

**University Center of
Southern Oklahoma**

**Financial Statements
with Independent Auditors' Report**

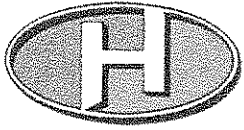
June 30, 2015 and 2014



University Center of Southern Oklahoma
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June 30, 2015 and 2014

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Independent Auditors' Report

Board of Trustees
University Center of Southern Oklahoma
Ardmore, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the University Center of Southern Oklahoma as of and for the years ended June 30, 2015 and 2014, the related notes to the financial statements, which collectively, comprise the University Center of Southern Oklahoma'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 this financial statement 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.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University Center of Southern Oklahoma as of June 30, 2015 and 2014, and the respective changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through viii 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. The required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplemental 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 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 on our consideration of the University Center of Southern Oklahoma's internal control over financial reporting and 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 result of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Hibel & Company, PC

Tulsa, Oklahoma
October 26, 2015



University Center of Southern Oklahoma Management's Discussion and Analysis For the Year Ended June 30, 2015

Management's Discussion and Analysis

The discussion and analysis of University Center of Southern Oklahoma (UCSO) financial statements provides an overview of UCSO's financial activities for the year ending June 30, 2015. Since this management's discussion and analysis is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with UCSO's financial statements and footnotes. A comparative analysis of prior two years financial data is provided.

Using This Report

In June 1999, the Governmental Accounting Standards Board (GASB) released statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Changes in statement No. 34 require a comprehensive one-column look at the entity as a whole and capitalization of assets and depreciation. In November 1999, GASB issued statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies these standards to public colleges and universities. The State of Oklahoma elected early implementation of these standards beginning with the year ended June 30, 2001.

Financial Highlights

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report UCSO's net position and how they have changed. Net position is one way to measure UCSO's health. Over time, increases or decreases in UCSO's net position are an indicator of whether or not its financial health is improving. Non-financial factors are also important to consider, including student enrollment and condition of the building.

These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is consistent with the accounting used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

**University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Financial Highlights (Continued)

Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position (Continued)

Schedule A is prepared from UCSO's Statement of Net Position, and summarizes UCSO's assets, deferred outflows, liabilities, and net position at June 30, 2015, with comparative totals at June 30, 2014 and 2013, respectively.

Schedule A
Net Position at June 30, 2015
With Comparative Totals at June 30, 2014 and 2013
(in thousands)

	2015	2014 *	2013 *
Current assets	\$ 1,818	\$ 896	\$ 1,440
Noncurrent assets			
Capital assets, net of depreciation	6,527	3,124	1,895
Other	5,400	27	61
Total assets	<u>13,745</u>	<u>4,047</u>	<u>3,396</u>
Deferred outflows	<u>123</u>	<u>16</u>	<u>25</u>
Current liabilities	352	127	153
Noncurrent liabilities	7,680	597	630
Total liabilities	<u>8,032</u>	<u>724</u>	<u>783</u>
Deferred inflows	<u>293</u>	<u>16</u>	<u>-</u>
Net position			
Net investment in capital assets	5,292	2,528	1,295
Restricted for capital projects	909	-	-
Unrestricted	(658)	795	1,343
Total net position	<u>\$ 5,543</u>	<u>\$ 3,323</u>	<u>\$ 2,638</u>

* prior year amounts not restated for MD&A purposes

At year ended June 30, 2015, other assets increased by \$5,373 from the year ended June 30, 2014 due to the receipt of proceeds from the issuance of the ODFA 2014BAN and 2014H capital debt. Total liabilities increased by \$7,308 due to the implementation of GASB 68 regarding pensions and the issuance of the ODFA capital debt mentioned above. Unrestricted net position also decreased significantly in 2015 due to the implementation of GASB 68.

At year ended June 30, 2014, capital assets increased by \$1,229 or 65% from the year ended June 30, 2013 due to land purchased and the increase in Construction in Progress paid for the new proposed building and campus. Total liabilities decreased by \$59 or 7.6% due to the refinancing of the 2005F OCIA debt with the 2014A debt.

**University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Financial Highlights (Continued)

Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position (Continued)

Schedule B is prepared from UCISO's Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2015, with comparative totals for the year ended June 30, 2014 and 2013, respectively.

Schedule B
Operating Results for the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014 and 2013
(in thousands)

	2015	2014 *	2013 *
Operating revenues and expenses			
Tuition and fees	935	900	958
Less operating expenses	(1,624)	(1,780)	(1,780)
Net operating expenses	<u>(689)</u>	<u>(880)</u>	<u>(822)</u>
Nonoperating revenues (expenses)			
State appropriations	647	647	647
On-behalf OTRS contributions	58	56	56
Gifts	56	51	66
Investment income	7	7	7
Interest expense/income	(136)	(19)	(36)
Net nonoperating revenues	<u>632</u>	<u>742</u>	<u>740</u>
Income before other revenues/expenses	(57)	(138)	(82)
Other revenues/expenses	<u>3,552</u>	<u>823</u>	<u>115</u>
Increase (decrease) in net position	<u><u>3,495</u></u>	<u><u>685</u></u>	<u><u>33</u></u>

* prior year amounts not restated for MD&A purposes

Revenues

Other revenues increased by \$2,729, or 332%, over 2014 due to significant increases in capital funds provided by the Southern Oklahoma Higher Education Foundation for the construction of the new building.

Other revenues increased by \$726, or 631%, over 2013 due to significant increases in capital funds provided by the Southern Oklahoma Higher Education Foundation for the purchase of the land for the new building.

**University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Financial Highlights (Continued)

Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position (Continued)

Expenses

Operating expenses decreased by \$157 in 2015 over the year ended June 30, 2014 primarily as a result of the change in compensation expense due to the implementation of GASB 68.

Operating expenses held steady in FY14 when compared to FY13.

Schedule C summarizes UCSO's operating expenses for the years ended June 30, 2015, 2014 and 2013, respectively.

Schedule C
Operating Expenses for the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014 and 2013
(in thousands)

	2015	2014 *	2013 *
Compensation and benefits	\$ 967	\$ 1,117	\$ 1,022
Contractual services	346	402	401
Supplies and materials	36	31	45
Utilities	55	48	54
Communications	18	15	15
Depreciation	115	93	143
Other	87	74	100
Total Operating Expenses	<u>\$ 1,624</u>	<u>\$ 1,780</u>	<u>\$ 1,780</u>

**University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Financial Highlights (Continued)

Statement of Cash Flows

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

Schedule D is prepared from UCSO's Statement of Cash Flows, and summarizes UCSO's cash flows for the year ended June 30, 2015, with comparative totals for the year ended June 30, 2014 and 2013, respectively.

