAL
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH USED IN OPERATING ACTIVITIES									
Operating income(loss)	$ 50,466	$ (33,845,653)	$ (63,256,517)	$ (16,167,766)	$ (28,596,028)	$ (33,091,127)	$ (65,471,406)	$ 7,622,332	$ (232,755,699)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:									
Depreciation	4,316	3,511,300	10,508,430	1,892,531	3,448,808	4,058,145	7,525,656	-	30,949,186
Loss on the disposal of capital assets	-	1,518	7,474	-	635	-	460,973	-	470,600
On-behalf contributions to teachers' retirement system	-	-	-	-	-	363,826	-	13,909,509	14,273,335
Changes in assets and liabilities:									
Accounts receivable	31,948	241,821	(444,775)	40,893	117,665	(139,826)	(3,694,862)	-	(3,847,136)
Grants and other receivables	-	(309,690)	-	-	-	-	-	-	(309,690)
Net pension liability	-	-	-	-	-	-	-	(81,739,661)	(81,739,661)
Deferred amounts from pensions	-	-	-	-	-	-	-	61,565,418	61,565,418
OPEB asset	-	-	-	-	-	-	-	(1,357,598)	(1,357,598)
Inventories	-	-	(7,860)	6,547	-	6,870	92,513	-	98,070
Loans receivable	-	-	(13,907)	-	(15,896)	-	(82,592)	-	(112,395)
Student and other deposits	-	-	-	18,447	-	-	174,982	-	193,429
Deposits held in custody of others	-	-	-	-	-	(7,370)	-	-	(7,370)
Other assets	-	-	-	-	-	-	268	-	268
Accounts payable and accrued expenses	(5,902)	189,802	545,250	15,519	192,504	(727,299)	983,208	-	1,193,082
Accrued payroll	-	(9,544)	640,915	-	(37,337)	-	116,777	-	710,811
Deferred revenue	-	(388,708)	(24,753)	22,603	8,050	1,033,133	(268,765)	-	381,560
Federal loan program contributions refundable	-	-	144,000	-	-	(98,631)	412,841	-	458,210
Compensated absences	5,672	130,408	211,057	(14,280)	56,443	(43,565)	390,819	-	736,554
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 86,500	$ (30,478,746)	$ (51,690,686)	$ (14,185,506)	$ (24,825,156)	$ (28,645,844)	$ (59,359,588)	$ -	$ (209,099,026)
NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL AND RELATED FINANCING ACTIVITIES									
Interest on capital debt paid by OCIA on behalf of the University	$ -	$ 387,089	$ 466,227	$ 146,780	$ 241,989	$ 477,733	$ 426,289	$ -	$ 2,146,107
Principal on capital debt paid by OCIA on behalf of the University	-	831,003	1,864,285	609,475	899,242	1,070,807	375,610	-	5,650,422
Deferred cost on OCIA lease restructure	-	476,385	-	-	-	-	-	-	476,385
Non-cash capital grants and gifts	-	-	1,308,529	-	-	-	6,773,278	-	8,081,807
Deferred gain on OCIA lease restructure	-	330,092	663,390	-	-	-	86,560	-	1,080,042
TOTAL NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL RELATED FINANCING ACTIVITIES	$ -	$ 2,024,569	$ 4,302,431	$ 756,255	$ 1,141,231	$ 1,548,540	$ 7,661,737	$ -	$ 17,434,763

STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2015

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION	Admin	ECU	NSU	NWOSU	SE	SWOSU	UCO	Reclassification/ System-Wide Entries	TOTAL
Current assets:									
Cash and cash equivalents	$ 281,943	$ 14,450,625	$ 33,224,619	$ 5,052,321	$ 2,088,200	$ 20,382,127	$ 93,724,562	$ -	$ 169,204,397
Restricted cash and cash equivalents	-	-	6,498,847	351,842	85,414	210,412	608,034	-	7,754,549
Noncurrent assets:									
Restricted cash and cash equivalents	-	7,314,679	26,032,508	2,153,054	-	4,139,315	-	-	39,639,556
TOTAL CASH AND CASH EQUIVALENTS	$ 281,943	$ 21,765,304	$ 65,755,974	$ 7,557,217	$ 2,173,614	$ 24,731,854	$ 94,332,596	$ -	$ 216,598,502

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

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Regents

Regional University System of Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Regional University System of Oklahoma (the System), a component unit of the State of Oklahoma, and its aggregate discretely presented component units as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated October 19, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

309 N. Bryant Ave. • Edmond, OK 73034 • 405.348.0615 • Fax 405.348.0931 • www.jmacpas.com
Member of AICPA and OSCPA

Purpose of this Report

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

Arledge & Associates, P.C.

