

Audited Financial Statements

**SOUTHWESTERN
OKLAHOMA STATE
UNIVERSITY**

June 30, 2009

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

Audited Financial Statements

Independent Auditors' Report	1
Management's Discussion and Analysis	3
University's Statement of Net Assets	13
Component Unit's Combined Statement of Financial Position.....	14
University's Statements of Revenues, Expenses and Changes in Net Assets	15
Component Unit's Combined Statements of Activities, Expenses and Changes in Net Assets.....	16
Statements of Cash Flows	17
Notes to Financial Statements	19

Required Supplemental Information

Schedule of Funding Progress for Supplemental Retirement Annuity Plan and Other Post Employment Insurance Benefits	68
---	----

Other Supplementary Information

Component Unit's Combining Schedule of Financial Position	69
Component Unit's Combining Schedule of Activities and Changes in Net Assets	71

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	73
---	----

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards.....	75
--	----

Schedule of Expenditures of Federal Awards.....	78
Notes to Schedule of Expenditures of Federal Awards.....	80
Schedule of Findings and Questioned Costs.....	81
Summary Schedule of Prior Audit Findings.....	83

Independent Auditors' Report

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

We have audited the accompanying statement of net assets of Southwestern Oklahoma State University (the "University"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the University as of and for the year ended June 30, 2008, were audited by other auditors whose report, dated October 22, 2008, expressed an unqualified opinion on those financial statements. We did not audit the financial statements of the University's discretely presented component units Southwestern Oklahoma State University Foundation, Inc. (the "University Foundation") and Southwestern Pharmacy Alumni Foundation, Inc. (the "Pharmacy Foundation") collectively referred to as "the Foundations". Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and in our opinion, insofar as they relate to the amounts included for the Foundations, are based 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 of material misstatement. The financial statements of the Foundations were audited by other auditors and were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southwestern Oklahoma State University as of June 30, 2009, and its discretely presented component units, Southwestern Oklahoma State University Foundation, Inc. and Southwestern Pharmacy Alumni Foundation, Inc. as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows for the years then ended, in conformity with accounting principle generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2009 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important in assessing the results of our audit.

Management's Discussion and Analysis and the Schedules of Funding Progress for the Supplemental Retirement Annuity Plan and Other Post-Employment Insurance Benefits Plan are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The combining financial statements of the University's discretely presented component units contained in other supplemental information are not a required part of the basic financial statements. The combining financial statements of the University's discretely presented component units combine financial statements that were audited by other auditors whose reports thereon have been furnished to us and, based on the reports of the other auditors, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
November 13, 2009

Managements' Discussion and Analysis (Unaudited)
Southwestern Oklahoma State University
June 30, 2009

Introduction

The discussion and analysis of Southwestern Oklahoma State University's (the "University") financial statements provides an overview of the University's financial activities for the fiscal year ending June 30, 2009, with selected comparative information for the year ended June 30, 2008. Management's Discussions and Analysis is designed to focus on current activities, resulting changes, and current known facts, so it should be read in conjunction with the University's financial statements and footnotes.

These financial statements include those of the University and its discretely presented component units, Southwestern Pharmacy Alumni Foundation, Inc. and Southwestern Oklahoma State University Foundation, Inc. A component unit is a legally separate entity associated with the primary organization. However, this discussion only covers the University; a discussion covering the presented components may be found in their statements.

Using this Report

The financial statement format focuses on the University as a whole. The basic financial statements are designed to emulate corporate presentation models whereby all University activities are consolidated in one total. This report is provided to highlight and explain significant changes in the financial operations and condition of the University.

These statements include all assets and liabilities 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.

Financial Highlights

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets report the University's net assets and how they have changed. Assets are presented in two major classifications, current and non-current assets. Current assets represent resources that are available to meet current operational needs. Non-current assets represent resources that are not available to meet current obligations. Cash and investments designated for construction or other capital projects are included in this category. The major component of this category is the University's investment in property, buildings and equipment. The financial statements contain a summary of capital asset activity.

Managements' Discussion and Analysis (Unaudited)--Continued
Southwestern Oklahoma State University
June 30, 2009

Financial Highlights--Continued

Liabilities are also separated into current and non-current classifications. Current liabilities are those obligations that are due within the current year and will be paid from current resources. Non-current liabilities are primarily made up of long-term debt. The financial statements provided detail related to Long-Term Liabilities.

Net assets – the difference between assets and liabilities – is one way to measure the University's health, or position. Over time, increases or decreases in net assets are an indicator of whether or not the University's financial health is improving. Non-financial factors are also important to consider, including student enrollment and condition of campus buildings.

Statement of Net Assets

Schedule A is prepared from the University's Statement of Net Assets and summarizes the assets, liabilities and net assets as of June 30, 2009. Comparative data for year ending June 30, 2008 is provided.

Schedule A
Condensed Statement of Net Assets
as of June 30, 2009 and 2008
(In Millions)

	2009	2008	Increase (Decrease)	Percentage Change
CURRENT ASSETS	\$ 20.4	\$ 19.3	\$ 1.1	5.7%
NONCURRENT ASSETS				
Capital assets, net of depreciation	46.6	44.2	2.4	5.4%
Other	9.0	11.5	(2.5)	-21.7%
TOTAL ASSETS	<u>76.0</u>	<u>75.0</u>	<u>1.0</u>	<u>1.3%</u>
CURRENT LIABILITIES	4.6	4.8	(0.2)	-4.2%
NONCURRENT LIABILITIES	20.4	21.3	(0.9)	-4.2%
TOTAL LIABILITIES	<u>25.0</u>	<u>26.1</u>	<u>(1.1)</u>	<u>-4.2%</u>
NET ASSETS				
Invested in capital assets,	33.1	30.9	2.2	7.1%
Restricted	0.8	1.4	(0.6)	-42.9%
Unrestricted	17.1	16.6	0.5	3.0%
TOTAL NET ASSETS	<u>\$ 51.0</u>	<u>\$ 48.9</u>	<u>\$ 2.1</u>	<u>4.3%</u>

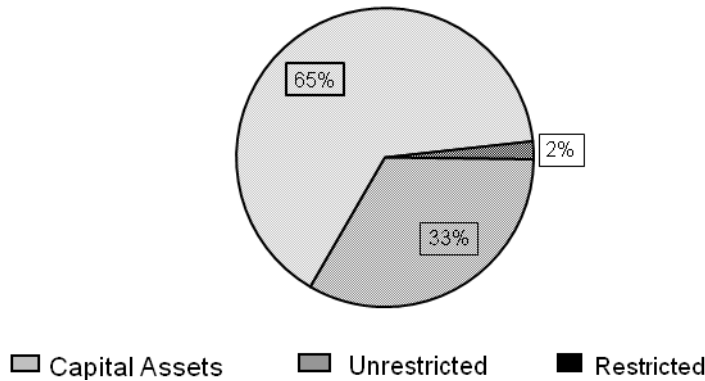
Managements' Discussion and Analysis (Unaudited)--Continued
Southwestern Oklahoma State University
June 30, 2009

Statement of Net Assets--Continued

Current assets increased by \$1,107,545. Net Capital Assets increased by \$2,416,590; projects completed during the year include the Hilltop Theater and energy management improvements. These projects are funded from master lease funds and the OCIA Revenue Bonds.

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

Analysis of Net Assets



Statement of Revenues, Expenses and Changes in Net Assets

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

Managements' Discussion and Analysis (Unaudited)--Continued
Southwestern Oklahoma State University
June 30, 2009

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

Schedule B is prepared from the University's Statement of Revenues, Expenses and Changes in Net Assets (page 15).

Schedule B
Condensed Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008
(In Millions)

	<u>2009</u>	<u>2008</u>
Operating revenues		
Student tuition and fees	\$ 15.9	\$ 14.7
Federal, state and local grants and contracts	6.5	7.6
Auxiliary	6.0	5.8
Other	<u>0.7</u>	<u>0.5</u>
Total operating revenues	29.1	28.6
Operating expenses		
Compensation and employee benefits	40.1	37.7
Contractual services	3.4	3.0
Supplies and materials	3.7	3.2
Depreciation	3.0	2.7
Utilities	1.9	1.9
Communication expense	0.4	0.4
Scholarships and fellowships	4.3	4.2
Other operating expense	<u>3.7</u>	<u>4.5</u>
Total operating expenses	<u>60.5</u>	<u>57.6</u>
Operating income (loss)	(31.4)	(29.0)
Non-operating revenues (expenses)		
State appropriations	26.7	26.6
Grant (Federal)	5.5	5.2
Investment income	0.3	0.7
Interest costs	<u>(0.9)</u>	<u>(0.4)</u>
Net non-operating revenues	31.6	32.1
Income (loss) before other revenues, expenses, gains and losses	0.2	3.1
Capital grants and gifts	0.0	0.0
State appropriations restricted for capital purposes	<u>1.9</u>	<u>2.1</u>
Net change in net assets	2.1	5.2
Net assets		
Net assets, beginning of year, as originally reported	48.9	43.7
Cumulative effect of change in accounting principle		
Deferred revenue recognition		
Net assets, beginning of year, as restated	<u>48.9</u>	<u>43.7</u>
Net assets, end of year	<u>\$ 51.0</u>	<u>\$ 48.9</u>

Managements' Discussion and Analysis (Unaudited)--Continued
Southwestern Oklahoma State University
June 30, 2009

Revenues

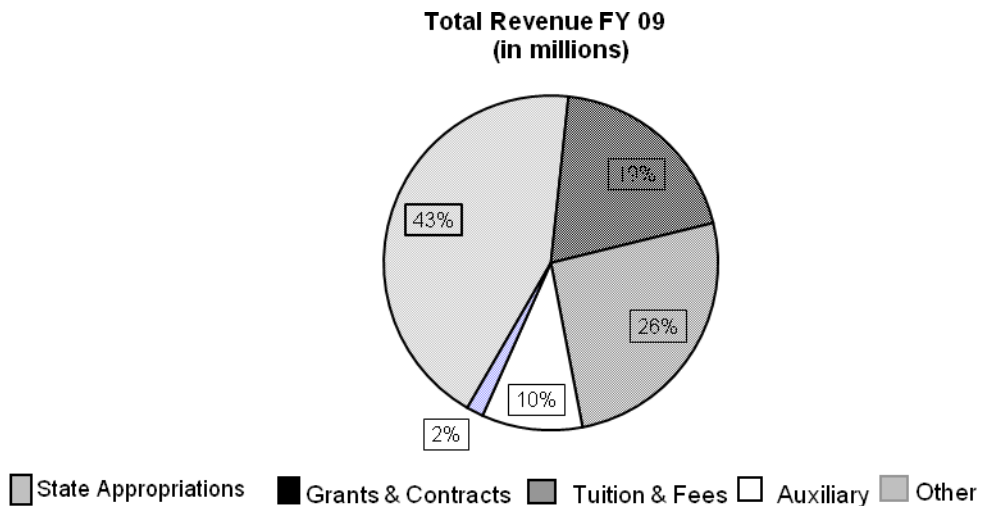
Student tuition and fees, net of scholarships and allowances, increased \$1,224,192. The student full-time equivalent (FTE) enrollment in Fall, 2008, was 4,233; headcount was 4,945 students. FTE is down 3% and headcount is down 3.1% over Fall, 2007. First-time freshman enrollment is down 2% from Fall 2007.