Schedule D
Cash Flows for the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014 and 2013
(in thousands)

	2015	2014	2013
Cash provided (used) by:			
Operating activities	\$ (521)	\$ (742)	\$ (607)
Noncapital financing activities	703	698	713
Capital and related financing activities	777	(553)	(507)
Investing activities	7	7	7
Net increase in cash	966	(590)	(394)
Cash, beginning of year	807	1,397	1,791
Cash, end of year	<u>\$ 1,773</u>	<u>\$ 807</u>	<u>\$ 1,397</u>

Capital Assets and Debt Administration

For 2015, UCSO recorded a total of \$10,213 in capital assets and \$3,686 in accumulated depreciation. During the year ended June 30, 2015 UCSO acquired \$3,518 in capital assets consisting of construction in progress on the new building, library resources, office and institutional equipment, and computer equipment.

For 2014, UCSO recorded a total of \$6,695 in capital assets and \$3,571 in accumulated depreciation. During the year ended June 30, 2014 UCSO acquired \$1,322 in capital assets consisting of land, library resources, office and institutional equipment, and computer equipment.

**University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Financial Highlights (Continued)

Capital Assets and Debt Administration (Continued)

At June 30, 2015, UCSO had long-term liabilities of \$6,619,000, an increase of approximately \$6 million over 2014 long-term liabilities as a result of the issuance of the ODFA 2014BAN and 2014H capital debt.

At June 30, 2014, UCSO had long-term liabilities of \$597,000, a decrease of 5.2% over 2013 long-term liabilities as a result of payments applied towards existing bond programs and the issuance of the 2014A OCIA refinancing debt.

Schedule E
Capital Assets, Net
June 30, 2015
With Comparative Totals at June 30, 2014 and 2013
(in thousands)

	2015	2014	2013
Land	\$ 1,036	\$ 1,036	\$ -
Construction in progress	5,317	1,868	1,630
Leasehold improvements	1,849	1,818	1,818
Equipment	1,242	1,215	1,181
Library materials	<u>769</u>	<u>758</u>	<u>744</u>
Total	10,213	6,695	5,373
Less accumulated depreciation	<u>(3,686)</u>	<u>(3,571)</u>	<u>(3,478)</u>
Capital assets, net	<u>\$ 6,527</u>	<u>\$ 3,124</u>	<u>\$ 1,895</u>

Schedule F
Long-Term Liabilities
June 30, 2015
With Comparative Totals at June 30, 2014 and 2013
(in thousands)

	2015	2014	2013
OCIA capital lease payable	\$ 549	\$ 597	\$ 625
ODFA capital lease payable	<u>6,070</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 6,619</u>	<u>\$ 597</u>	<u>\$ 625</u>

University Center of Southern Oklahoma Management's Discussion and Analysis For the Year Ended June 30, 2015

Other Financial Information

Economic Outlook

In October, 2014, UCSO began construction on the Health, Science, and Math Center. Funding to construct the facility has been provided through a combination of gifts and grants, UCSO direct support, and public financing through the Oklahoma State Regent's Real Property Master Lease program. \$14 million was raised in gifts and grants in the first round of the Capital Campaign for the construction of the facility and UCSO is contributing about \$1.4 million in direct support to the project.

Financing through the Master Lease program was secured the remaining costs of construction not paid by grants and gifts and to cover cash flow requirements during construction. The construction financing package combines donations and direct support from the University Center (89% of construction cost) with long-term financing (11% of construction cost) to pay the construction costs. Short-term financing is utilized to reconcile the variance between the payment terms of the cash receipts from pledge payments (2 to 5 years) with the construction schedule (1 ½ to 2 years).

The underwriters structured revenue bonds totaling approximately \$6 million in the form of revenue bonds with a short-term component (ODFA 2014 BAN) and a long-term component (ODFA 2014 H). The short-term note for cash flow for construction purposes is for approximately \$4.3 million for a term of 4 years. Prepayments on the short-term note can be made to reduce interest and principal obligations prior to the end of its term as pledge payments are accumulated. The long-term bond obligation is for approximately \$1.7 with a term of 15 years with a payment amount that is manageable within the University Center operating budget.

This two-note structure provides a substantial interest savings over the long-term and accommodates the accumulation of cash through pledge payments to service the short-term, cash flow note. Once construction of the Health, Science and Math Center is complete, a substantial principal payment (approximately 50%) on the short-term note will be made with the cash accumulated from pledge payments.

Servicing of both obligations began in March, 2015. University Center revenues are used to pay accrued interest on the obligations and pledge payments are applied only against the principal.

It is anticipated that cuts in the state allocation will continue, resulting in future tuition increases to offset declining state revenues. UCSO has earmarked \$4 per credit hour of tuition receipts to the Capital Outlay fund to service the bond indebtedness and perform future facility maintenance. UCSO plans to earmark up to \$10 per credit hour of tuition/fees over the next five years through a combination of tuition/fee increases and reallocation of some General Operating Fund tuition revenues to the Capital Outlay Fund.

Enrollment is down from past years but the decline has seemed to have leveled off. It is projected that enrollment will remain at approximately the FY15 level for FY16 and then steadily increase as operations are shifted over to the new campus. It is anticipated that future budget growth will be the result of tuition receipts from increased enrollment and that the state allocation will remain at current levels or lower for the foreseeable future.

**University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Other Financial Information (Continued)

Economic Outlook (Continued)

The UCSO Board of Trustees and management are currently evaluating options for the capital development of the new campus over the next decade. However, UCSO management is not aware of any other matters that could significantly affect its financial position at this time.

Contacting the Program's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of UCSO's finances and to show UCSO's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the University Center of Southern Oklahoma, 611 Veterans Boulevard, Ardmore, Oklahoma 73401.