October 19, 2015

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

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

309 N. Bryant Ave. • Edmond, OK 73034 • 405.348.0615 • Fax 405.348.0931 • www.jmacpas.com
Member of AICPA and OSCPA

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-01. Our opinion on each major federal program is not modified with respect to this matter.

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 subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-01, that we consider to be a significant deficiency.

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

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

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

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

Arledge & Associates, P.C.

October 19, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year Ended June 30, 2015

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Aid			
Federal Pell Grant Program	84.063	N/A	$ 7,264,058
Federal Supplemental Education Opportunity Grants	84.007	N/A	124,220
Federal Work Study Program	84.033	N/A	436,301
Federal Direct Student Loans	84.268	N/A	15,354,432
Federal Perkins Loan Program	84.038	N/A	1,276,883
Total Student Financial Aid			24,455,894
Trio Cluster:			
TRIO_Upward Bound	84.047	N/A	1,103,149
TRIO_Talent Search	84.044	N/A	497,780
TRIO_McNair Post-Baccalaureate Achievement Student Support Services	84.042	N/A	191,032
TRIO_McNair Scholars Program	84.217	N/A	252,294
TRIO_Educational Opportunity Centers	84.066	N/A	413,110
Total Trio program cluster			2,457,365
Other direct programs:			
Rehabilitation, Long-Term Training	84.129	N/A	250,537
Child Care Access Means Parents in School -Tiny Tigers	84.335	N/A	96,242
Strengthening Minority Serving Institutions-Student Success	84.382	N/A	287,826
Passed through Oklahoma State Regents for Higher Education			
Mathematics and Science Partnership-Biostem	84.366		34,532
Improving Teacher Quality-21st Century Instructional Leadership	84.367		27,607
Total Other Direct Programs			696,744
TOTAL U.S. DEPARTMENT OF EDUCATION			27,610,003
RESEARCH AND DEVELOPMENT (R&D) CLUSTER			
National Science Foundation:			
Passed through Oklahoma State University			
Education and Human Resources-Oklahoma Louis Stokes Alliance Participation	47.076	AA-5-29849	33,634
Office of Cyberinfrastructure-Development/Testing of Aerial Thermography	47.080	IIA-1301789	11,209
Office of Cyberinfrastructure-New Indium Pthalocyanine	47.080	IIA-1301789	12,488
Subtotal CFDA #47.080			23,697
Passed through University of Central Oklahoma			
Education and Human Resources-Robert Noyce Teacher Scholarship	47.046	DUE-0934030	77,363
Education and Human Resources-Stem Double Bridge	47.076		6,325
Passed through Brigham Young University			
Mathematical and Physical Sciences-CURM Mini Grant	47.049	ICN-1301789	270
Total National Science Foundation			141,289
U.S. Department of Health and Human Services			
National Institute for Health (NIH)			
Passed through Oklahoma INBRE IdeA Network			
Biomedical Research and Research Training-INBRE Summer Research	93.859		529
Biomedical Research and Research Training-Effect of Light on Growth, Pigment and Spore Production	93.859		77
Biomedical Research and Research Training-Effect of Electric Shock on D Melanogaster	93.859		193
Subtotal CFDA #93.859			799
Total U.S. Department of Health and Human Services - NIH			799
TOTAL REASEARCH AND DEVELOPMENT CLUSTER			142,088
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct programs			
Child Care and Development Block Grant-Title IV: Child Welfare	93.575	N/A	57,294
Biomedical Research and Research Training-Bridges to Baccalaureate	93.859	N/A	61,832
Drug Free Communities Support Programs	93.276	N/A	119,642
University Centers for Excellence in Development Disabilities Education, Research and Service-Center for Learning and Leadership	93.632	N/A	10,549
Passed through Oklahoma State Department of Human Services			
Medical Assistance Program-Developmental Disabilities In-Service Training	93.778	00001273	282,976
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			532,293