Grants and Contracts activity is \$6.5 million, a decrease of 15% from the previous year. Significant federal grants are for Student Financial Aid and include Pell, Student Work Study, and Supplemental Education Opportunity Grants. These grants were reclassified from operating to non-operating this year; the previous year amounts were also reclassified; FY2009 \$5,522,996, FY08 \$5,162,358. In 2008, Southwestern received \$350,000 from the Veterans Affairs Pharmacy agreement which has now expired and \$550,000 from the Cheyenne Arapaho Tribal Agreement. Southwestern also operates five residential group homes, providing services to state adjudicated delinquent male youths. Funding of approximately \$4 million for this program is provided through an agreement with the Office of Juvenile Affairs. This program not only provides an invaluable service for these young men but also provides internships and employment for academic students.

Auxiliary operations generated total revenues of \$6.0 million in FY2009 of which \$5.1 million is from housing and food services.

State appropriations for operations in FY 2009 were \$26.7 million compared to \$26.6 million in FY 2008. This includes \$2.1 million in Oklahoma Teachers Retirement System on-behalf contributions.

The following graph represents sources and amounts of revenue.



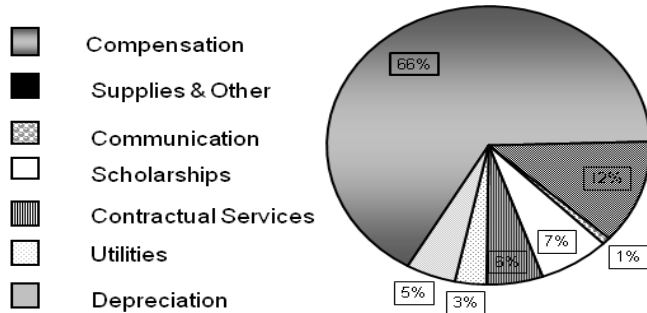
**Managements' Discussion and Analysis (Unaudited)--Continued
Southwestern Oklahoma State University
June 30, 2009**

Expenses

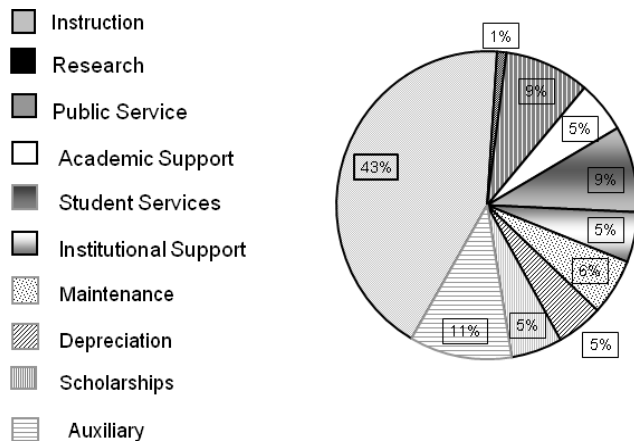
Operating expenses for the year is \$60.5 million, an increase of \$2.9 million or 5% over the previous year. The increase is due to compensation and benefits and increased cost for purchase of supplies and maintenance.

The following are graphic representations of expenses during FY 09:

**Expenses by Natural Classification
(in millions)**



**Expenses by Functional Classification
(in millions)**



Managements' Discussion and Analysis (Unaudited)--Continued
Southwestern Oklahoma State University
June 30, 2009

Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and distributions 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 C is a summary of the cash flows for the year ended June 30, 2009 compared to the year ended June 30, 2008 and is prepared from the Statement of Cash Flows.

Schedule C
Condensed Statements of Cash Flows
Years Ended June 30, 2009 and 2008
(In Millions)

	2009	2008
Cash provided by (used in):		
Operating activities	\$ (26.4)	\$ (24.5)
Noncapital financing activities	30.1	29.8
Investing activities	0.3	(0.4)
Capital and related financing activities	(3.2)	(1.3)
Net increase (decrease) in cash	0.8	3.6
CASH, BEGINNING OF YEAR	18.0	14.4
CASH, END OF YEAR	\$ 18.8	\$ 18.0

Managements' Discussion and Analysis (Unaudited)--Continued
Southwestern Oklahoma State University
June 30, 2009

Capital Assets

At June 30, 2009, the University had approximately \$46.6 million invested in capital assets, net of accumulated depreciation of \$45.4 million. Depreciation charges totaled approximately \$3.0 million for the current fiscal year. As previously discussed, fixed assets increased due to the construction of the Hilltop Theater and energy management improvements made possible by the 2005F OCIA Bond Issue. Details of balances of capital assets for the two years are shown below.

Schedule D
Capital Assets, Net, at Year-End
(In Millions)

	2009	2008
Land	\$ 1.0	\$ 1.0
Construction in Progress	3.0	8.2
Infrastructure	0.3	0.3
Land Improvements	0.1	0.1
Buildings	38.6	31.0
Furniture, fixtures and equipment	2.0	1.9
Library materials	1.6	1.6
Totals	\$ 46.6	\$ 44.1

Debt

At year-end, the University had approximately \$20.5 million in debt outstanding. The table below summarizes these amounts by type.

Schedule E
Outstanding Debt, at Year-End
(In Millions)

	2009	2008
OCIA Lease Obligations	\$ 10.9	\$ 11.5
ODFA Lease Obligations	3.1	3.3
Revenue Bonds Payable	6.5	6.8
	\$ 20.5	\$ 21.6

Managements' Discussion and Analysis (Unaudited)--Continued
Southwestern Oklahoma State University
June 30, 2009

Debt--Continued

The \$6.5 million Revenue Bond was issued in 2004, (original issue amount was \$8 million), for proceeds to build the Wellness Center and renovate the existing Student Center. This is a twenty year bond with student facility fees pledged for bond repayment and operating funds.

Southwestern is participating in the Master Lease program through the Oklahoma Capital Improvement Authority (OCIA) for \$2,000,000 for campus energy improvements; \$250,000 for purchase of five new activity buses; and \$1,000,000 for renovation at the Student Center. There is also a bond issue through Oklahoma Development Finance Authority (ODFA) in the amount of \$515,000 for renovations to the Chemistry, Physics and Pharmacy building.

During 2006, OCIA issued lease purchase obligations of about \$11,640,758 for capital improvements. This is a 25 year lease agreement and includes several capital improvement projects. During the year ended June 30, 2009, lease principal and interest payment were made on behalf of the University totaling \$906,382. These were recorded as restricted state appropriations.

The OCIA lease obligations provide that the University is to make specified monthly payments to OCIA over 10 years for a bond issue in 1999. During the years ended June 30, 2009 and 2008, lease principal and interest payments were made on behalf of the University totaling \$128,937 and \$129,435, respectively. These on-behalf amounts have been recorded as restricted state appropriations in the University's statements of revenues, expenses and changes in net assets.

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

Determining Whether Certain Organizations are Component Units

The Governmental Accounting Standards Board (GASB) published GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which became effective June 2003, requires Universities to include in their financial statements component unit financial information.

Southwestern Oklahoma State University Foundation, Inc. and the Southwestern Pharmacy Alumni Foundation, Inc. are component units of Southwestern Oklahoma State University and the most recent financial statements of the Foundations are included in this presentation.

Managements' Discussion and Analysis (Unaudited)--Continued
Southwestern Oklahoma State University
June 30, 2009

Economic Outlook

SWOSU experienced another year of strong financial performance despite lower enrollment in FY-09.

The current budgetary climate is challenging and we are relying on the experience of our management team and our team approach to problem solving to meet these challenges. We believe that many of the actions that we have taken in the recent past; such as our energy improvement project, our refinement of our enrollment management processes and our increased investment in budget management will help us weather the crisis. We realize that serving our current number of students and maintaining 15 nationally accredited programs is dependent on receiving an adequate level of state and federal appropriations in the future.

STATEMENTS OF NET ASSETS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

	University	
	June 30	
	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 18,577,943	\$ 17,793,928
Restricted cash and cash equivalents	291,955	238,654
Accounts receivable, net	1,390,392	1,128,417
Interest receivable	17,518	26,723
Inventories	144,825	127,366
TOTAL CURRENT ASSETS	20,422,633	19,315,088
NONCURRENT ASSETS		
Receivable from state agencies	4,686,117	6,883,800
Investments	182,729	236,837
Notes receivable, net of allowance for uncollectible loans	85,586	86,629
Prepaid pension asset	3,946,884	4,161,665
Other assets	131,742	146,715
Capital assets, net of accumulated depreciation	46,594,567	44,177,977
TOTAL NONCURRENT ASSETS	55,627,625	55,693,623
TOTAL ASSETS	\$ 76,050,258	\$ 75,008,711
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 1,438,719	\$ 1,771,275
Accrued payroll	443,231	434,603
Accrued interest payable	98,335	104,532
Deferred revenue	518,064	345,516
Deposits held in custody for others	286,141	289,015
Current portion of non current liabilities	1,808,544	1,826,999
TOTAL CURRENT LIABILITIES	4,593,034	4,771,940
NONCURRENT LIABILITIES		
Accrued compensated absences	547,893	527,440
Accrued other post employment benefits	55,050	-
Bonds payable	6,160,000	6,485,000
Bond premium (net of amortization)	304,339	318,831
Lease obligation payable to state agency	13,417,033	14,009,512
TOTAL NONCURRENT LIABILITIES	20,484,315	21,340,783
TOTAL LIABILITIES	25,077,349	26,112,723
NET ASSETS		
Invested in capital assets, net of related debt	25,757,719	20,919,350
Restricted		
Expendable		
Scholarships, instruction and other	795,173	1,446,129
Capital projects	7,314,352	9,929,085
Unrestricted	17,105,665	16,601,424
TOTAL NET ASSETS	\$ 50,972,909	\$ 48,895,988

See notes to financial statements.