University Center of Southern Oklahoma
Statements of Net Position
June 30, 2015 and 2014

	2015		2014	
	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation, Inc.	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation, Inc.
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,772,772	\$ 4,219,058	\$ 806,530	\$ 2,684,256
Accounts receivable	44,262	—	88,147	—
Pledges receivable	—	1,468,334	—	1,803,333
Accrued interest receivable	521	289	574	—
Investments	—	1,147,823	—	190,330
	<u>1,817,555</u>	<u>6,835,504</u>	<u>895,251</u>	<u>4,677,919</u>
Other Assets				
Pledges receivable	—	1,384,510	—	4,949,267
Receivable from OCIA	5,384,161	—	—	—
Prepaid pension asset	14,792	—	27,310	—
Capital assets, net	6,527,035	—	3,124,331	—
	<u>11,925,988</u>	<u>1,384,510</u>	<u>3,151,641</u>	<u>4,949,267</u>
Total Assets	<u>13,743,543</u>	<u>8,220,014</u>	<u>4,046,892</u>	<u>9,627,186</u>
DEFERRED OUTFLOWS				
Deferred outflows related to pension	114,882	—	—	—
Deferred charge on OCIA lease restructuring	8,195	—	16,390	—
	<u>123,077</u>	<u>—</u>	<u>16,390</u>	<u>—</u>
Total Deferred Outflows	<u>123,077</u>	<u>—</u>	<u>16,390</u>	<u>—</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	265,887	—	42,244	—
Current portion of noncurrent liabilities	85,762	—	84,634	—
	<u>351,649</u>	<u>—</u>	<u>126,878</u>	<u>—</u>
Noncurrent Liabilities				
Other postemployment benefit obligation	66,801	—	54,003	—
Net pension obligation	1,051,600	—	—	—
Lease obligation payable to ODFA	6,066,104	—	—	—
Lease obligation payable to OCIA	495,242	—	542,947	—
	<u>7,679,747</u>	<u>—</u>	<u>596,950</u>	<u>—</u>
Total Liabilities	<u>8,031,396</u>	<u>—</u>	<u>723,828</u>	<u>—</u>
DEFERRED INFLOWS				
Deferred gain on OCIA lease restructuring	20,737	—	16,515	—
Deferred inflows related to pension	271,838	—	—	—
	<u>292,575</u>	<u>—</u>	<u>16,515</u>	<u>—</u>
Total Deferred Inflows	<u>292,575</u>	<u>—</u>	<u>16,515</u>	<u>—</u>
NET POSITION				
Invested in capital assets, net of related debt	5,292,200	—	2,527,719	—
Restricted:				
Capital projects	908,609	—	—	—
Donor restrictions	—	8,167,623	—	9,577,763
Unrestricted	(658,160)	52,391	795,220	49,423
Total Net Position	<u>\$ 5,542,649</u>	<u>\$ 8,220,014</u>	<u>\$ 3,322,939</u>	<u>\$ 9,627,186</u>



University Center of Southern Oklahoma
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

	2015		2014	
	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation, Inc.	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation, Inc.
Operating Revenues				
Student tuition and fees	\$ <u>935,287</u>	\$ _____	\$ <u>900,433</u>	\$ _____
Operating Expenses				
Compensation and employee benefits	967,251	—	1,116,603	—
Contractual services	346,191	—	401,530	—
Supplies and material	35,598	5,181	30,536	2,993
Utilities	54,985	—	47,857	—
Communications	17,807	—	15,330	—
Depreciation	115,060	—	93,226	—
Other operating expense	87,104	—	75,467	—
Contributions to University Center	—	1,533,088	—	803,025
General and administrative	—	5,583	—	3,317
Scholarships awarded	—	53,938	—	31,304
Total operating expenses	<u>1,623,996</u>	<u>1,597,790</u>	<u>1,780,549</u>	<u>840,639</u>
Operating Loss	(688,709)	(1,597,790)	(880,116)	(840,639)
Nonoperating Revenues (Expenses)				
State appropriations	647,396	—	647,394	—
On-Behalf OTRS	57,821	—	56,316	—
Private gifts and other contributions	56,098	173,984	50,272	10,246,712
Investment income	6,689	7,511	7,365	4,269
Net unrealized loss on investments	—	6,123	—	23,876
Interest expense	(136,214)	—	(19,593)	—
Total operating expenses	<u>631,790</u>	<u>187,618</u>	<u>741,754</u>	<u>10,274,857</u>
Income Before Other Revenues, Expenses, Gains or Losses	(56,919)	(1,410,172)	(138,362)	9,434,218
Capital grants and gifts	3,498,964	—	800,000	—
OCIA on-behalf state appropriations	<u>53,204</u>	—	<u>23,476</u>	—
Net Change in Net Position	<u>3,495,249</u>	<u>(1,410,172)</u>	<u>685,114</u>	<u>9,434,218</u>
Net Position, Beginning of year as previously reported	3,322,939	9,627,186	685,114	192,968
Cumulative effect of implementation of GASB 68	<u>(1,275,539)</u>	—	<u>685,114</u>	—
Net Position, Beginning of Year as restated	<u>2,047,400</u>	<u>9,627,186</u>	<u>2,637,825</u>	<u>192,968</u>
Net Position, End of Year	<u>\$5,542,649</u>	<u>\$8,217,014</u>	<u>\$3,322,939</u>	<u>\$9,627,186</u>



University Center of Southern Oklahoma
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015		2014	
	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation, Inc.	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation, Inc.
Cash Flows From Operating Activities				
Tuition and fees	\$ 979,172	\$ —	\$ 855,141	\$ —
Compensation and benefits	(950,497)	—	(1,008,376)	—
Cash paid to suppliers	(549,305)	(7,764)	(588,915)	(6,310)
Cash paid to University Center	—	(1,533,088)	—	(803,025)
Cash paid for scholarships	—	(53,938)	—	(31,304)
Net Cash Used in Operating Activities	<u>(520,630)</u>	<u>(1,594,790)</u>	<u>(742,150)</u>	<u>(840,639)</u>
Cash Flows From Noncapital Financing Activities				
State Appropriation	647,396	—	647,394	—
Gifts and contributions	56,098	4,073,740	50,272	3,494,111
Other Income	—	—	—	—
Net Cash Provided by Noncapital Financial Activities	<u>703,494</u>	<u>4,073,740</u>	<u>697,666</u>	<u>3,494,111</u>
Cash Flows From Capital and Related Financing Activities				
Purchases of capital assets	(3,286,063)	—	(1,352,926)	—
Capital contributions	3,498,964	—	800,000	—
Proceeds of capital debt and leases	685,839	—	—	—
Interest Expense	(122,104)	—	—	—
Net Cash Used in Capital and Related Financing Activities	<u>776,636</u>	<u>—</u>	<u>(552,926)</u>	<u>—</u>
Cash Flows From Investing Activities				
Purchases of investments	—	(950,000)	—	—
Interest Income	6,742	5,852	7,294	4,269
Net Cash Provided by Investing Activities	<u>6,742</u>	<u>(944,148)</u>	<u>7,294</u>	<u>4,269</u>
Net Change in Cash and Cash Equivalents	966,242	1,534,802	(590,116)	2,657,741
Cash and Cash Equivalents, Beginning of Year	<u>806,530</u>	<u>2,684,256</u>	<u>1,396,646</u>	<u>26,515</u>
Cash and Cash Equivalents, End of Year	<u>\$1,772,772</u>	<u>\$4,219,058</u>	<u>\$ 806,530</u>	<u>\$2,684,256</u>