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

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

Year Ended June 30, 2015

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Office of Regional Development and Consolidated Research-Environmental Research Apprenticeship	66.511	N/A	87,422
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			87,422
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Oklahoma State Department of Education			
Child and Adult Care Food Program	10.558	DC-62-014	26,777
TOTAL U.S. DEPARTMENT OF AGRICULTURE			26,777
SMALL BUSINESS ADMINISTRATION			
Passed through Southeastern Oklahoma State University			
Small Business Development Center	59.037	3-603001-Z-0038	26,093
TOTAL U.S. DEPARTMENT OF LABOR			26,093
U.S. DEPARTMENT OF JUSTICE			
Public Safety Partnership and Community Policing-COPS, Technology	16.710	N/A	49,074
OVW Technical Assistance-Campus Law Enforcement	16.526	N/A	157,169
Passed through District Attorneys Council			
Grants to Reduce Domestic Violence-Reduce violent crimes against women on campus	16.525	2011-WA-AX-0028	64,682
TOTAL U.S. DEPARTMENT OF JUSTICE			270,925
U.S. DEPARTMENT OF DEFENSE			
Language Grant Program-In Search of the Firebird	12.900	H98230-13-1-0040	38,711
TOTAL U.S. DEPARTMENT OF DEFENSE			38,711
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Laura Bush 21st Century librarian Program-OK Library Literacy Skills	45.313	N/A	7,821
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			7,821
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the Oklahoma Office of Highway Safety			
Statewide Judicial Education Program	20.601	N/A	89,466
TOTAL U.S.DEPARTMENT OF TRANSPORTATION			89,466
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Passed through University of Oklahoma			
Education-Oklahoma NASA Space Grant Consortium	43.008	2011-42	13,335
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			13,335
NATIONAL ENDOWMENT FOR HUMANITIES			
Promotion of the Humanities_Federal/State Partnership-Guerrilla Girls	45.129	N/A	1,000
Promotion of the Humanities_Federal/State Partnership-Granito National Endowment	45.129	N/A	2,500
Subtotal CFDA #45.129			3,500
Promotion of the Humanities_Public Programs-Lincoln-The Constitution and the Civil War	45.164	N/A	744
TOTAL NATIONAL ENDOWMENT FOR HUMANITIES			4,244
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Program Development and Innovation Grants-MLK Collegiate Challenge	94.007		1,000
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			1,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 28,850,178**

See notes to schedule of expenditures of federal awards

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

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

NOTE C—LOANS OUTSTANDING

The University has $1,276,883 in Federal Perkins loans outstanding at June 30, 2015. These loan balances outstanding are included as federal expenditures in the schedule of expenditures of federal awards. The University issued no new Perkins loans during the fiscal year ending June 30, 2015. Subsequent to year end, The University began the close-out process for its Perkins Loan program and completed the close out in the first quarter of fiscal 2016.

NOTE D--SUB-RECIPIENTS

During the year ended June 30, 2015, the University provided federal awards to sub-recipients as follows:

Program	CFDA No.	Sub-recipient	Amount provided
Bridges to Baccalaureate	93.859	Oklahoma City Community College	$ 6,186
New Indium Pthalocyanine	47.080	Oklahoma State University	$ 1,149

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued:	*Unmodified*	
Internal control over financial reporting:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______ yes	X none reported
Noncompliance material to financial statements noted?	______ yes	X no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	X yes	______ none reported
Type of 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:

Program	CFDA Number
Student Financial Aid Cluster	*
TRIO Cluster	*

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

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	______ yes	X no

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

None to report for the June 30, 2015 period.

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

Compliance Finding
Finding 2015-01

Internal Control Finding
Finding 2015-01

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

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

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

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

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

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

No matters were reportable.

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control over compliance.

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

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

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

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

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

Arledge & Associates, P.C.

October 19, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identification Number*	*Federal Expenditures*
U.S. DEPARTMENT OF EDUCATION			
Student financial aid cluster			
Federal Pell Grants	84.063	N/A	$ 15,019,266
Federal Supplemental Education Opportunity Grants	84.007	N/A	328,859
Federal TEACH Grant	84.379	N/A	276,997
Federal Work Study Program	84.033	N/A	295,939
Federal Perkins Loans	84.038	N/A	3,894,006
Federal Direct Loan Program	84.268	N/A	35,745,920
Total Student Financial Aid Cluster			55,560,987
TRIO program cluster			
TRIO--Talent Search	84.044	P044A110142-349	463,846
TRIO--Student Support Services	84.042	P042A100730	306,735
Total TRIO program cluster			770,581
Other Programs			
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	H325K100320	204,390
Higher Education Institutional Aid	84.031	P031A110217-14	252,993
Strengthening Minority-Serving Institutions	84.382	P382C110005-14	392,543
Pass-through Maryetta Public Schools			
Fund for the Improvement of Education	84.215	S215G120065	7,805
Fund for the Improvement of Education	84.299	S299A140053	1,546
Total Other Programs			859,277
TOTAL U.S. DEPARTMENT OF EDUCATION			**57,190,845**
Research and Development (R&D) Cluster			
U.S. DEPARTMENT OF THE INTERIOR			
Fish and Wildlife Service			
State Wildlife Grants (North Dakota Game and Fish)	15.634	N/A	14,549
TOTAL U.S. DEPARTMENT OF THE INTERIOR			**14,549**
NATIONAL SCIENCE FOUNDATION			
Pass-through Oklahoma State University			
Education and Human Resources	47.076	AA-5-56595-NSU	19,131
Education and Human Resources	47.076	AA-5-29849-NSU Mod #5	25,720
Subtotal for CFDA #47.076			44,851
Office of Experimental Program to Stimulate Competitive Research	47.079	EPSCoR-2014-21	4,674
Office of Experimental Program to Stimulate Competitive Research	47.079	EPSCoR-2014-18	7,836
Office of Experimental Program to Stimulate Competitive Research	47.079	EPSCoR-2015-1	894
Office of Experimental Program to Stimulate Competitive Research	47.079	EPSCoR-2015-5	2,366
Office of Experimental Program to Stimulate Competitive Research	47.079	EPSCoR-2015-2	1,704
Subtotal for CFDA #47.079			17,474
Pass-through University of Central Oklahoma			
Office of Cyberinfrastructure	47.080	EPSCoR-2014-8	10,146
Office of Cyberinfrastructure	47.080	EPSCoR-2014-2	9,924
Subtotal for CFDA #47.080			20,070
TOTAL FOR NATIONAL SCIENCE FOUNDATION			**82,395**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