DISCRETELY PRESENTED COMPONENT UNITS
COMBINED STATEMENTS OF FINANCIAL POSITION

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

December 31, 2008 and 2007
(FISCAL YEAR ENDS OF COMPONENT UNITS)

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 718,987	\$ 384,259
Certificates of deposit	576	576
Pledges receivable	29,380	44,770
Interest receivable	19,532	22,493
Investments	3,214,189	4,389,290
Loans receivable	1,250	1,825
Marketable securities, restricted and partially pledged	7,736,571	10,369,526
Equity in testamentary trust	580,000	580,000
Unconditional promises to give	564,873	602,873
Cash surrender value of life insurance policies	231,439	203,528
Investments-funds held for others	503,865	-
Rental property:		
Land	120,000	120,000
Building, net	628,475	646,714
Office equipment, net	2,459	2,878
TOTAL ASSETS	<u><u>14,351,596</u></u>	<u><u>17,368,732</u></u>
LIABILITIES		
Accounts payable	127,930	74,000
Funds held for others	503,865	-
TOTAL LIABILITIES	<u><u>631,795</u></u>	<u><u>74,000</u></u>
NET ASSETS		
Unrestricted	100,431	2,629,511
Temporarily restricted	3,410,583	2,781,123
Permanently restricted	10,208,787	11,884,098
TOTAL NET ASSETS	<u><u>13,719,801</u></u>	<u><u>17,294,732</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,351,596</u></u>	<u><u>\$ 17,368,732</u></u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

	University	
	Years Ended June 30	
	2009	2008
OPERATING REVENUES		
Student tuition and fees, net of scholarship discounts and allowances of \$6,642,947 and \$6,434,041.	\$ 15,880,589	\$ 14,656,397
Federal grants and contracts	1,923,239	2,214,552
State and local grants and contracts	4,583,228	5,447,116
Housing and food service	5,103,912	4,686,653
Other auxiliary operations	895,807	1,078,251
Interest earned on loans to students	12,206	13,890
Other operating revenues	725,010	513,271
TOTAL OPERATING REVENUES	29,123,991	28,610,130
OPERATING EXPENSES		
Compensation and employee benefits	40,088,157	37,699,867
Contractual services	3,396,735	2,974,868
Supplies and materials	3,683,550	3,215,106
Depreciation	2,977,544	2,651,379
Utilities	1,861,405	1,934,980
Communication expense	427,315	408,815
Scholarships and fellowships	4,341,028	4,157,977
Other operating expenses	3,743,504	4,514,703
TOTAL OPERATING EXPENSES	60,519,238	57,557,695
OPERATING INCOME (LOSS)	(31,395,247)	(28,947,565)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	24,641,151	24,594,505
On-behalf contributions for OTRS	2,083,295	2,070,324
Federal grants and contracts	5,522,996	5,162,358
Investment income	245,882	658,958
Interest expense	(935,530)	(428,736)
NET NONOPERATING REVENUES	31,557,794	32,057,409
Income (loss) before other revenues, expenses, gains and losses	162,547	3,109,844
Capital grants and gifts	1,751	2,915
State appropriations restricted for capital purposes	877,304	1,009,283
OCIA on-behalf appropriations	1,035,319	1,036,043
Net increase in net assets	2,076,921	5,158,085
NET ASSETS, BEGINNING OF YEAR	48,895,988	43,737,903
NET ASSETS, END OF YEAR	\$ 50,972,909	\$ 48,895,988

See notes to financial statements.

DISCRETELY PRESENTED COMPONENT UNITS
 COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

December 31, 2008 and 2007
 (FISCAL YEAR ENDS OF COMPONENT UNITS)

	<u>2008</u>	<u>2007</u>
SUPPORT, REVENUES, GAINS AND OTHER ADDITIONS		
Contributions	\$ 1,382,426	\$ 2,479,193
Program service revenue	272,004	211,214
Interest dividend income	482,948	501,337
Gain (loss) on sale of marketable securities	(330,516)	183,330
Unrealized gain on marketable securities, net	(4,317,403)	23,346
Building rental	70,000	70,600
Loss on disposal of property	-	(34,828)
Other revenue	117,048	109,976
Other investment income	23,936	94,833
Continuing education	<u>97,025</u>	<u>96,039</u>
TOTAL SUPPORT, REVENUES, GAINS AND OTHER ADDITIONS	(2,202,532)	3,735,040
EXPENSES		
Program services for university	1,079,439	964,580
Supporting services:		
Management and general	102,066	119,845
Fundraising	30,341	10,853
Continuing education expenses	64,348	57,583
Scholarships and Grants	81,075	82,950
School of Pharmacy	<u>15,130</u>	<u>17,032</u>
TOTAL EXPENSES	<u>1,372,399</u>	<u>1,252,843</u>
NET INCREASE IN ASSETS	(3,574,931)	2,482,197
NET ASSETS, BEGINNING OF YEAR	<u>17,294,732</u>	<u>14,812,535</u>
NET ASSETS, END OF YEAR	<u>\$ 13,719,801</u>	<u>\$ 17,294,732</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

	Years Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 16,009,339	\$ 14,605,147
Grants and contracts	6,421,912	7,632,555
Housing and food service receipts	6,591,107	6,347,133
Interest on loans to students	12,206	13,890
Payments to employees for salaries and benefits	(37,628,383)	(36,333,381)
Payments to suppliers	(17,831,840)	(16,816,983)
Loans issued to students and employees	1,042	3,686
NET CASH USED IN OPERATING ACTIVITIES	<u>(26,424,617)</u>	<u>(24,547,953)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	24,641,151	24,594,505
Federal grants	5,522,996	5,162,358
Federal Family Education Loan receipts	17,572,218	16,809,967
Federal Family Education Loan payments	<u>(17,572,218)</u>	<u>(16,809,967)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	30,164,147	29,756,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(1,000,000)
Proceeds from sales and maturities of investments	54,109	-
Interest income received	<u>255,087</u>	<u>658,700</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	309,196	(341,300)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	(5,366,970)	(5,124,020)
Capital appropriations received	877,304	1,009,283
Repayment of capital debt and leases	(534,000)	(514,417)
Proceeds from capital debt and leases	2,197,682	3,710,966
Interest paid on capital debt and leases	<u>(385,426)</u>	<u>(343,285)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,211,410)</u>	<u>(1,261,473)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	837,316	3,606,137
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>18,032,582</u>	<u>14,426,445</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 18,869,898</u>	<u>\$ 18,032,582</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

	Years Ended June 30,	
	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (31,395,247)	\$ (28,947,565)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	2,977,544	2,651,379
On-behalf contributions to teachers' retirement system	2,083,295	2,070,324
Changes in assets and liabilities		
Accounts receivable	(261,975)	(66,003)
Inventories	(17,459)	(9,726)
Prepaid pension asset	214,781	(797,587)
Accounts payable and accrued expenses	(297,165)	367,871
Deferred revenue	172,548	54,598
Compensated absences	98,019	125,068
Loans to students and employees	<u>1,042</u>	<u>3,688</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (26,424,617)</u>	<u>\$ (24,547,953)</u>
NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on capital debt paid by State Agency on behalf of the University	<u>\$ 555,819</u>	<u>\$ 574,293</u>
Principal on capital debt paid by State Agency on behalf of the University	<u>\$ 479,500</u>	<u>\$ 461,750</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS		
Current assets		
Cash and cash equivalents	18,577,943	17,793,928
Restricted cash and cash equivalents	<u>291,955</u>	<u>238,654</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 18,869,898</u>	<u>\$ 18,032,582</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: Southwestern Oklahoma State University (the "University") is a regional University operating under the jurisdiction of the Regional University System of Oklahoma and the Oklahoma State Regents for Higher Education.

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14*, includes the accounts and funds of the University and its discretely presented component units, Southwestern Oklahoma State University Foundation, Inc. (the "University Foundation") and Southwestern Pharmacy Alumni Foundation, Inc. (the "Pharmacy Foundation"). The University 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.

Discretely Presented Component Units: The University implemented GASB Statement No. 39 in 2004. Southwestern Oklahoma State University Foundation, Inc. (the "University Foundation") and the Southwestern Pharmacy Alumni Foundation, Inc. (the "Pharmacy Foundation") are component units of the University under GASB 39 that should be discretely presented with the financial statements of the University. The University Foundation and the Pharmacy Foundation have a fiscal year ending December 31. The University is the beneficiary of the University Foundation and the Pharmacy Foundation, separate legal entities with their own Boards 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. The Pharmacy Foundation was formed to provide support for the School of Pharmacy at the University. The Pharmacy Foundation gives scholarships and makes loans available to pharmacy students. The Pharmacy Foundation also provides research grants to faculty and students.

Financial Statement Presentation: The University's 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 University is required to present a statement of net assets classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net assets, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Changes in Accounting Principles: During the year ended June 30, 2008, the University adopted the provisions of Governmental Accounting Standards Board (GASB) 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 Other Postemployment Benefits (OPEB) expenses and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial statements of the University.

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

Investments: The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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 assets.

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 grant 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.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$2,500 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

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 5 to 10 years for library materials and equipment.

Deferred Revenue: Deferred 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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

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.

Net Assets: The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets--Continued:

Restricted net assets – expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

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

Income Taxes: The University, as a political subdivision of the State of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the University may be subject to income taxes 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Classification of Revenues--Continued:

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 No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, 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 assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Reclassification of Financial Statement Presentation: Certain reclassifications have been made to the 2008 financial statements to conform with the 2009 financial statement presentation. Such reclassifications have had no effect on changes in net assets as previously reported.

Change in Accounting Policy: In 2009, certain federal student financial aid revenues were reclassified from operating revenues to nonoperating revenue based on the University's administrative involvement in the programs and because the grants are nonexchange transactions. The reclassifications were also made to the 2008 financial statements to conform with the 2009 presentation. This change in accounting policy was a result of an amendment to the GASB Staff *"Comprehensive Implementation Guide, Chapter 7: Basic Financial Statements and Management's Discussion and Analysis"*.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS

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

At June 30, 2009 and 2008, the carrying amount of all University deposits with the OST and other financial institutions were \$18,869,898 and \$18,032,582, respectively. These amounts consisted of deposits with the OST (\$18,799,262 and \$17,966,986), deposits with financial institutions (\$34,935 and \$34,945) and change funds (\$35,701 and \$30,651). Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$6,225,332 in 2009 and \$7,909,123 in 2008.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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

OK INVEST Portfolio	June 30, 2009	
	Cost	Market Value
U.S. Agency securities	\$ 2,739,820	\$ 2,821,921
Certificates of deposit	396,763	396,763
Money market mutual funds	490,835	490,835
Tri-party repurchase agreements	486,263	486,264
Mortgage backed agency securities	1,411,612	1,428,722
Municipal Bonds	100,110	100,930
Foreign bonds	11,860	11,860
U.S. Treasury Obligations	588,069	608,618
TOTAL	<u>\$ 6,225,332</u>	<u>\$ 6,345,913</u>

OK INVEST Portfolio	June 30, 2008	
	Cost	Market Value
U.S. Agency securities	\$ 3,710,609	\$ 3,791,651
Certificates of deposit	534,359	534,360
Money market mutual funds	646,451	646,451
Tri-party repurchase agreements	536,202	536,202
Mortgage backed agency securities	1,360,040	1,349,741
Foreign bonds	16,199	16,045
U.S. Treasury Obligations	1,105,263	1,140,880
TOTAL	<u>\$ 7,909,123</u>	<u>\$ 8,015,330</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: 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 specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the OST website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days.