University Center of Southern Oklahoma
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

(Continued)

	2015		2014	
	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation, Inc.	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation, Inc.
Reconciliation of Operating Loss to Cash Used in Operating Activities				
Operating Loss	\$ (688,709)	\$ (1,597,790)	\$(880,116)	\$ (840,639)
Adjustments to reconcile operating loss to net cash used in operating activities				
Depreciation	115,060	—	93,226	—
On-behalf OTRS	57,821	—	56,316	—
Changes in assets and liabilities				
Accounts receivable	43,885	—	(45,292)	—
Deferred outflows related to pension	8,628	—	—	—
Accounts payable and accrued expenses	(8,058)	—	(22,419)	—
Prepaid pension asset	12,518	—	33,399	—
Other postemployment benefit obligation	12,798	—	21,767	—
Net pension obligation	(347,449)	—	—	—
Deferred inflows related to pensions	271,838	—	—	—
Accrued compensated absences	1,038	—	969	—
Net Cash Used in Operating Activities	<u>\$ (520,630)</u>	<u>\$ (1,597,790)</u>	<u>\$ (742,150)</u>	<u>\$ (840,639)</u>
Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions				
Interest on capital debt paid by state agency on behalf of the Center	<u>\$ 11,931</u>	<u>\$ —</u>	<u>\$ 11,655</u>	<u>\$ —</u>
Principal on capital debt paid by state agency on behalf of the Center	<u>41,273</u>	<u>—</u>	<u>11,821</u>	<u>—</u>
Capital assets received as gifts and contributions	<u>\$ 31,088</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The University Center of Southern Oklahoma (the "Center") is located in Ardmore, Oklahoma, and was established in accordance with Title 70, Section 3213 et seq. of the Oklahoma Statutes as the Ardmore Higher Education Program. Pursuant to this statute, the Oklahoma State Regents for Higher Education (the "State Regents") has made educational program resources in The Oklahoma State System of Higher Education (the "State System") available to people in the Ardmore area by drawing upon the educational programs of institutions best suited to provide the kinds of educational programs needed.

The primary purpose of the Center is to provide higher education opportunities to the citizens in the Ardmore community. Students who enroll in higher education courses and programs in the Center can earn residence credit applicable toward academic degrees and certificates at participating institutions in the State System. Cooperating institutions which have been authorized by the State Regents to provide courses and programs in the Center are: East Central University, Murray State College, Southeastern Oklahoma State University and Oklahoma State University – Oklahoma City.

The Center is administered by a Board of Trustees whose responsibilities include administering funds allocated by the State Regents, negotiating agreements with institutions to offer courses and programs and providing the necessary educational facilities.

Financial Statement Presentation

As a component unit of the State, the Center has prepared its financial statements in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management 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*. The financial statement presentation required by GASB Statements No. 34 and 35 provides a comprehensive, entity-wide perspective of the Center's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows.

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*, 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 or incomplete.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Reporting Entity (Continued)

The accompanying financial statements include the accounts and funds of the Center. The Center is a state agency and a non-institution member of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education (the "State Regents"). The Center is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State as part of the higher education component unit.

Southern Oklahoma Higher Education Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the Center. The Foundation is organized for the purpose of receiving and administering gifts intended for the Center. Although the Center does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the Center by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Center, the Foundation is considered a component unit of the Center and is discretely presented in the Center's financial statements.

The Foundation is a private nonprofit organization but does not issue separate audited financial statements. As such, the Foundation has elected to apply GASB pronouncements regarding revenue recognition and presentation features rather than the corresponding pronouncements of the Financial Accounting Standards Board ("FASB").

Basis of Accounting

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

The Center has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Center has elected to not apply FASB pronouncements issued after the applicable date.

Subsequent Events

Subsequent events have been evaluated through October 16, 2015, which is the date the financial statements were available to be issued. No events occurred up to October 16, 2015, that required a change to the financial statements.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The cash equivalents are fully collateralized by obligations of the United States government or its agencies at 102% or insured by federal deposit insurance. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

Investments

The Center accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of return on investments in the statements of revenues, expenses, and changes in net position.

Accounts Receivable

The Center's accounts receivable primarily consists of amounts due from other state agencies. These amounts consist of a per credit hour charge to the participating Colleges and Universities for classes taken at the Center. The Center determines its allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are past due, the Center's previous loss history, and the condition of the general economy and the industry as a whole.

Capital Assets

Capital assets, with an individual cost of \$500 or more, are capitalized at cost at the date of acquisition when purchased by the Center or at estimated value when acquired other than by purchase. Depreciation is computed on the straight-line method over the estimated useful lives of the capital assets, generally 5 to 10 years for library materials and equipment and 3 years for software. Leasehold improvements are amortized over the life of the lease. Beginning July 1, 2008, the Center was on a year-to-year lease.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of capital lease obligations with contractual maturities greater than one year; estimated amounts for accrued compensated absences that will not be paid or used within the next fiscal year; and other post-employment benefit obligations.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Compensated Absences

Employees' compensated absences are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded as accrued compensated absences in the statements of net positions, and as an expense in the statements of revenues, expenses, and changes in net position. Full time staff and faculty earn vacation at the rate of 10 hours per month for the first four years of employment, 12 hours per month during the fifth year to the ninth year, and 13.33 hours per month during the tenth year to the nineteenth year, and 16.66 hours per month, thereafter. A maximum of 480 hours of vacation may be accrued.

Net Position

The Center's net position is classified as follows:

Net Investment in Capital Assets – This represents the Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets, if any. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investments in capital assets.

Restricted for capital projects – Restricted for capital projects net position include resources in which the Center is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted for scholarships – Restricted for scholarships net position include resources in which the Center is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted – Unrestricted net position represents resources derived from student tuition and fees and state appropriations. These resources are used for transactions relating to the educational and general operations of the Center, and may be used at the discretion of the governing board to meet current expenses for any purpose.