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

Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identification Number*	*Federal Expenditures*
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
National Institute for Health			
Pass-through OU Health Science Center			
Biomedical Research and Research Training	93.859	RS20131215-07	24,937
Biomedical Research and Research Training	93.859	RS20132225-11	77,770
Biomedical Research and Research Training	93.859	RS20132225-16	76,175
Biomedical Research and Research Training	93.859	RS20132225-08	24,377
Biomedical Research and Research Training	93.859	RS20132225-07	32,387
Biomedical Research and Research Training	93.859	RS20132225-26	23,975
Biomedical Research and Research Training	93.859	RS20132225-37	1,105
Biomedical Research and Research Training	93.859	RS20132225-38	772
Biomedical Research and Research Training	93.859	5P20GM103447-15	5,571
Subtotal for CFDA #93.859			267,069
Pass-through Mayo Clinic Arizona			
Network Among Tribal Organizations for Clean Air Policies	93.393	NOR-193301	22,455
TOTAL FOR NATIONAL INSTITUTE FOR HEALTH			**289,524**
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			**386,468**
Other Federal Programs			
U.S. SMALL BUSINESS ADMINISTRATION			
Pass-through Southeastern Oklahoma State University			
Small Business Development Centers	59.037	2013200008	7,112
Small Business Development Centers	59.037	Prime-SBAHQ-14-B-0052	137,399
Small Business Development Centers	59.037	SBAHQ-14-B-0052	71,196
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			**215,707**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-through University of New York			
Child Welfare Research Training or Demonstration	93.648	RF-1105807-21-62495	4,749
Child Welfare Research Training or Demonstration	93.648	RF-1113708-16-66158	74,502
Child Welfare Research Training or Demonstration	93.648	RF-1120721-16-69467	71,626
Subtotal CFDA #93.648			150,877
Pass-through National Indian Women's Health Resource Center			
HIV Prevention Programs for Women	93.015	N/A	4,506
HIV Prevention Programs for Women	93.015	N/A	1,263
Subtotal CFDA #93.015			5,769
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	N/A	482
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	N/A	5,645
Subtotal CFDA #93.004			6,127
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			**162,773**
U.S. DEPARTMENT OF JUSTICE			
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	2012-WA-AX-0012	62,835
TOTAL U.S. DEPARTMENT OF JUSTICE			**62,835**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

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

Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identification Number*	*Federal Expenditures*
NATIONAL ENDOWMENT FOR THE ARTS			
Laura Bush 21st Century Librarian Program	45.313	RF05100074-10	62,941
Promotion of the Arts_Grants to Organizations and Individuals	45.024	FY15-238720	13,423
TOTAL NATIONAL ENDOWMENT FOR THE ARTS			**76,364**
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Pass-through Oklahoma Humanities Council			
Promotion of the Humanities - Federal/State Partnership	45.129	Y14.062	907
Promotion of the Humanities - Federal/State Partnership	45.129	Y14.101	5,725
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			**6,632**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 58,101,624**

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

The University participates in the Federal Direct Loan Program (the Program), CFDA number 84.268, which includes the Federal Subsidized Direct Loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan and Federal Direct Loans Parents of Undergraduate Students. The Federal Direct Loan Program requires the University to draw down cash; and the University is required to perform certain administrative functions under the Program. Failure to perform such functions may require the University to reimburse the loan guarantee agencies.