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

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Investments: Investment *credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the University's investments are managed by the State Treasurer. In accordance with state statutes the State Treasurer may only purchase and invest in (a) obligations of the United States government, its agencies and instrumentalities; (b) prime banker's acceptances; (c) investment grade obligations of state and local governments; (d) money market funds; (e) collateralized or insured certificates of deposits; (f) negotiable certificates of deposits; (g) prime commercial paper; and (h) repurchase agreements. *Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest changes. Neither the University nor state statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the OST Investment policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy. *Concentration of credit risk* is the risk of loss attributed to the magnitude of the University's investment in a single issuer. Neither the University's investment policy nor state statutes place limits on amounts that can be invested in any one issuer; however, the OST Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State's total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities. *Custodial credit risk* for investments is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2009 and 2008, none of the University's investments were subject to custodial credit risk.

Bond fund cash and investments: Certain non-pooled cash and investments are restricted in purpose by policies incorporated in applicable bond indentures. *Credit risk* policy generally restricts investing to cash, investments fully insured by the FDIC and U.S. government and agency securities or mutual funds investing in these types of securities. There may be some variance among the investments authorized by the specific bond indentures of University bond issues. The OST and/or a trustee bank generally provide the management of restricted, non-pooled investments. *Custodial credit risk* is not addressed by bond indentures. *Interest rate risk* in bond indentures provide that investments mature in no more than six to sixty months depending on the purpose of the funds and the requirements of the account in which the funds are deposited (i.e. construction, reserve, operations and maintenance, etc.) *Concentration of credit risk* is not addressed.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Student tuition and fees	\$ 799,600	\$ 713,799
Auxiliary enterprises and other operating activities	683,298	528,243
Federal, state, and private grants and contracts	<u>586,577</u>	<u>502,022</u>
	2,069,475	1,744,064
Less allowance for doubtful accounts	<u>(679,083)</u>	<u>(615,647)</u>
Net accounts receivable	<u><u>\$ 1,390,392</u></u>	<u><u>\$ 1,128,417</u></u>

NOTE D--NOTES RECEIVABLE

The loans receivable balance at June 30, 2009 and 2008, consist entirely of University funds loaned to students. The University does not participate in the Perkins Loan Program. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off.

At June 30, 2009 and 2008, loans receivable consisted of the following:

	<u>2009</u>	<u>2008</u>
Loans receivable	\$ 161,230	\$ 149,259
Less allowance for uncollectible loans	<u>(75,644)</u>	<u>(62,630)</u>
Net notes receivable	<u><u>\$ 85,586</u></u>	<u><u>\$ 86,629</u></u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE E--CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2009:

	Balance <u>June 30, 2008</u>	Additions	Transfers	Retirements/ Adjustments	Balance <u>June 30, 2009</u>
Capital assets not being depreciated					
Land	\$ 1,039,452	\$ -	\$ -	\$ -	\$ 1,039,452
Construction in Progress	<u>8,249,726</u>	<u>2,937,600</u>	<u>(8,233,325)</u>	<u>-</u>	<u>2,954,001</u>
Total assets not being depreciated	<u>\$ 9,289,178</u>	<u>\$ 2,937,600</u>	<u>\$ (8,233,325)</u>	<u>\$ -</u>	<u>\$ 3,993,453</u>
Other capital assets					
Non-major infrastructure networks	\$ 951,657	\$ 55,470	\$ -	\$ -	\$ 1,007,127
Land improvements	932,741	5,900	-	-	938,641
Buildings	52,082,693	954,250	8,233,325	-	61,270,268
Furniture, fixtures and equipment	9,456,466	783,506	-	-	10,239,972
Library materials	<u>14,045,655</u>	<u>657,408</u>	<u>-</u>	<u>(131,578)</u>	<u>14,571,485</u>
Total other capital assets	77,469,212	2,456,534	8,233,325	(131,578)	88,027,493
Less accumulated depreciation for					
Non-major infrastructure networks	(617,129)	(58,009)	-	-	(675,138)
Land improvements	(803,753)	(30,766)	-	-	(834,519)
Buildings	(21,151,340)	(1,513,775)	-	-	(22,665,115)
Furniture, fixtures and equipment	(7,549,005)	(739,085)	-	-	(8,288,090)
Library materials	<u>(12,459,186)</u>	<u>(635,909)</u>	<u>-</u>	<u>131,578</u>	<u>(12,963,517)</u>
Total accumulated depreciation	(42,580,413)	(2,977,544)	-	131,578	(45,426,379)
Other capital assets, net	<u>\$ 34,888,799</u>	<u>\$ (521,010)</u>	<u>\$ 8,233,325</u>	<u>\$ -</u>	<u>\$ 42,601,114</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 9,289,178	\$ 2,937,600	\$ (8,233,325)	\$ -	\$ 3,993,453
Other capital assets, at cost	<u>77,469,212</u>	<u>2,456,534</u>	<u>8,233,325</u>	<u>(131,578)</u>	<u>88,027,493</u>
Total cost of capital assets	86,758,390	5,394,134	-	(131,578)	92,020,946
Less accumulated depreciation	<u>(42,580,413)</u>	<u>(2,977,544)</u>	<u>-</u>	<u>131,578</u>	<u>(45,426,379)</u>
Capital assets, net	<u>\$ 44,177,977</u>	<u>\$ 2,416,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,594,567</u>

At June 30, 2009, the cost and related accumulated depreciation of assets held under capital lease obligations were \$4,747,429 and \$2,157,429, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE E--CAPITAL ASSETS--Continued

Following are the changes in capital assets for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2008
Capital assets not being depreciated					
Land	\$ 923,529	\$ 121,923	\$ -	\$ (6,000)	\$ 1,039,452
Construction in Progress	4,937,162	3,792,733	(480,169)	-	8,249,726
Total assets not being depreciated	<u>\$ 5,860,691</u>	<u>\$ 3,914,656</u>	<u>\$ (480,169)</u>	<u>\$ (6,000)</u>	<u>\$ 9,289,178</u>
Other capital assets					
Non-major infrastructure networks	\$ 904,807	\$ 46,850	\$ -	\$ -	\$ 951,657
Land improvements	932,741	-	-	-	932,741
Buildings	51,221,416	503,077	480,169	(121,969)	52,082,693
Furniture, fixtures and equipment	8,901,891	554,575	-	-	9,456,466
Library materials	13,520,731	583,211	2,915	(61,202)	14,045,655
Total other capital assets	75,481,586	1,687,713	483,084	(183,171)	77,469,212
Less accumulated depreciation for					
Non-major infrastructure networks	(581,812)	(59,929)	-	24,612	(617,129)
Land improvements	(764,218)	(39,535)	-	-	(803,753)
Buildings	(19,951,808)	(1,199,532)	-	-	(21,151,340)
Furniture, fixtures and equipment	(6,813,301)	(735,704)	-	-	(7,549,005)
Library materials	(11,877,560)	(641,291)	-	59,665	(12,459,186)
Total accumulated depreciation	(39,988,699)	(2,675,991)	-	84,277	(42,580,413)
Other capital assets, net	<u>\$ 35,492,887</u>	<u>\$ (988,278)</u>	<u>\$ 483,084</u>	<u>\$ (98,894)</u>	<u>\$ 34,888,799</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 5,860,691	\$ 3,914,656	\$ (480,169)	\$ (6,000)	\$ 9,289,178
Other capital assets, at cost	75,481,586	1,687,713	483,084	(183,171)	77,469,212
Total cost of capital assets	81,342,277	5,602,369	2,915	(189,171)	86,758,390
Less accumulated depreciation	(39,988,699)	(2,675,991)	-	84,277	(42,580,413)
Capital assets, net	<u>\$ 41,353,578</u>	<u>\$ 2,926,378</u>	<u>\$ 2,915</u>	<u>\$ (104,894)</u>	<u>\$ 44,177,977</u>

At June 30, 2008, the cost and related accumulated depreciation of assets (equipment) held under capital lease obligations were \$4,747,429 and \$1,809,805, respectively.

The University maintains various collection of inexhaustible assets for which no value can be determined. Such collections include works of art, historical treasures and literature.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE F--LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts due within one year
Bonds and Capital Leases					
OCIA lease obligations	\$ 11,461,844	\$ -	\$ (479,500)	\$ 10,982,344	\$ 408,642
ODFA master lease obligations	3,284,165	-	(219,000)	3,065,165	221,416
Revenue bonds payable	6,800,000	-	(315,000)	6,485,000	325,000
Total bonds and capital leases	<u>21,546,009</u>	<u>-</u>	<u>(1,013,500)</u>	<u>20,532,509</u>	<u>955,058</u>
Other liabilities					
Accrued compensated absences	1,302,942	659,857	(561,838)	1,400,961	853,068
Accrued other post employment benefits	-	55,050	-	55,050	-
Total other liabilities	<u>1,302,942</u>	<u>714,907</u>	<u>(561,838)</u>	<u>1,456,011</u>	<u>853,068</u>
Total long-term liabilities	<u>\$ 22,848,951</u>	<u>\$ 714,907</u>	<u>\$ (1,575,338)</u>	<u>\$ 21,988,520</u>	<u>\$ 1,808,126</u>

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts due within one year
Bonds and Capital Leases					
OCIA lease obligation	\$ 11,923,449	\$ -	\$ (461,605)	\$ 11,461,844	\$ 479,500
ODFA master lease obligations	3,488,727	-	(204,562)	3,284,165	256,997
Revenue bonds payable	7,110,000	-	(310,000)	6,800,000	315,000
Total bonds and capital lease	<u>22,522,176</u>	<u>-</u>	<u>(976,167)</u>	<u>21,546,009</u>	<u>1,051,497</u>
Other liabilities					
Accrued compensated absences	1,177,874	743,534	(618,466)	1,302,942	775,502
Total other liabilities	<u>1,177,874</u>	<u>743,534</u>	<u>(618,466)</u>	<u>1,302,942</u>	<u>775,502</u>
Total long-term liabilities	<u>\$ 23,700,050</u>	<u>\$ 743,534</u>	<u>\$ (1,594,633)</u>	<u>\$ 22,848,951</u>	<u>\$ 1,826,999</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations

Oklahoma Capital Improvement Authority Lease Obligation

In September 1999, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 2000 Series A, B and C. Of the total bond indebtedness, the State Regents Higher Education allocated \$1,200,000 to the University. Concurrently with the allocation, the University entered into four individual lease agreements with OCIA, representing the four individual projects being funded by the OCIA bonds. The lease agreement provides for the University to make specified monthly payments to OCIA over the respective terms of the agreements, ranging from 4 to 20 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the University. At June 30, 2009 and 2008, the outstanding balance of the 2000 Series A, B and C lease obligations was \$160,860 and \$276,052, respectively.