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



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Classifications of Revenues

The Center has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and state appropriations and investment income as defined by GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*.

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

Prior Period Adjustments

Beginning fund balances/net position were restated as of June 30, 2015 as follows:

	<u>Fiscal Year 2015</u>
Beginning net position, as previously reported	\$ 3,322,939
Implementation of GASB Statements 68 & 71	(1,275,539)
Beginning net positions, restated	\$ 2,047,400



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Tax Status

The Center, as a political subdivision of the State of Oklahoma, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code. The Internal Revenue Service has determined that the Foundation qualifies as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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. The significant estimates used in the preparation of these financial statements include the depreciation of capital assets, on-behalf Teachers' Retirement System contributions made by the State of Oklahoma, and an accrued pension obligation. Estimation of the accrued pension obligation involves the use of actuarial assumptions, including selection of a discount rate, projected salary increases, and projected annuity increases.

Note 2: Cash and Cash Equivalents

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Center's deposits may not be returned or the Center will not be able to recover collateral securities in the possession of an outside party. Generally, the Center deposits its funds with the Office of the State Treasurer (OST). Oklahoma Statutes require OST to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The Center's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

At June 30, 2015 and 2014, the carrying amounts of the Center's deposits with the State Treasurer were \$1,772,772 and \$806,530, respectively. The Foundation had deposits at a financial institution with carrying amounts of \$4,219,058 and \$2,684,256 as of June 30, 2015 and 2014, respectively.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 2: Cash and Cash Equivalents (Continued)

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. Treasury and/or agency and repurchase agreements relating to such securities; and (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 State Treasurer. Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* total \$358,467 in 2015 and \$385,063 in 2014.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents. At June 30, the distribution of deposits in *OK INVEST* is as follows:

OK INVEST Portfolio	2015		2014	
	Cost	Market Value	Cost	Market Value
U.S. Agency securities	\$ 143,917	\$ 143,762	\$ 176,668	\$ 176,325
Money market mutual funds	45,002	45,002	18,592	18,592
End of Day Commercial Paper Sweep	7,253	7,253	8,103	8,103
Certificates of deposit	9,788	9,788	9,996	9,996
Mortgage backed agency securities	140,628	142,425	158,187	161,451
Municipal bonds	4,970	5,389	5,908	6,542
Foreign bonds	2,760	2,760	3,025	3,025
U.S. Treasury Obligations	4,149	4,980	4,584	5,675
TOTAL	\$ 358,467	\$ 361,359	\$ 385,063	\$ 389,709

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds' and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 2: Cash and Cash Equivalents (Continued)

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

As of June 30, 2015 and 2014, the Center had no investments. The Foundation's investments consisted of short-term investment funds and index funds on deposit with Vanguard as follows:

Types of Investment	2015	2014
Short-term investment fund with Vanguard	\$ 61,481	\$ 62,116
Index investment funds with Vanguard	134,638	128,214
Total investments	<u>\$ 196,119</u>	<u>\$ 190,330</u>

Note 3: Pledges Receivable

The following is a summary of the pledges receivable as June 30, 2015 and 2014:

	2015	2014
Pledges receivable in:		
Less than one year	\$ 1,468,334	\$ 1,803,333
One year to five years	1,384,510	4,949,267
	<u>2,852,844</u>	<u>6,752,600</u>

The Foundation has raised substantial contribution pledges for the purpose of funding the construction of a new building for the Center. The funds are to be provided by various businesses and foundations in the Ardmore area. The pledges have been recognized as contribution revenue net of a discount to present value.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 4: Capital Assets

The following is a summary of the changes in capital assets for the years ended June 30, 2015:

	2015			Balance June 30, 2015
	Balance June 30, 2014	Additions	Retirements	
Capital assets not being depreciated				
Land	\$ 1,036,385	\$ -	\$ -	\$ 1,036,385
Construction in progress	1,868,357	3,448,709	-	5,317,066
Total capital assets, not being depreciated	<u>\$ 2,904,742</u>	<u>\$ 3,448,709</u>	<u>\$ -</u>	<u>\$ 6,353,451</u>
Other capital assets				
Leasehold improvements	\$ 1,818,172	\$ 31,088	\$ -	\$ 1,849,260
Equipment	1,214,463	27,202	-	1,241,665
Library materials	758,083	10,765	-	768,848
Total capital assets	<u>3,790,718</u>	<u>69,055</u>	<u>-</u>	<u>3,859,773</u>
Less accumulated depreciation				
Leasehold improvements	(1,818,172)	(31,088)		(1,849,260)
Equipment	(1,037,473)	(74,051)	-	(1,111,524)
Library materials	(715,484)	(9,921)		(725,405)
Total accumulated depreciation	<u>(3,571,129)</u>	<u>(115,060)</u>	<u>-</u>	<u>(3,686,189)</u>
Other capital assets, net	<u>\$ 219,589</u>	<u>\$ (46,005)</u>	<u>\$ -</u>	<u>\$ 173,584</u>
Total cost of capital assets	\$ 6,695,460	\$ 3,517,764	\$ -	\$ 10,213,224
Less accumulated depreciation	<u>(3,571,129)</u>	<u>(115,060)</u>	<u>-</u>	<u>(3,686,189)</u>
Capital assets, net	<u>\$ 3,124,331</u>	<u>\$ 3,402,704</u>	<u>\$ -</u>	<u>\$ 6,527,035</u>



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 4: Capital Assets (Continued)

The following is a summary of the changes in capital assets for the years ended June 30, 2014:

	2014			
	Balance June 30, 2013	Additions	Retirements	
Capital assets not being depreciated				
Land	\$ -	\$ 1,036,385	\$ -	\$ 1,036,385
Construction in progress	1,629,580	238,777	-	1,868,357
Total capital assets, not being depreciated	<u>\$ 1,629,580</u>	<u>\$ 1,275,162</u>	<u>\$ -</u>	<u>\$ 2,904,742</u>
Other capital assets				
Leasehold improvements	\$ 1,818,172	\$ -	\$ -	\$ 1,818,172
Equipment	1,181,444	33,019	-	1,214,463
Library materials	744,158	13,925	-	758,083
Total capital assets	<u>3,743,774</u>	<u>46,944</u>	<u>-</u>	<u>3,790,718</u>
Less accumulated depreciation				
Leasehold improvements	(1,818,172)	-		(1,818,172)
Equipment	(955,207)	(82,266)	-	(1,037,473)
Library materials	(704,524)	(10,960)		(715,484)
Total accumulated depreciation	<u>(3,477,903)</u>	<u>(93,226)</u>	<u>-</u>	<u>(3,571,129)</u>
Other capital assets, net	<u>\$ 265,871</u>	<u>\$ (46,282)</u>	<u>\$ -</u>	<u>\$ 219,589</u>
Total cost of capital assets	\$ 5,373,354	\$ 1,322,106	\$ -	\$ 6,695,460
Less accumulated depreciation	<u>(3,477,903)</u>	<u>(93,226)</u>	<u>-</u>	<u>(3,571,129)</u>
Capital assets, net	<u>\$ 1,895,451</u>	<u>\$ 1,228,880</u>	<u>\$ -</u>	<u>\$ 3,124,331</u>

2013

The cost and related accumulated depreciation of assets held under lease obligations was as follows as of June 30;

	2015	2014
Construction in progress	1,196,484	600,000
Leasehold improvements	200,000	200,000
Less accumulated depreciation	<u>(200,000)</u>	<u>(200,000)</u>
	<u>1,196,484</u>	<u>600,000</u>



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 5: Noncurrent Liabilities

The following is a summary of noncurrent liability transactions of the Center for the years ended June 30, 2015 and 2014;

	2015				
	Balance 41,820	Additions	Deductions	Balance June 30, 2015	Current Portion 42,185
OCIA capital lease obligation	596,612	64,501	(112,116)	548,997	53,755
ODFA master lease payable	-	6,070,000	-	6,070,000	-
Accrued compensated absences	30,969	32,007	(30,969)	32,007	32,007
Other post employment benefits	54,003	24,688	(11,890)	66,801	-
	<u>681,584</u>	<u>6,191,196</u>	<u>(154,975)</u>	<u>6,717,805</u>	<u>85,762</u>

	2014				
	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Current Portion June 30, 2014
OCIA capital lease obligation	\$ 625,205	\$ 302,239	\$ (330,832)	596,612	\$ 53,665
Accrued compensated absences	30,000	30,969	(30,000)	30,969	30,969
Other post employment benefits	32,236	30,105	(8,338)	54,003	-
	<u>\$ 687,441</u>	<u>\$ 363,313</u>	<u>\$ (369,170)</u>	<u>\$ 681,584</u>	<u>\$ 84,634</u>

Note 6: Oklahoma Capital Improvement Authority Leases

In September 1999, the Oklahoma Capital Improvement Authority ("OCIA") issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the State Regents for Higher Education allocated \$200,000 to the Center. Concurrently with the allocation, the Center entered into a lease agreement with OCIA, for the project being funded by OCIA bonds. The lease agreement provides for the Center to make periodic principal and interest payments to OCIA over the respective terms of the agreement, which is 20 years. The proceeds of the bonds and subsequent lease are to provide capital improvements for the Center. The Center expects to receive state appropriations in amounts equal to the required lease payments.

In November 2005, the OCIA issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents for Higher Education allocated \$600,000 to the Center. Concurrently, with the allocation, the Center entered into a lease agreement with OCIA, for the project being funded by OCIA bonds. The lease agreement provides for the Center to make periodic principal and interest payments to OCIA over the respective terms of the agreement, which is 25 years. The proceeds of the bonds and subsequent lease are to provide capital improvements for the Center. The Center expects to receive state appropriations in amounts equal to the required lease payments.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 6: Oklahoma Capital Improvement Authority Leases (Continued)

All of the OCIA 1999 Series A, B, and C has been drawn down for expenditures incurred in connection with the specific projects. These expenditures are recorded as capital assets or as non-capitalized expenditures, in accordance with the Center's policy. The Center has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayment made during the fiscal year. The Center has also recorded an asset for its pro-rata share of the bond issuance costs, and is amortizing that asset over the term of the lease agreement. At June 30, 2013 and 2012, the unamortized bond issuance costs totaled \$0 and \$88, respectively. The Center has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayment made.

In 2011, the OCIA issued Bond Series 2010A and 2010B to partially refund the Series 2005F Revenue Bonds. The advance partial refunding was to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service. As a result, the total liability of the remaining 2005F bonds combined with the new 2010A and 2010B bond issues will be more than the original outstanding liability for the 2005F bonds. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring that has been recorded as a charge of \$49,173 on restructuring as a deferred cost that will be amortized over a period of 6 years, beginning in fiscal year 2011. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$2,429, which also approximates the economic cost of the lease restructuring.

In 2014, the OCIA issued bond series 2014A that refunded a significant portion of the 2005F bonds. Consequently, the amortization of the 2005F bond issue will end in 2016. The lease agreement will no longer secure the 2005F bond issue but will now act as security for the 2014A bond issue over the term of the lease through the year 2031. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$502,345, which also approximates the economic gain of the lease restructuring.

In 2015, the OCIA issued bond series 2014B that refunded the 2004A bonds. The lease agreement will no longer secure the 2004A bond issue but will now act as security for the 2014B bond issue over the term of the lease through the year 2020. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$10,402, which also approximates the economic gain of the lease restructuring.

During the years ended June 30, 2015 and 2014, OCIA made lease principal and interest payments totaling \$53,204 and \$40,248, respectively, on behalf of the Center. These on-behalf payments have been recorded as restricted state appropriations in the Center's statements of revenues, expenses, and changes in net position.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 6: Oklahoma Capital Improvement Authority Leases (Continued)

Future minimum lease payments under the Center's obligation to OCIA are as follows as of June 30, 2015:

Year Ending June 30,	Principal	Interest	Total
2016	53,755	21,496	75,251
2017	64,160	21,857	86,017
2018	66,678	19,818	86,496
2019	69,010	16,903	85,913
2020	14,391	13,716	28,107
2021-2025	81,954	63,054	145,008
2026-2030	161,870	33,195	195,065
2031	37,179	1,837	39,016
Total future minimum lease payments	<u>\$ 548,997</u>	<u>\$ 191,876</u>	<u>\$ 740,873</u>

Note 7: Oklahoma Development Finance Authority Leases

In 2015, the Center entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2014 BAN in the amount of \$4,335,000. Total lease payments over the term of the agreement, beginning March 15, 2015 through November 15, 2018, will be \$4,499,008. Payments will be made monthly ranging from approximately \$3,600 to \$365,000. Proceeds from the obligation are being used to construct the new Classroom building.