NOTE C--FEDERAL PERKINS LOANS

The University has $3,894,006 in Federal Perkins loans outstanding at June 30, 2015. These loan balances outstanding are included as federal expenditures in the schedule of expenditures of federal awards. During the year ended June 30, 2015, the University issued Perkins loans totaling $611,713.

NOTE D--SUB-RECIPIENTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major programs:

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

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? _____ yes __X__ no

Identification of major programs:

Program	CFDA Number
Student Financial Aid Cluster	*

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

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

Auditee qualified as low-risk auditee? __X__ yes _____ no

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

June 30, 2015

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

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

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

No matters were reportable.

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

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

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

Arledge + Associates, P.C.

October 19, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identification Number*	*Federal Expenditures*
U.S. DEPARTMENT OF EDUCATION			
Student Financial Aid Cluster:			
Federal Pell Grant Program	84.063	N/A	$ 3,084,977
Federal Work Study Program	84.033	N/A	138,218
Federal Supplemental Education Opportunity Grants	84.007	N/A	53,654
Federal Direct Student Loans	84.268	N/A	4,845,670
Total Student Financial Aid			8,122,519
TRIO Program Cluster:			
TRIO--Upward Bound	84.047A	N/A	224,594
TRIO--Upward Bound - Math & Science	84.047M	N/A	220,642
Total Trio Cluster			445,236
Title III--Strengthening Institutions Programs	84.031A	N/A	334,031
TOTAL U.S. DEPARTMENT OF EDUCATION			8,901,786
U.S. DEPARTMENT OF AGRICULTURE			
Distance Learning and Telemedicine Loans and Grants	10.855	N/A	120,098
SMALL BUSINESS ADMINISTRATION			
Passed through Southeastern Oklahoma State University			
Small Business Development Center	59.037	1-7620-0038-17	89,614
NATIONAL SCIENCE FOUNDATION			
Passed through Oklahoma State University			
Oklahoma State alliance for Minority Engineering and Technology	47.096	AA-5-64291	17,627
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 9,129,125**

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University 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 C--SUBRECIPIENTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes __X__ no

Identification of major programs:

Program / Cluster	CFDA Number
Student Financial Aid Cluster	*
TRIO Cluster	*

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

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

Auditee qualified as low-risk auditee? __X__ yes _____ no

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

June 30, 2015

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

None to report for the June 30, 2015 period.

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

None to report for the June 30, 2015 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

No matters were reportable.

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the University, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that

309 N. Bryant Ave. • Edmond, OK 73034 • 405.348.0615 • Fax 405.348.0931 • www.jmacpas.com
Member of AICPA and OSCPA

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

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

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

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

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

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

Arledge & Associates, P.C.

October 19, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year Ended June 30, 2015

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

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

Year Ended June 30, 2015

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

See notes to the schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

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

NOTE C--SUB-RECIPIENTS

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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major programs:

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

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? _____ yes __X__ no

Identification of major programs:

Program	CFDA Number
Student Financial Aid Cluster	*
Strengthing Miniority-Serving Institutions	84.382

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

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

Auditee qualified as low-risk auditee? __X__ yes _____ no

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

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

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

No matters were reportable.

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

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

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

Arledge & Associates, P.C.

October 19, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year Ended June 30, 2015

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*		*Federal Expenditures*
U.S. DEPARTMENT OF EDUCATION			
Student Financial Aid Cluster			
Federal Pell Grant Program	84.063	$	6,581,721
Federal Work-Study Program	84.033		183,867
Federal Supplemental Education Opportunity Grants	84.007		82,784
Federal Direct Student Loans	84.268		19,278,126
Postsecondary Education Scholarships for Veteran's Dependents	84.408		2,656
Total Student Financial Aid			26,129,154
Trio Cluster:			
TRIO_Upward Bound	84.047A		338,846
Total Trio Cluster			338,846
Other Direct Programs:			
Improving Teacher Quality State Grants	84.367		103,619
Total Other Direct Programs			103,619
TOTAL U.S. DEPARTMENT OF EDUCATION			26,571,619
U.S. SMALL BUSINESS ADMINISTRATION			
Passed through Oklahoma Small Business Development			
Small Business Development Centers	59.037		100,649
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			100,649
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through University of Oklahoma Health Sciences Center			
National Center for Research Resources	93.389		60,000
Biomedical Research and Research Training	93.859		17,746
Total National Institute for Health			77,746
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			77,746
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Vocational Rehabilitation for Disabled Veterans	64.116		280,268
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			280,268
NATIONAL SCIENCE FOUNDATION			
Passed through Oklahoma State University			
Biological Sciences	47.074		47,500
Education and Human Resources	47.076		20,282
Office of Cyberinfrastructure	47.080		8,045
Office of Experimental Program to Stimulate Competitive Research	47.081		9,971
TOTAL NATIONAL SCIENCE FOUNDATION			85,798