During the 2006 legislative session, the OCIA issued its OCIA bond issue 2005F series. Of the total indebtedness, the State Regents for Higher Education allocated \$11,640,758 to the University. The University is one of several that entered into a lease agreement with OCIA for a portion of these bonds proceeds. The lease agreement provides for the University to make specified monthly payments to OCIA over a 25 year period. The proceeds of the bonds are to provide for capital improvements at the University. At June 30, 2009 and 2008, the outstanding balance of this capital lease obligation was \$10,821,484 and \$11,185,792, respectively.

The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less the repayments made during the fiscal year. The University 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, 2009 and 2008, the unamortized bond issuance costs totaled \$131,743 and \$146,716, respectively.

During the years ended June 30, 2009 and 2008, OCIA made lease principal and interest payments totaling \$1,035,319 and \$1,036,043, respectively, on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the statements of revenues, expenses and changes in net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

Oklahoma Development Finance Authority Master Lease Program

In August 2004, the ODFA issued its ODFA Master Lease Revenue Bonds, Series 2004B. Of the total bond indebtedness, the State Regents for Higher Education allocated \$515,000 to the University. Concurrently with the allocation, the University entered into an agreement with ODFA, for the project being funded by the ODFA bonds. The lease agreement provides for the University to make specified monthly payments to ODFA over the respective terms of the agreement, which is through June 1, 2014. The proceeds of the bonds and subsequent leases are to provide for capital improvements to the University. The outstanding balance of this lease obligation payable is \$286,166 and \$338,166 at June 30, 2009 and 2008, respectively.

In May 2005, the ODFA issued its ODFA Master Lease Revenue Bonds, Series 2005A. Of the total bond indebtedness, the State Regents for Higher Education allocated \$250,000 to the University. Concurrently with the allocation, the University entered into a lease agreement with ODFA, for the project being funded by the ODFA bonds. The lease agreement provides for the University to make specified monthly payments to ODFA over the respective terms of the agreement, which is through May 31, 2012. The proceeds of the bonds and subsequent leases are to provide for six vans for the University. At June 30, 2009 and 2008, the remaining lease obligation payable totals \$110,000 and \$145,000, respectively.

In May 2005, the ODFA issued its ODFA Master Lease Revenue Bonds, Series 2005B. Of the total bond indebtedness, the State Regents for Higher Education allocated \$1,000,000 to the University. Concurrently with the allocation, the University entered into a lease agreement with ODFA, for the project being funded by the ODFA bonds. The lease agreement provides for the University to make specified monthly payments to ODFA over the respective terms of the agreement, which is through May 31, 2025. The proceeds of the bonds and subsequent leases are to provide for capital improvements to the University. These bonds were sold in August 2005 and the allocated proceeds were disbursed to the University at that time. The outstanding payable at June 30, 2009 and 2008 is \$781,999 and \$841,999, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

In May 2007, the ODFA issued its ODFA Master Lease Revenue Bonds, Series 2007A. Of the total bond indebtedness, the State Regents for Higher Education allocated \$2,023,000 to the University. Concurrently with the allocation, the University entered into a lease agreement with ODFA, for the project being funded by the ODFA bonds. The lease agreement provides for the University to make specified monthly payment to ODFA over the respective terms of the agreement, which is through June 1, 2027. The proceeds of the bonds and subsequent leases are to provide for capital improvements to the University. These bonds were sold in May 2007 and the allocated proceeds were disbursed to the University at that time. The remaining lease obligation payable pursuant to this capital lease obligation is \$1,887,000 and \$1,959,000 at June 30, 2009 and 2008, respectively.

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

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	630,476	660,145	1,290,621
2011	594,078	635,014	1,229,092
2012	613,868	611,063	1,224,931
2013	601,511	585,843	1,187,354
2014	630,815	559,292	1,190,107
2015-2019	2,899,201	2,396,809	5,296,010
2020-2024	3,478,509	1,661,051	5,139,560
2025-2029	3,846,739	755,093	4,601,832
2030-2031	752,312	38,758	791,070
	<u>\$ 14,047,509</u>	<u>\$ 7,903,068</u>	<u>\$ 21,950,577</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable

Southwestern Oklahoma State University Revenue Bonds, Series 2003

On August 19, 2003, the Board of Regents of Oklahoma Colleges (the "Board") Southwestern Oklahoma State University Revenue Bonds, Series 2003 (the "Bonds") were issued for \$8,000,000 for the purpose of constructing, acquiring, furnishing and equipping a wellness center and renovating and expanding the current Student Union.

The Bonds are limited and special obligations of the Board secured by a first lien on and a pledge of the following sources of revenue: (i) the gross receipts from the Student Facilities Fee in the amount \$7.30 per credit hour per semester to be imposed and collected from all students in attendance at the University and (ii) earnings from the Bond Fund Reserve, if no Surety is purchased.

Future minimum bond payments under the University's obligation are as follows:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	325,000	274,724	599,724
2011	335,000	264,238	599,238
2012	345,000	252,416	597,416
2013	360,000	239,366	599,366
2014	370,000	223,508	593,508
2015-2019	2,120,000	858,793	2,978,793
2020-2024	2,630,000	326,032	2,956,032
	<u>\$ 6,485,000</u>	<u>\$ 2,439,077</u>	<u>\$ 8,924,077</u>

NOTE G--RETIREMENT PLANS

The University's academic and nonacademic personnel are covered by various retirement plans. The plans available to University personnel include the Oklahoma Teachers' Retirement System ("OTRS"), which is a State of Oklahoma public employees retirement system, and the Supplemental Retirement Annuity ("SRA"), a single employer defined benefit plan available to employees hired prior to July 1, 1995. The University does not maintain the accounting records, hold the investments for, or administer these plans.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE G--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

The University's contributes to the Oklahoma Teachers' Retirement System, a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the Plan to the Board of Trustees of OTRS. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, or by calling (405) 521-2387.

Funding Policy

The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate was 7.05% for fiscal year 2007 and was 7.05% for the first six months of fiscal year 2008 and at January 1, 2008 the contribution rate changed to 7.55%. The contribution rate remained 7.55% until January 1, 2009, when it increased to 8.05%. This rate is applied to annual compensation, and is determined by state statute.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2009, 2008 and 2007. For University employees meeting the requirements of the University's SRA, and other employees who opted to enroll in OTRS prior to July 1, 1993, substantially all of the members' OTRS contributions are made directly by the University.

The University's contributions to OTRS for the years ended June 30, 2009, 2008 and 2007, were \$2,154,859, \$2,032,754 and \$2,002,720 respectively. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE G--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System (OTRS)--Continued

Funding Policy--Continued

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2009, the State of Oklahoma contribution 5% of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers. The University has estimated the amounts contributed to the OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2009 and 2008, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the University were \$2,083,295 and \$2,070,324, respectively. These on behalf payments have been recorded as both revenues and expenses in the statements of revenues, expenses and changes in net assets.

Teachers' Insurance and Annuity Association (TIAA)

The University also has a defined contribution 403(b) plan (DCP) available to full-time employees. The DCP is administered by the RUSO System, and the plan provisions are established and may be amended by the Board of Regents. Plan members may make voluntary contributions in accordance with IRS regulations. The University has no contribution requirements, and no contributions were made during the years ended June 30, 2009, 2008 and 2007.

Supplemental Retirement Annuity (SRA)

Plan Description

The University's SRA plan is a single employer, defined benefit pension plan administered by the University's Board of Regents. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to University employees who were hired prior to July 1, 1995, or to those eligible employees' beneficiaries. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA does not issue a stand-alone financial report nor is it included in the financial report of another entity.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE G--RETIREMENT PLANS--Continued

Supplemental Retirement Annuity (SRA)--Continued

Funding Policy

The authority to establish and amend eligible employees' and employer contribution obligations to the SRA rests with the University's Board of Regents. Eligible employees are not required to make contributions to the SRA. The University is required to contribute to the SRA an actuarially determined amount on an annual basis.

Annual Cost and Net Obligation (Asset)

Annual pension cost and net pension obligation (asset) of the SRA for 2009 and 2008 are as follows:

	2009	2008
Annual required contribution	\$ 123,839	\$ 228,900
Interest on net pension obligation	(332,933)	(269,126)
Adjustment to annual required contribution	423,875	342,639
Annual pension cost	214,781	302,413
Contribution made	-	(1,100,000)
Increase in net pension obligation	214,781	(797,587)
Net pension obligation (asset) at beginning of year	(4,161,665)	(3,364,078)
Net pension obligation (asset) at end of year	\$ (3,946,884)	\$ (4,161,665)

The annual required contribution for 2009 and 2008 was determined as part of an actuarial valuation on June 30, 2009 and 2008, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a discount rate of 8% per year to determine the present value of future benefit payments; (b) retirement age 65; (c) an 8% rate of return on investments; and (d) projected salary increases of 3.5% per year. The value of the SRA assets is based on the TIAA-CREF group annuity account asset value. The unfunded actuarial accrued liability is being amortized over fifteen years as a level dollar amount on a closed basis.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE G--RETIREMENT PLANS--Continued

Supplemental Retirement Annuity (SRA)--Continued

Trend Information

<u>Year Ended</u> <u>June 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation (Asset)</u>
2009	\$ 214,781	0.0%	\$ (3,946,884)
2008	\$ 302,413	363.7%	\$ (4,161,665)
2007	\$ 331,615	301.3%	\$ (3,364,078)

Funded and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 6,170,022
Actuarial value of plan assets	<u>5,169,517</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,000,505</u>
Funded ratio (actuarial value of plan assets/AAL)	83.8%
Covered payroll (active plan members)	\$ 7,891,417
UAAL as a percentage of covered payroll	12.7%

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

In addition to the pension benefits, the University pays the group health and life insurance premiums for retired employees until age 65. A retiring employee must have been employed full-time in the Oklahoma State System of Higher Education for not less than ten years immediately preceding the date of retirement; been a member of the Oklahoma Teachers' Retirement System during that time; and elected to receive a vested benefit under the provisions of the Oklahoma Teachers' Retirement System. The retirement insurance program was adopted by the Board of Regents in 1985. The insurance benefits for current retirees are accounted for on a cash basis so that premium payments are made from current operational funds. For the years ended June 30, 2009 and 2008, the University's contributions for retired employees' health insurance premiums totaled approximately \$147,013 and \$155,560, respectively, and life insurance premiums totaled approximately \$11,341 and \$11,434, respectively.