In 2015, the Center entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2014H in the amount of \$1,735,000. Total lease payments over the term of the agreement, beginning March 15, 2015 through November 15, 2029, will be \$2,121,579. Payments will be made monthly ranging from approximately \$3,200 to \$14,400. Proceeds from the obligation are being used to construct the new Classroom building. A bond issuance discount of \$4,009 is being amortized over the term of the agreement.

Future minimum lease payments under the Center's obligation to ODFA are as follows as of June 30, 2015:

Year Ending June 30,	Principal	Interest	Total
2016	-	82,044	82,044
2017	29,167	82,044	111,211
2018	2,578,750	81,460	2,660,210
2019	1,905,833	55,173	1,961,006
2020	135,000	35,119	170,119
2021-2025	718,751	133,985	852,736
2026-2030	702,499	50,679	753,178
Total future minimum lease payments	<u>\$ 6,070,000</u>	<u>\$ 520,504</u>	<u>\$ 6,590,504</u>



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 8: Employee Retirement Benefits

The Center's academic and professional personnel who work at least half-time are required to participate in the Oklahoma Teachers Retirement System ("OTRS"); classified personnel participation is voluntary. OTRS was established by the state of Oklahoma and is a component unit of the state's financial reporting entity, reported as pension fund trust. The Center does not maintain the accounting records, hold the investments for, or administer OTRS.

Defined Contribution Plan

The contract with the Teachers Insurance Annuity Association – College Retirement Equities Fund (TIAA/CREF), which provided for a funded plan for employee retirement was frozen at June 30, 2007. The TIAA/CREF plan is a defined contribution plan qualified under Internal Revenue Code Section 401(a). Effective July 1 2007, the Center entered into an employee retirement plan with American Fidelity Assurance, which is a defined contribution plan qualified under Internal Revenue Code Section 403(b). Eligible employees covered by the plan include all personnel hired prior to July 1, 2006 whose employment is continuous and on a full-time equivalency basis. Participation in the American Fidelity plan provides an annuity in the name of the employee based upon contributions made by the Center. The Center's minimum contribution rate is currently 10% of base salary less \$9,000 and contributions vest as they are made. Employees make no contributions to this plan.

The Center's total payroll for the years ended June 30, 2015 and 2014 was approximately \$689,000 and \$755,000 respectively. Total covered payroll, which refers to all compensation paid by the Center to active employees covered by American Fidelity, amounted to \$268,000 in 2015 and \$281,000 in 2014. The Center contributed approximately \$21,000 in 2015 and \$22,000 in 2014, which represents 7.50% and 7.50% of covered payroll respectively, for each year. As of June 30, 2015, there were no related party investments between American Fidelity and the Center.

Defined Benefit Plan

Plan Description – The Center contributes to a single-employer public employee retirement system through the Supplemental Retirement Plan (the Plan), sponsored by the State Regents. The Plan was adopted on July 1, 1985, and was substantially replaced by the funded TIAA/CREF plan adopted in July 1991. The Plan provides employees who retire from the Oklahoma Teacher's Retirement System (OTRS) a guarantee-based monthly retirement allowance. This guaranteed allowance is determined by the average of the highest three years of salary times 2% for each of the first 25 years of service in Oklahoma's system of public education, plus an additional 0.5% for each year of service prior to July 1, 1985, and 1% for each of year of service after July 1, 1985, up to a maximum of 60% of final salary entitlement. The Plan pays the difference, if any, between the guaranteed retirement allowance and the combined benefits under OTRS, TIAA/CREF and social security. Benefits vest upon retirement. The Plan does not issue a stand-alone financial report.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 8: Employee Retirement Benefits (Continued)

Funding Policy – Benefits are funded on a “pay as you go” basis. During the fiscal years ending June 30, 2015 and 2014, the Center made payments of \$22,000 and \$21,750, respectively, which were recorded against the accrued pension liability.

Annual Pension Cost and Net Pension Asset – The Center’s annual pension cost and net pension Asset of the Plan are as follows as of June 30,

	2015	2014
Annual required contribution	\$ 32,301	\$ 46,953
Interest on net pension obligation	(956)	(3,946)
Adjustment to annual required contribution	3,173	12,142
Annual pension cost	34,518	55,149
Contributions made	22,000	21,750
Increase in net pension asset	(12,518)	(33,399)
Net pension asset, beginning of year	27,310	60,709
Net pension asset, end of year	\$ 14,792	\$ 27,310

Significant actuarial assumptions used in the valuations include (a) a discount rate of 3.50% per year compounded annually, and (b) life expectancy of participants based on published mortality tables. The Plan is an unfunded plan. Accordingly, no assets have been transferred to a pension trust fund.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Accrued Pension Obligation
June 30, 2013	18,516	116%	173,739
June 30, 2014	55,149	39%	234,766
June 30, 2015	34,518	64%	278,036



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 8: Employee Retirement Benefits (Continued)

Funded Status and Funding Progress

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

	2015	2014
Actuarial accrued liability (AAL)	\$ 278,036	\$ 234,766
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 278,036	\$ 234,766
Funded ratio (actuarial value of plan assets/AAL)	0.0%	0.0%
Covered payroll (active plan members)	\$ -	\$ -
UAAL as a percentage of covered payroll	0.0%	0.0%

Oklahoma Teachers' Retirement System

Plan Description – The Center 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.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 8: Employee Retirement Benefits (Continued)

- 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).

At the election of each eligible member initiating receipt of retirement benefits, the System remits between \$100 and \$105 per month per eligible retiree to the Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2014.

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 9.50% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the Center were \$123,510; which includes the employer pick-up of employee contributions. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$57,821 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 8: Employee Retirement Benefits (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Center reported a liability of \$1,051,600 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 Center's proportion of the net pension liability was based on the Center'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 Center's proportion was .0195%.

For the year ended June 30, 2015, the College recognized pension expense of \$105,720. At June 30, 2015, the College 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	\$ -	\$ 17,333
Net difference between projected and actual earnings on pension plan investments	-	254,505
College contributions subsequent to the measurement date	114,882	
Total	<u>\$ 114,882</u>	<u>\$ 271,838</u>

The \$114,882 reported as deferred outflows of resources related to pensions resulting from Center 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	\$	(66,884)
2017	\$	(66,884)
2018	\$	(66,884)
2019	\$	(66,884)
2020	\$	(3,259)
Thereafter	\$	(1,043)



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 8: Employee Retirement Benefits (Continued)

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%
International 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)



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 8: Employee Retirement Benefits (Continued)

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 Change 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:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	\$ 1,477,360	\$ 105,160	\$ 692,244

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.