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

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

Year Ended June 30, 2015

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Federal Expenditures*
U.S. DEPARTMENT OF AGRICULTURE		
Passed through State of Oklahoma Department of Education		
Summer Food Service Program for Children	10.559	21,093
School Breakfast Program	10.553	42,515
National School Lunch Program	10.555	53,334
TOTAL U.S. DEPARTMENT OF AGRICULTURE		116,942
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
Passed through University of Oklahoma		
Science	43.001	17,332
Education	43.008	14,677
TOTAL NATIONAL AERONAUTICS & SPACE ADMINISTRATION		32,009
U.S. DEPARTMENT OF THE INTERIOR		
Indian Education-Higher Education Grant Program	15.114	189,880
TOTAL U.S. DEPARTMENT OF THE INTERIOR		189,880
U.S. DEPARTMENT OF COMMERCE		
Economic Development-Technical Assistance	11.303	81,748
TOTAL U.S. DEPARTMENT OF COMMERCE		81,748
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 27,536,659

See notes to schedule of expenditures of federal awards .

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University 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 C--SUBRECIPIENTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued:	*Unmodified*	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	__X__ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	__X__ none reported
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?	_____ yes	__X__ no

Identification of major programs:

Program / Cluster	CFDA Number
Student Financial Aid Cluster	*

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

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	__X__ yes	_____ no

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

June 30, 2015

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

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

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

No matters were reportable.

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

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

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

Arledge & Associates, P.C.

October 19, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year ended June 30, 2015

Federal Grantor / Pass-through Grantor / Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
U.S. DEPARTMENT OF EDUCATION			
Student financial aid cluster			
Federal Pell Grant Program	84.063	N/A	$ 20,372,841
Federal Supplemental Education Opportunity Grant	84.007	N/A	284,112
Federal Work-Study Program	84.033	N/A	390,339
Federal Perkins Loan Program	84.038	N/A	1,523,649
Teacher Education Assistance for College and Higher Education Grants	84.379	N/A	286,515
Federal Direct Student Loans	84.268	N/A	60,213,782
Total Student Financial Aid			83,071,238
TRIO program cluster			
TRIO--Student Support Services ((SSS) FY 11 Traditional)	84.042A	P042A100988	207,476
TRIO--Student Support Services ((SSS) FY 11 STEM)	84.042A	P042A101239	188,308
TRIO--Upward Bound (Program 2012)	84.047A	P047A120369-13	298,094
TRIO--Upward Bound (Math & Science Program)	84.047M	P047M120111-13	243,129
Total TRIO Program Cluster			937,007
Other Programs			
Gaining Early Awareness and Readiness for Undergraduate	84.334A	N/A	250,698
Higher Eduction Institutional Aid	84.031	N/A	156,704
Passed through National Commission on Teaching & America's Future			
Fund for the Improvement of Post Secondary Education	84.116	P1168100320	627
Passed through Oklahoma Dept of Rehabilitation Services			
Special Education Grants to States (Edmond Regional Preschool Program)	84.173	N/A	43,278
Passed through Oklahoma State Regents for Higher Education			
Improving (Reading, Writing, and Thinking Oklahoma A+ Schools Prof Devlpmnt)	84.367B	2013 ESEA-NCLB Title II Part A	40,456
Improving Teacher Quality State Grant Program	84.367B	2015 ESEA-NCLB Title II Part A	1,909
Total Other Programs			493,672
TOTAL U.S. DEPARTMENT OF EDUCATION			84,501,917
Research and Development (R&D) Cluster			
NATIONAL SCIENCE FOUNDATION			
Passed through Washington University			
Engineering Grants	47.041	CMMI-1265447/ WU-14-78	4,841
Subtotal for CFDA # 47.041			4,841
Passed through Oklahoma State University			
Computer and Information Science and Engineering	47.070	ACI-1429702	211,852
Subtotal for CFDA #47.070			211,852
Education and Human Resources	47.076	HRD-0902027/AA-5-29849-UCO	19,428
Education and Human Resources	47.076	HRD-1408748/AA-5-56595-UCO	9,183
Education and Human Resources	47.076	DUE-0856396	257,919
Education and Human Resources	47.076	DUE-0965864	100,743
Education and Human Resources	47.076	DBI-1263327	77,426
Subtotal for CFDA #47.076			464,699
EPSCoR The R&D of Just-in-Time STEM Tutorials - ROA	47.080	IIA-1301789/ EPSCoR-2014-4	11,710
Subtotal for CFDA #47.080			11,710
Office of Experimental Program to Stimulate Competitive Research	47.081	EPS-0814361/ EPSCoR-2008-27 Amend#4	4,000
Subtotal for CFDA #47.081			4,000
Passed through University of Illinois			
Biological Sciences	47.074	EF-1205935/2012-02037-02	10,575
Subtotal for CFDA #47.074			10,575
TOTAL NATIONAL SCIENCE FOUNDATION			707,677
Other Federal Programs			
U.S. DEPARTMENT OF AGRICULTURE			
Migratory Connectivity in the Yellow Rail	10.UNKNOWN	09-CS-11080900-002	2,918
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,918
U.S. ARMY CORPS OF ENGINEERS			
Black-capped Vireo Survey	12.UNKNOWN	DABT39-02-P-0083	1,533
Passed through Gulf South Research Corporation			
Department of the Army-Fort Sill Military Reservation	87.052	W912BV-12-D-0034	12,438
Passed through Texas AGRILIFE Research (Texas A&M University)			
Basic and Applied Scientific Research	12.300	Prime #W9126G-12-2-0014, AGRILIFE #	8,178
TOTAL U.S. ARMY CORPS OF ENGINEERS			22,149