Postemployment Healthcare Plan

Plan Description

The University's postemployment healthcare plan is an agent multiple-employer defined benefit plan administered by the Regional University System of Oklahoma Board of Regents (the University's Board). The plan provides medical and life insurance benefits to eligible retired employees until age 65. A retiring employee must have been employed full-time in the Regional University System of Oklahoma for not less than ten years immediately preceding the date of retirement; been a member of the Oklahoma Teachers' Retirement System during that time; and elected to receive a vested benefit under the provision of the Oklahoma Teachers' Retirement System. As of June 30, 2009, there were 611 active participants in the plan. The retirement insurance program was adopted by the Board of Regents in 1985. In March of 2008, the Retiree Medical Trust for Regional University System of Oklahoma was established to hold assets and pay benefits on behalf of the University's post employment healthcare plan, and is administered by The Bank Oklahoma, N.A. Prior to the establishment of the trust, the insurance benefits were accounted for on a pay-as-you-go basis so that premiums were made from current operating funds. The plan does not issue a stand-alone financial report nor is it included in the financial report of another entity.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS--Continued

Postemployment Healthcare Plan--Continued

Funding Policy

The contribution requirements of the University are established and may be amended by the Regional University System of Oklahoma Board of Regents. The University is required to contribute the *annual required contribution of the employer (ARC)*, in an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if 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. For the years ended June 30, 2009 and 2008, the ARC is \$380,093 and \$437,000 respectively; represents 1.43% and 1.97% respectively of covered payroll.

Annual Cost and Net Obligation (Asset)

Annual OPEB cost and net OPEB obligation (asset) of the plan for 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 380,093	\$ 437,000
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost	<u>380,093</u>	<u>437,000</u>
Contribution made	<u>(325,043)</u>	<u>(437,000)</u>
Decrease (Increase) in net OPEB obligation	55,050	-
Net OPEB obligation (asset) at beginning of year	-	-
Net OPEB obligation (asset) at end of year	<u>\$ 55,050</u>	<u>\$ -</u>

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, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.0% investment rate of return and an annual healthcare cost inflationary increase of 9.5%

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS--Continued

Postemployment Healthcare Plan--Continued

Trend Information

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	New OPEB Obligation (Asset)
2009	\$ 380,093	86%	\$ 55,050
2008	\$ 437,000	100%	\$ -

Funded and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 3,190,009
Actuarial value of plan assets	<u>438,745</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,751,264</u>
Funded ratio (actuarial value of plan assets/AAL)	13.8%
Covered payroll (active plan members)	26,584,455
UAAL as a percentage of covered payroll	10.3%

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

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE I--FUNDS HELD IN TRUST BY OTHERS

Beneficial Interest in State School Land Funds

The University has a beneficial interest in the "Section Thirteen Fund State Educational Institutions" and the "New College Fund" administered by the Commissioners of the Land Office as trustees for the various educational institutions entitled thereto. The University has the right to receive annually 3.7% of the distributions of income produced by "Section Thirteen Fund State Educational Institutions" assets and 100% of the distributions of income produced by Southwestern Oklahoma State University's "New College Fund". The University received \$739,340 and \$674,890 during the years ended June 30, 2009 and 2008, respectively, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as capital gifts and grants in the statement of revenues, expenses and changes in net assets. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for Southwestern Oklahoma State University, held in trust by the commissioners of Land Office, was \$12,374,371 and \$13,930,652 at June 30, 2009 and 2008, respectively.

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 amounts, plus any retained accumulated earnings, totaled \$1,385,838 and \$1,796,196 at June 30, 2009 and 2008, respectively, and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution of earnings on these funds; however, since legal title of the match amount is retained by the Oklahoma State Regents, such funds have not been reflected in the accompanying financial statements. With regards to institutional funds, investments totaling \$182,729 and \$236,837 at June 30, 2009 and 2008, respectively, are included in the financial statements of the University.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE J--COMMITMENTS AND CONTINGENCIES

The University conducts certain programs pursuant to various grants and contracts that are subject to audit by federal and state agencies. Costs questioned as a result of these audits, if any, may result in refunds to these governmental agencies from various sources of the University. The University participates in the Federal Family Education Loan Program (the "FFEL" program). The FFEL Program does not require the University to draw down cash; however, the University is required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may require the University to reimburse the loan guarantee agencies. For the years ended June 30, 2009 and 2008, approximately \$17,572,000 and \$16,781,000, respectively, of FFEL Program loans were provided to University students.

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management does not anticipate any significant losses as the result of any such asserted claims.

NOTE K--RISK MANAGEMENT

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omission; employee injuries and 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 University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pools for tort, property, and liability insurance coverage. The Oklahoma Risk Management Pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

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

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE L--SEGMENT REPORTING

The following financial information represents an identifiable activity for which revenue bonds are outstanding. This includes activities in the Wellness Center as well as the renovations to the Student Union.

Southwestern Oklahoma State University Revenue Bonds, Series 2003

Condensed Statement of Net Assets

	June 30	
	2009	2008
ASSETS		
Current assets	\$ 749,654	\$ 748,466
Capital assets	7,406,908	7,580,608
Other assets	107,670	115,270
TOTAL ASSETS	8,264,232	8,444,344
LIABILITIES		
Current liabilities	89,460	95,982
Long-term liabilities	6,485,000	6,800,000
TOTAL LIABILITIES	6,574,460	6,895,982
NET ASSETS		
Unrestricted	-	-
Restricted for debt services	749,654	748,466
Invested in capital assets, net of debt	940,118	799,896
TOTAL NET ASSETS	\$ 1,689,772	\$ 1,548,362

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE L--SEGMENT REPORTING--Continued

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	Years Ended June 30	
	2009	2008
Operating Revenue	\$ 933,720	\$ 951,957
Depreciation expense	(173,700)	(173,700)
Other operating expenses	(7,600)	(7,600)
NET OPERATING REVENUES	752,420	770,657
NONOPERATING INCOME (EXPENSE)		
Investment income	-	-
NET NONOPERATING REVENUES	-	-
Transfers	(611,010)	(643,013)
CHANGE IN NET ASSETS	141,410	127,644
NET ASSETS, BEGINNING OF PERIOD	1,548,362	1,420,718
NET ASSETS, END OF PERIOD	\$ 1,689,772	\$ 1,548,362

Condensed Statement of Cash Flows

	June 30	
	2009	2008
Net cash flows provided by operating activities	\$ 315,000	\$ 310,000
Net cash flows provided by capital and related financing activities	-	-
Net cash flows provided by investing activities	(315,000)	(310,000)
NET INCREASE (DECREASE) IN CASH	-	-
CASH, BEGINNING OF PERIOD	-	-
CASH, END OF PERIOD	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE M--ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

In 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB No. 51 establishes standards of accounting and financial reporting for intangible assets and requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also establishes guidance specific to intangible assets related to amortization. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009 and generally are required to be applied retroactively. Management has not yet determined the effect this Statement will have on the University's financial condition or results of operations.

In 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. Earlier application is encouraged. Management is evaluating the effect this Statement will have on the University's financial condition or results of operations.

NOTE N--RELATED PARTY TRANSACTIONS

The 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 leaser 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, 2009.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS

The following are significant disclosures of Southwestern Oklahoma State University Foundation, Inc.:

Nature of Activities: Southwestern Oklahoma State University Foundation, Inc. (the "Foundation") is organized for the benefit of Southwestern Oklahoma State University (the "University"), Weatherford, Oklahoma, its faculty, its student body, and its programs. The Foundation provides scholarships and support and enhances the further development of Southwestern Oklahoma State University. The Foundation receives contributions from the public which are generally to be used for the benefit of the University. The Foundation also receives program service revenues which support the various departmental activities at the University.

Promises to Give and Other Receivables: Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted funds are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

Management charges income with doubtful accounts when they are considered uncollectible. Management believes that the remaining promises to give are fully collectible; therefore no provision for uncollectible promises to give has been recorded.

Contributed Services and Materials: During the year ended December 31, 2008, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services. Donated materials and supplies are recorded at estimated fair value and reported as contributions and program expenses.

Use of Estimates: The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets or liabilities at the date of the financial statements, and the reported amounts of revenue, gains (losses), and other support and expenses during the period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Property and Equipment: It is the Foundation's policy to capitalize property and equipment additions over \$5,000. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. If there are no donor stipulations regarding how long these donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Property and equipment is depreciated using the straight-line method as follows: Office equipment – 10 years; Buildings – 40 years.

Amortization: Mineral rights were initially recorded at fair value of \$15,700 and were amortized by the straight-line method over a 5-year period. The mineral rights were fully amortized at December 31, 2008.

Office Facility and Staff Support: The Foundation and University operate under an agreement that the University will provide office space for the Foundation records, administrator and secretarial support, and various other operating costs. The Foundation pays the University a personnel usage fee. This fee for 2008 was \$24,000. The Foundation also provides monies for scholarship support and other program needs of the University, which is in excess of the benefits provided by the University. All costs incurred for University programs are included in program expenses. No additional accounting entries are made to record the benefit received from the University.

Financial Statement Presentation: The Foundation is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As required by the statement, the Foundation does not use fund accounting.

Temporarily restricted net assets include the various program activity accounts maintained for the university departments. All support and revenue for these various accounts are reported as an increase in temporarily restricted net assets. Temporarily restricted net assets also include the income earned on permanently restricted net assets, which is available for distributions as scholarships or other expenses as required by the donor.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Financial Statement Presentation—Continued: Permanently restricted net assets are generally contributions received from an estate or trust or provided by an endowment. Generally a certain percentage of the investment return for these accounts are available and transferred to temporarily restricted net assets for the benefit of the university as specified by the donor.

Revenue Recognition: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income Taxes: The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

In July 2006, Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (FIN No. 48) was issued. Subsequent to its original issuance, the effective date of its implementation for nonpublic enterprises has been deferred, and is currently deferred for nonpublic entities until years beginning after December 15, 2008. The Foundation has elected to defer implementation of FIN No. 48, as allowable.

The Foundation undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by FIN No. 48.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investments income and gains restricted by a donor are reported as increases in restricted net assets. When the restrictions are met (either by passage of time or by use) the amount is transferred to unrestricted net assets.

Investment income is shown net of investment expenses of \$13,768 in 2008.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fair Value Measurements: The Foundation has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB Statement No. 157, *Fair Value Measurements* ("SFAS 157"), which provides a framework for measuring fair value under generally accepted accounting principles.

Statement No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS 157 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Comparative Data: The financial statements include certain 2007 comparative information. With respect to the statement of activities, 2007 support and revenue are presented in total rather than by type of restriction. With respect to the statement of functional expenses, 2007 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2007, from which the summarized information was prepared. Certain amounts for the year ended December 31, 2007, have been reclassified for comparative purposes to conform to the presentation used in December 31, 2008 financial statements. The reclassifications have no effect on net assets for the year ended December 31, 2007.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Subsequent Events: The Foundation has evaluated subsequent events through November 9, 2009, the date which the financial statements were available to be issued.

Credit Risk: Financial instruments that potentially subject the Foundation to credit risk consist principally of cash, investments, and unconditional promises to give from donors.