Other Post-employment Insurance Benefits-Health and Dental Insurance Program:

The Center covers the cost of health and dental insurance for two retired employees. The Center has no policy for providing health and dental insurance for any current employees upon retirement. In 2004, GASB Issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information ("RSI") in the financial reports of state and local governmental employers. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2006, with earlier application encouraged. The Center implemented the requirements of GASB Statement No. 45 during fiscal year 2008.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 8: Employee Retirement Benefits (Continued)

Funding Policy: The Plan is unfunded and benefits are on a "pay-as-you-go" basis.

Annual OPEB cost and net OPEB obligation: Annual OPEB cost and net OPEB obligations of the OPEB plan are as follows at June 30,

	2015	2014
Annual required contribution	\$ 27,328	\$ 31,231
Interest on net OPEB obligation	1,890	2,095
Adjustment to annual required contribution	(4,530)	(3,221)
Annual OPEB cost (expense)	24,688	30,105
Contributions made	11,890	8,338
Increase in net OPEB obligation	(12,798)	(21,767)
Net OPEB obligation, beginning of year	(54,003)	(32,236)
Net OPEB obligation, end of year	\$ (66,801)	\$ (54,003)

This obligation is currently unfunded. The annual required contribution for 2015 was determined as part of an actuarial valuation on June 30, 2015, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) discount rate of 3.50% per year compounded annually, (b) retirement at the earlier of (1) attainment of age 62 and completion of 10 years of OTRS service, or (2) when age plus OTRS service total at least 80 (90 for members joining OTRS after June 30, 1992), and (c) medical, dental, and vision rates increasing 3-8% annually.

Calculations for the Plan are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the Center and plan members to that point. Actuarial methods reflect a long-term perspective, and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. As such, actuarial amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Trend Information

Year Ended June 30	Annual Pension Cost	% of APC Contributed	Net Pension Obligation
2013	7,128	88.41%	32,236
2014	30,105	27.70%	54,003
2015	24,688	48.16%	66,801



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 8: Employee Retirement Benefits (Continued)

Funded Status and Funding Progress

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

	2015	2014
Actuarial accrued liability (AAL)	\$ 238,443	\$ 237,712
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 238,443	\$ 237,712
Funded ratio (actuarial value of plan assets/AAL)	0.0%	0.0%
Covered payroll (active plan members)	\$ -	\$ -
UAAL as a percentage of covered payroll	0.0%	0.0%

Note 9: Related Party Transactions

Community Activities, Inc. of Ardmore, Oklahoma serves as a fund-raising foundation on behalf of the Center and other community services operating in the Ardmore area. The Center received from Community Activities, Inc. Leasehold improvements of \$31,088 and \$0 and supplies and other items of \$2,000 and \$8,025 in 2015 and 2014, respectively.

The Center and Foundation have an agreement for providing the Foundation with services including office space and part-time service of Center staff. In exchange, the Foundation provides the Center with program support that includes, but is not limited to, administration of scholarships and other academic and program enhancements. During the years ended June 30, 2015 and 2014, the Foundation awarded scholarships totaling approximately \$54,000 and \$31,000, respectively, to students.

Note 10: Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, and property loss and general liability insurance coverage. The Center purchases commercial employee life insurance. The Center, as a state agency, participates in the Oklahoma State and Education Employees' Group Insurance Board (the Plan), a public entity risk pool. The Center pays an annual premium to the Plan for its employee health insurance coverage. The Plan is self-insured and self-sustaining through member premiums. The Center carried insurance with the State Insurance Fund for other risks of loss, including workers' compensation and employee accident insurance. Settlement claims resulting from these risks have not exceeded insurance coverage in the past three years.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 11: Lease Commitments

The Center, as lessor, leases an educational facility from the Board of Education, Independent School District No. 19, Carter County, Oklahoma. The lease is on a year-to-year basis. Rental expense of approximately \$111,000 and \$120,000, respectively, per year, was paid to the School District during the years ended June 30, 2015 and 2014.

Note 12: Accounting Standards Issued Not Yet Adopted

Fiscal Year Ended June 30, 2015

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

GASB No. 73, issued June 2015, will be effective for the Center beginning with its fiscal year ending June 30, 2016, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the Center beginning with its fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

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

GASB No. 74, issued in June 2015, will be effective for the Center beginning with its fiscal year ending June 30, 2017. The Statement replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position but requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The Statement also sets forth note disclosure requirements for defined contribution OPEB plans.



University Center of Southern Oklahoma
Notes to Financial Statements
Year Ended June 30, 2015 and 2014

Note 12: Accounting Standards Issued Not Yet Adopted (Continued)

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

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



Required Supplementary Information



University Center of Southern Oklahoma
Schedules of Required Supplementary Information
Year Ended June 30, 2015

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years* (Dollar amounts in thousands)

	2015
Center's proportion of the net pension liability	0.0195%
Center's proportionate share of the net pension liability	\$ 1,051,600
Center's covered-employee payroll	\$ 754,983
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139%
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.



University Center of Southern Oklahoma
Schedules of Required Supplementary Information
Year Ended June 30, 2015

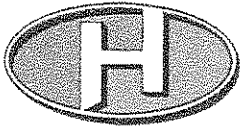
SCHEDULE OF THE CENTER'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years (Dollar amounts in thousands)

	<u>2015</u>
Contractually required contribution	\$ 114,882
Contributions in relation to the contractually required contribution	<u>114,882</u>
Contribution deficiency (excess)	<u>\$ -</u>
College's covered-employee payroll	\$ 688,693
Contributions as a percentage of covered-employee payroll	17%

Notes to Schedule:

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





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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of the Financial
Statements Performed in Accordance with
Government Auditing Standards**

Board of Trustees
University Center of Southern Oklahoma
Ardmore, 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 University Center of Southern Oklahoma and the separately presented component units as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise University Center of Southern Oklahoma's basic financial statements, and have issued our report thereon dated October 26, 2015. Our report includes a reference to other auditors who audited the financial statements of University Center of Southern Oklahoma Educational Foundation, Inc., the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 University Center of Southern Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hibel & Company

Tulsa, Oklahoma
October 26, 2015