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

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

Year ended June 30, 2015

Federal Grantor / Pass-through Grantor / Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
U.S. DEPARTMENT OF THE INTERIOR, FISH & WILDLIFE SERVICE			
Migratory Bird Monitoring, Assessment and Conservation	15.655	F12AP00725	9,315
Migratory Bird Joint Ventures	15.637	F13AP00308	3,465
Passed through Texas Parks and Wildlife Department			
State Wildlife Grants	15.634	TX T-98-1 / 447559	632
Passed through Oklahoma Department of Wildlife Conservation			
Cooperative Endangered Species Conservation Fund	15.615	ODWC F13AP00196 (E-80-R-1) /F13AP0078 (E-80-R-2)	10,549
Survey of Northeastern Cave Soil - Survey of Northeastern Oklahoma			
Research Grants (Caves Soils for Pseudogymnoascus destructans DNA)	15.650		3,339
TOTAL U.S. DEPARTMENT OF THE INTERIOR, FISH & WILDLIFE SERVICE			27,300
U.S. DEPARTMENT OF LABOR			
Passed through Its My Community Initiative, Inc. (IMCI)			
H-1B Job Training Grants (Department of Labor Employment Training Admistration)	17.268	HG-26663-15-60-A-40	5,144
TOTAL DEPARTMENT OF LABOR			5,144
U.S. DEPARTMENT OF THE STATE			
Passed through Institute of International Education			
Investing in People in The Middle East and Africa	19.021	Prime # SIZ-100-11-GR070	93,008
Investing in People in The Middle East and Africa	19.021	Prime # SIZ-100-11-GR070	670
TOTAL DEPARTMENT OF THE STATE			93,678
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Administration for Children & Families Financial Assistance Award			
Passed through OK Partnership for School Readiness Foundation			
Adoption Opportunities	93.652	Prime # 90C01092	41,068
Health Resources and Service Adminstration- Bureau of Health Professions			
Passed through The University of Oklahoma Health Sciences Center			
PPHF (OUHSC) Geriatric Education Centers	93.969	Prime #5UB4HP19197-04-00/Subaward TS20102005-31	7,549
National Institutes of Health - National Center for Research Resources (NIH)			
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	1R21EB015509-01A1	143,687
Passed through University of Oklahoma Health Sciences Center			
Biomedical Research and Research Training:			
INBRE Deans Council Chairman	93.859	8P20GM103447-13/ RS20131215-13 & 2P20GM103447-14/ RS20132225-15	51,590
INBRE Equipment 2011	93.859	8P20GM103447-13/ RS20131215-13	24,706
INBRE Mini-grant Perception & Model Prediction (Jiang)	93.859	2P20GM103447-14/ RS20132225-14	23,081
INBRE Small Equipment Grant (Chooback)	93.859	2P20GM103447-14/ RS20132225-13	9,764
INBRE Small Equipment Grant (Khandaker)	93.859	2P20GM103447-14/ RS20132225-12	15,000
INBRE Research Project (Fu)	93.859	2P20GM103447-14/RS20132225-18	89,626
INBRE Research Project (Khandaker)	93.859	5P20GM103447-15/RS20132225-60	43,308
INBRE Research Project (Bhargava)	93.859	5P20GM103447-15/RS20132225-57	8,579
INBRE Research Project (Hossan)	93.859	5P20GM103447-15/RS20132225-54	12,410
INBRE Research Project (Kotturi)	93.859	5P20GM103447-15/RS20132225-51	8,084
INBRE Research Project (Chen)	93.859	5P20GM103447-15/RS20132225-52	4,475
INBRE Research Project (Xu)	93.859	5P20GM103447-15/RS20132225-56	800
INBRE Summer Mentor (Chen)	93.859	5P20GM103447-15/RV20132225-47	2,133
INBRE Summer Mentor (Vaughan)	93.859	5P20GM103447-15/RV20132225-47	641
INBRE Summer Mentor (Chen)	93.859	5P20GM103447-15/RV20132225-47	546
INBRE Research Opportunity Award	93.859	5P20GM103447-15/RS20132225-59	1,001
Oklahoma Shared Clinical and Translational Resources	93.859	5U54GM104938-02/RS20130494-20	710
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			488,758
U.S. DEPARTMENT OF TRANSPORTATION			
National Highway Traffic Safety Administration			
Passed through Oklahoma Highway Safety Office			
National Priority Safety Programs	20.616	OP-13-05-01-00 / M2OP-14-05-01-00/ST-MC-14-05-01-00	62,787
State and Community Highway Safety (OHSO Pickup Truck Seatbelt Survey)	20.600	M2OP-14-05-01-00/FY 2015 TBD	19,171
State and Community Highway Safety	20.600	OHSO TR-13-05-02-00 /TR-14-05-03-00	9,357
TOTAL DEPARTMENT OF TRANSPORTATION			91,315