The Foundation maintains its cash in bank deposit accounts, which at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk on these accounts. The Foundation also participates in diversified asset mutual funds and common equity securities which are not covered by FDIC insurance. These funds are reported as marketable securities, except for cash management accounts that are reported as cash and cash equivalents.

Credit risk for promises to give is concentrated because substantially all of the balances are receivable from individuals located who are board members.

Market Value Risk: The Foundation invests funds in professionally managed funds which include mutual funds that contain various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Promises to Give: Promises to give include the following:

Total unconditional promises to give	\$ 831,450
Less: Discount to present value (6.0%)	<u>(266,577)</u>
Net unconditional promises to give	<u>\$ 564,873</u>
Amounts due in:	
Less than one year	190,860
One to five years	352,052
Six to seven years	<u>21,961</u>
Total	<u>\$ 564,873</u>

Promises to give are reported as temporarily or permanently restricted contributions since they are not available for expenditure until collected. Unconditional promises to give in more than one year are reflected at present value of estimated future cash flows.

Management believes that all contributions are collectible based on prior pledge drives and knowledge of donors. The promises to give are restricted by the donors to the endowment funds.

Funds Held for Others: During 2008, the Foundation accepted funds from Cheyenne Arapaho Tribe (the Tribe) for investment in a certificate of deposit. The Tribe has discretionary power over the funds.

Investments: Investments are stated at fair value and consist of the following:

Equity securities	\$ 788,280
Mutual funds	<u>7,971,935</u>
Total marketable securities	8,760,215
Investment in Trust	580,000
Cash Surrender Value of Life Insurance	<u>231,439</u>
	<u>\$ 9,571,654</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Investments--Continued:

	Cost	Market Value	Unrealized Depreciation
Equity Securities	\$ 926,110	\$ 788,280	\$ (137,830)
Mutual Funds	10,649,773	7,971,935	(2,677,838)
	<u>\$ 11,575,883</u>	<u>\$ 8,760,215</u>	<u>\$ (2,815,668)</u>

The investments are restricted to the extent of temporarily and permanently restricted net assets.

The carrying value of the investment in trust is determined by the present value of distributions expected in the future. The carrying value of the cash surrender value of life insurance is determined by the insurance company.

Management fees charged by the investment companies are paid from unrestricted funds. The fees for 2008 were \$13,768.

Related Party Transactions: Substantially all expenditures are incurred for the benefit of the University. University management and faculty are very much involved in the operations of the Foundation and are considered related parties. Accounts payable of \$127,930 relates amounts to be paid to the University for grant payments and purchase of a baseball scoreboard.

Rental Property: The Foundation acquired property and completed construction of a building during 2003. The Foundation has renewed a lease agreement with the University to lease the property for a one year term expiring on June 30, 2009. The lease provides for an annual rental of \$70,000 payable in monthly installments of \$5,833. The Foundation is to provide for any significant repairs and maintenance. The University is to provide for all utilities, services and other operating costs including general repair and maintenance. The University has the sole option to renew for a 10 year period. Terms and conditions of the lease are to be reviewed annually. At December 31, 2008, the University is committed to pay rentals, which total \$35,000 through June 30, 2009.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment: The following is a summary of property and equipment at December 31, 2008:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Property</u>
Rental Property			
Land	\$ 120,000	\$ -	\$ 120,000
Buildings	729,549	101,074	628,475
Office Equipment	<u>4,185</u>	<u>1,726</u>	<u>2,459</u>
	<u>\$ 853,734</u>	<u>\$ 102,800</u>	<u>\$ 750,934</u>

Restricted Net Assets: Permanently restricted net assets are designated by the donors for use as an endowment fund, a percentage of the income to be used to fund student scholarships. Permanently restricted net assets at December 31, 2008 were \$9,281,139.

Net assets were temporarily restricted for the following purposes as of December 31, 2008:

Scholarships	\$ 1,043,050
University activities	369,967
Athletics	241,887
Other	<u>1,198,404</u>
Total temporarily restricted net assets	<u>\$ 2,853,308</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Fair Value Measurements: Fair values of assets measured on a recurring basis at December 31, 2008 are as follows:

	<u>Fair Value</u>	<u>Active Markets for Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Promises to give, net of discount	\$ 564,873	\$ -	\$ -	\$ 564,873
Investments:				
Equity securities	788,280	788,280	-	-
Mutual funds	7,971,935	7,829,595	-	142,340
Investment in trust	580,000	-	-	580,000
Cash surrender value of life insurance	<u>231,439</u>	<u>-</u>	<u>-</u>	<u>231,439</u>
Total	<u>\$ 10,136,527</u>	<u>\$ 8,617,875</u>	<u>\$ -</u>	<u>\$ 1,518,652</u>

Following is a reconciliation of activity for 2008, for assets measured at fair value based upon significant unobservable (non-market) information.

	<u>Promises to Give, net of discount</u>	<u>Investment in Trust</u>	<u>Annuity Contract</u>	<u>Cash Surrender Value of Life Insurance</u>
Balance, beginning of year	\$ 602,873	\$ 580,000	\$ 241,631	\$ 203,528
Realized and unrealized losses included in earnings	<u>(38,000)</u>	<u>-</u>	<u>(99,291)</u>	<u>27,911</u>
Balance, end of year	<u>\$ 564,873</u>	<u>\$ 580,000</u>	<u>\$ 142,340</u>	<u>\$ 231,439</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Endowment Net Assets: In August 2008, the Financial Accounting Standards Board issued Staff Position FSP FAS 117-1 (Staff Position), *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act*, and *Enhanced Disclosures for All Endowment Funds*. The Staff Position addresses the net asset classification of donor-restricted endowment funds for nonprofit organizations that are subject to the Uniform Prudent Management of Institutional Funds Act, as enacted in the state where the organization is located. The Staff Position also requires new disclosures about endowment funds by all nonprofit organizations, regardless of whether they are subject to such Act. The Staff Position is effective for fiscal years ending after December 15, 2008. There was no effect on the 2007 change in net assets as a result of the adoption of the Staff Position.

The Foundation has interpreted the Oklahoma Prudent Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of a donation as of the date on which the donation was made, except where the donor provides different instructions or conditions in connection with the donation. Consistent with this interpretation, the Foundation has recorded its permanently restricted net assets in the amount of the original value of donations made to the permanent endowment as well as the original value of subsequent donations made to the permanent endowment. Earnings on funds held in the permanent endowment are added to the endowment fund balance. Losses reduce the permanently restricted endowment funds down to the value of the original donor contribution. Losses in excess of the original donor contribution are classified as unrestricted net assets until the losses are recovered. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for distribution by the Foundation in a manner consistent with the standards set forth in the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to maintain or distribute 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 effect of inflation and deflation, (5) the expected total return from income and the appreciation/depreciation of investments, (6) other resources of the Foundation, and (7) the investment of policies of the Foundation.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Return Objectives and Strategies for Achieving Objectives: 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 provide acceptable investment returns, while assuming a moderate level of investment risk. 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 they may vary from time to time.

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's investment policy relating to its investment objectives allocates its assets through a prudent diversification that includes cash, fixed income, and equity. The principal of the endowment funds are held intact. Eighty-five percent of the earnings from each fund are made available to the University. The remaining fifteen percent of the earnings plus all of the unrealized and realized gains or losses are to be added to the principal of each fund in order to provide for inflation and future growth. The Foundation honors the specific requests of each donor and makes distributions accordingly.

During 2008, the unrealized losses on certain Endowment funds reduced the balance of the permanently restricted amount to less than the original contribution. As a result of this reduction, \$1,269,409 has been reclassified from permanently restricted net assets to unrestricted net assets. As the funds recover from the losses sustained in 2008, the permanently restricted accounts will be restored from the unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Return Objectives and Strategies for Achieving Objectives--Continued: Endowment net asset composition as of December 31, 2008 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor restricted endowment funds	\$ (1,269,410)	\$ 690,602	\$ 9,281,139	\$ 8,702,331
Unrestricted board designated funds	<u>410,552</u>	<u>-</u>	<u>-</u>	<u>410,552</u>
Total funds	<u>\$ (858,858)</u>	<u>\$ 690,602</u>	<u>\$ 9,281,139</u>	<u>\$ 9,112,883</u>
Changes in endowment net assets during 2008 are as follows:				
Endowment net assets, beginning of year, as restated	\$ 591,468	\$ 392,589	\$ 11,002,745	\$ 11,986,802
Contributions	-	9,199	500,552	509,751
Investment income	-	441,633	(256,676)	184,957
Net depreciation	(1,450,326)	-	(1,965,482)	(3,415,808)
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(152,819)</u>	<u>-</u>	<u>(152,819)</u>
Total endowment funds, end of year	<u>\$ (858,858)</u>	<u>\$ 690,602</u>	<u>\$ 9,281,139</u>	<u>\$ 9,112,883</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Oklahoma State University Foundation, Inc.--Continued:

Prior Period Adjustment: An error resulting in an understatement of previously reported pledges was discovered during the current year. Accordingly, adjustments were made to correct these items. As a result, beginning temporarily and permanently restricted net assets have been restated by \$10,000 and \$323,550, respectively. The following sets forth the previously reported and restated selected items as of December 31, 2007:

	<u>Previously Reported</u>	<u>As Restated</u>
Statement of Financial Position		
Promises to give	\$ 916,423	\$ 602,873
Total assets	14,746,435	14,432,885
Temporarily restricted net assets	2,259,705	2,269,705
Permanently restricted net assets	11,326,295	11,002,745
Total liabilities and net assets	14,746,435	14,432,885
Statement of Activities		
Contributions	2,592,436	2,278,886
Total public support and revenue	3,557,148	3,243,598
Change in net assets	2,592,759	2,279,209
Total net assets, end of year	14,672,435	14,358,885
Statement of Cash Flows		
Change in net assets	2,592,759	2,279,209
Contributions restricted for long-term purposes	(2,073,538)	(1,759,988)

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Pharmacy Alumni Foundation, Inc.

The following are significant disclosures of Southwestern Pharmacy Alumni Foundation, Inc.:

Organization: Southwestern Pharmacy Alumni Foundation, Inc. (the "Pharmacy Foundation"), was formed in November, 1974 to provide support for the School of Pharmacy at Southwestern Oklahoma State University (the "University"); to give scholarships and make loans available to pharmacy students; and to provide research grants to faculty and students.

The organization is supported primarily by contributions from the general public, proceeds from sponsoring continuing education courses, and income earned from invested funds.

Investments: The Pharmacy Foundation has valued its investments based on Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, the Pharmacy Foundation is required to report investments in equity securities with readily determinable fair values and all investments in debt securities in the statement of financial position at fair value and report realized and unrealized gains and losses in the statement of activities.

Recognition of Revenues and Expenses: Revenues and expenses are recognized when earned or incurred and are allocated to the appropriate fund balance at the end of the Pharmacy Foundation's year.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

Southwestern Pharmacy Alumni Foundation, Inc.