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

Year ended June 30, 2015

Federal Grantor / Pass-through Grantor / Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Grants for Adaptive Sports Programs for Disabled Veterans and			
VA Assistance to United States Paralympic Integrated Adaptive Sports Program			
(Disabled Members of the Armed Forces)	64.034	2015-ASG-56	16,532
Passed through US Olympic Committee			
VA Assistance to United States Paralympic Integrated Adaptive Sports Program			
(US Paralympics Integrated Adaptive Sports Program)	64.034	2014-PP-001	113,526
TOTAL DEPARTMENT OF VETERANS AFFAIRS			130,058
NATIONAL ENDOWMENT FOR THE ARTS			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	13-5100-7108	49,551
TOTAL NATIONAL ENDOWMENT FOR THE ARTS			49,551
SMALL BUSINESS ADMINISTRATION			
Passed through Southeastern Oklahoma State University			
Small Business Development Center (2013)	59.037	SBAHQ-14-B-0052/ 4-603001-EZ-0048	102,319
Small Business Development Center (2014)	59.037	SBAHQ-14-B-0052/ 5-603001-EZ-0048	34,774
Small Business Development Center (Supplemental 2014)	59.037	SBAHQ-13-B-0049/3-603001-Z-0038	6,873
TOTAL SMALL BUSINESS ADMINISTRATION			143,966
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 86,264,431

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

June 30, 2015

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University 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 C--LOANS OUTSTANDING

The University had the following loan balances outstanding at June 30, 2015. These loan balances outstanding are included as federal expenditures in the schedule of expenditures of federal awards. During the year ended June 30, 2015, the University issued Perkins loans totaling $322,490.

Cluster/Program Title	Federal CFDA Number	Amount Outstanding
Federal Perkins Loan Program	84.038	$ 1,523,649
Nursing Student Loans	93.364	13,742

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

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

June 30, 2015

NOTE D--SUB-RECEIPIENTS

During the year ended June 30, 2015, the University provided federal awards to subrecipients.

UNIVERSITY OF CENTRAL OKLAHOMA
SCHEDULE OF FEDERAL AWARDS
PASSED THROUGH TO SUBRECIPIENTS
Year Ended June 30, 2015

Federal Grantor / Pass-through Grantor / Program Cluster Title	Federal CFDA Number	Pass-through Grantor's Number/ Subaward Number	Federal Expenditures
National Science Foundation			
NSF STEP 2009	47.076	DUE-0856396	
Passed through to:			
East Central University		UCO-2009STEP-2-ECU Amend #3 &#4	$ 6,230
Langston University		UCO-2009STEP-2-LU Amend #4	12,079
			$ 18,310

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

Section I--Summary of Auditors' 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 that are not considered to be material weakness(es)? _____ yes __X__ none reported

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes __X__ no

Identification of major programs:

Program	CFDA Number
Student Financial Aid Cluster	*

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

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

Auditee qualified as low-risk auditee? __X__ yes _____ no

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

June 30, 2015

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

None to report for the June 30, 2015 period.

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

None to report for the June 30, 2015 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

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

June 30, 2015

No matters were reportable.