The following are significant disclosures of Southwestern Pharmacy Alumni Foundation, Inc.:

Financial Statement Presentation: The Pharmacy Foundation has prepared its financial statements using Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Pharmacy Foundation is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Pharmacy Foundation is required to present a statement of cash flows.

Permanently restricted net assets include donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Pharmacy Foundation to use or expend the income derived from the donated assets.

Temporarily restricted net assets result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be removed by actions of the Pharmacy Foundation pursuant to those stipulations.

Unrestricted net assets consist of amount that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Restricted gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.

Cash and Cash Equivalents: Cash and cash equivalents includes cash in checking accounts, petty cash, and money funds held at UBS Financial Services, Inc.

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 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.

Material estimates that are particularly susceptible to significant change relate to the market value of investment securities. Management relies on the current market value of investments, as valued by an investment brokerage firm. However, the values of these securities may change significantly within the next twelve months.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

Southwestern Pharmacy Alumni Foundation, Inc.

The following are significant disclosures of Southwestern Pharmacy Alumni Foundation, Inc.:

Equipment: Any equipment purchased by the Pharmacy Foundation is donated, at cost, to the University to be utilized by all faculty and students.

Inventory - Continuing Education Courses: The costs of continuing education courses are consistently charged to expense. The Pharmacy Foundation does not deem such amounts to be sufficiently material to warrant capitalization and matching of expense to revenue when courses are sold.

Pledges Receivable

Total unconditional promises to give, were as follows at December 31, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 17,680	\$ 27,420
Receivable in one to five years	11,700	17,350
	<u>\$ 29,380</u>	<u>\$ 44,770</u>

All pledges were deemed collectible. The present value of cash flows from recorded promises to give approximates the stated value and no discount has been recorded.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Pharmacy Alumni Foundation, Inc.--Continued:

Investments: Cost, unrealized gain or loss and carrying amounts (all Level 1 measurements) which are at the lower of cost or market of investments are summarized as follows:

December 31, 2008

	Cost	Unrealized Gain or Loss	Carrying Value
Mutual funds	\$ 849,188	\$ (242,672)	\$ 606,516
GNMA securities	29	-	29
Certificates of deposit	1,584,000	-	1,584,000
	<u>\$ 2,433,217</u>	<u>\$ (242,672)</u>	<u>\$ 2,190,545</u>

December 31, 2007

	Cost	Unrealized Gain or Loss	Carrying Value
Mutual funds	\$ 825,251	\$ 119,283	\$ 944,534
GNMA securities	70	-	70
Certificates of deposit	1,728,000	-	1,728,000
	<u>\$ 2,553,321</u>	<u>\$ 119,283</u>	<u>\$ 2,672,604</u>

Loans Receivable

The breakdown of loans receivable at December 31, 2008 and 2007 is as follows:

	2008	2007
Burroughs Welcome Fund	<u>\$ 1,250</u>	<u>\$ 1,825</u>

The Burroughs Welcome Fund loans are generally short-term non-interest bearing loans made to University pharmacy students in need of funds for short-term expenses.

Travel advances are short-term non-interest bearing loans made to faculty members of the School of Health Sciences upon approval by University officials. There were no travel advances at December 31, 2008 and 2007.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Pharmacy Alumni Foundation, Inc.--Continued:

Loans Receivable--Continued:

Nursing loans are generally short-term non-interest bearing loans made to nursing students in need of funds for short-term expenses. There were no nursing loans at December 31, 2008 or 2007.

Loans are all deemed to be collectible and no allowance for uncollectible accounts has been provided.

Funds Released from Restrictions:

Net assets released from restrictions in 2008 and 2007, respectively, are as follows:

	<u>2008</u>	<u>2007</u>
Scholarships	\$ 81,025	\$ 73,200
Program Expenses	5,792	22,279
Time restrictions	<u>15,390</u>	<u>5,680</u>
	<u>\$ 102,207</u>	<u>\$ 101,159</u>

Restrictions on Net Assets are as follows:

	<u>2008</u>	
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Scholarship Endowments	\$ 296,462	\$ 920,283
Special Net Assets	<u>260,813</u>	<u>7,365</u>
	<u>\$ 557,275</u>	<u>\$ 927,648</u>

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Pharmacy Alumni Foundation, Inc.--Continued:

Funds Released from Restrictions--Continued:

	2007	
	Temporarily Restricted	Permanently Restricted
Scholarship Endowments	\$ 269,416	\$ 875,308
Special Net Assets	242,002	6,045
	<u>\$ 511,418</u>	<u>\$ 881,353</u>

Continuing education: The Pharmacy Foundation sponsors continuing education courses to enable pharmacists to comply with requirements of the State Board of Pharmacists. These courses are designed to inform pharmacy graduates of changes in the field of pharmacy.

Contributions: The Pharmacy Foundation is responsible for the administration of various scholarship and memorial funds established by individuals and the Board of Directors of the Pharmacy Foundation. Contributions are made by former students, faculty and the general public.

Southwestern Pharmacy Alumni Association: Graduates of the University School of Pharmacy and friends of the Southwestern School of Pharmacy are eligible to join this association and are required to pay dues to maintain their membership.

Scholarships: Scholarships are given to University pharmacy students based on need, leadership ability, scholastic achievement, and other qualifications as required by the donor of the scholarship or memorial funds.

Focus campaign: The Focus Campaign is a fundraiser initiated by the University. The Pharmacy Foundation was invited to participate in this campaign in 2004 and has a goal set at \$650,000 to \$1,000,000 by 2009. At December 31, 2008, \$298,502 has been received or pledged and \$29,380 is included in pledges receivable.

For the year ended December 31, 2008 and 2007, the total fund raising expenses included in other program expenses is \$2,605 and \$3,969.

NOTES TO FINANCIAL STATEMENTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

NOTE O--DISCRETE COMPONENT UNITS--Continued

Southwestern Pharmacy Alumni Foundation, Inc.--Continued:

Taxes: The Pharmacy Foundation is exempt from Federal income taxes under Code Section 501(c)(3) and is classified as not a private foundation under Code Section 509(a)(1) and 17(b)(1)(A)(vi).

Related party transactions: The Pharmacy Foundation leases certain facilities from the University pursuant to an agreement dated June 30, 2008 at no additional cost in exchange for the Pharmacy Foundation's continued donations of equipment to the University and scholarships and grants to University students.

REQUIRED SUPPLEMENTARY
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

SCHEDULE OF FUNDING PROGRESS FOR SUPPLEMENTARY RETIREMENT ANNUITY PLAN

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)
6/30/2003	\$ 2,178,200	\$ 2,608,271	\$ 430,071	85.51%	\$ 8,369,829	5.14%
6/30/2004	2,181,706	4,098,042	1,916,336	53.24%	8,747,710	21.91%
6/30/2005	2,789,618	5,172,523	2,382,905	53.93%	8,502,040	28.03%
6/30/2006	3,608,439	5,588,450	1,980,011	64.57%	8,228,504	24.06%
6/30/2007	4,403,040	5,866,504	1,463,464	75.05%	7,987,340	18.32%
6/30/2008	5,320,623	5,811,093	490,470	91.56%	8,158,641	6.01%
6/30/2009	5,169,517	6,170,022	1,000,505	83.78%	7,891,417	12.67%

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS

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)
6/30/2008	\$ 437,000	\$ 3,399,000	\$ 2,962,000	12.86%	\$ 22,199,632	13.34%
6/30/2009	438,745	3,190,009	2,751,264	13.75%	26,584,455	10.35%

The actuarial liability is based on the projected unit credit cost method.

OTHER SUPPLEMENTARY
INFORMATION

OTHER SUPPLEMENTARY INFORMATION-DISCRETELY PRESENTED COMPONENT UNITS
COMBINING SCHEDULE OF FINANCIAL POSITION

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

December 31, 2008
(FISCAL YEAR ENDS OF COMPONENT UNITS)

	<u>University Foundation</u>	<u>Pharmacy Foundation</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 257,637	\$ 461,350	\$ 718,987
Certificates of deposit	576	-	576
Pledges receivable	-	29,380	29,380
Interest receivable	-	19,532	19,532
Investments	1,023,644	2,190,545	3,214,189
Loans receivable	-	1,250	1,250
Marketable securities, restricted and partially pledged	7,736,571	-	7,736,571
Equity in Testamentary Trust	580,000	-	580,000
Unconditional promises to give	564,873	-	564,873
Cash surrender value of life insurance policies	231,439	-	231,439
Investments-funds held for others	503,865	-	503,865
Rental property:			
Land	120,000	-	120,000
Building, net	628,475	-	628,475
Office equipment, net	2,459	-	2,459
TOTAL ASSETS	<u>\$ 11,649,539</u>	<u>\$ 2,702,057</u>	<u>\$ 14,351,596</u>
LIABILITIES			
Accounts payable	\$ 127,930	\$ -	\$ 127,930
Funds held for others	503,865	-	503,865
TOTAL LIABILITIES	<u>631,795</u>	<u>-</u>	<u>631,795</u>
NET ASSETS			
Unrestricted	(1,116,703)	1,217,134	100,431
Temporarily restricted	2,853,308	557,275	3,410,583
Permanently restricted	9,281,139	927,648	10,208,787
TOTAL NET ASSETS	<u>11,017,744</u>	<u>2,702,057</u>	<u>13,719,801</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,649,539</u>	<u>\$ 2,702,057</u>	<u>\$ 14,351,596</u>

See notes to financial statements.

OTHER SUPPLEMENTARY INFORMATION-DISCRETELY PRESENTED COMPONENT UNITS
 COMBINING SCHEDULE OF FINANCIAL POSITION

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

December 31, 2007

(FISCAL YEAR ENDS OF COMPONENT UNITS)

	University Foundation (Restated)	Pharmacy Foundation	Total
ASSETS			
Cash and cash equivalents	\$ 190,104	\$ 194,155	\$ 384,259
Certificates of deposit	576	-	576
Pledges receivable	-	44,770	44,770
Interest receivable	-	22,493	22,493
Investments	1,716,686	2,672,604	4,389,290
Loans receivable	-	1,825	1,825
Marketable securities, restricted and partially pledged	10,369,526	-	10,369,526
Equity in Testamentary Trust	580,000	-	580,000
Unconditional promises to give	602,873	-	602,873
Receivable from trust	-	-	-
Cash surrender value of life insurance policies	203,528	-	203,528
Rental property:			
Land	120,000	-	120,000
Building, net	646,714	-	646,714
Office equipment, net	2,878	-	2,878
TOTAL ASSETS	<u>\$ 14,432,885</u>	<u>\$ 2,935,847</u>	<u>\$ 17,368,732</u>
LIABILITIES			
Accounts payable	<u>\$ 74,000</u>	<u>\$ -</u>	<u>\$ 74,000</u>
TOTAL LIABILITIES	<u>74,000</u>	<u>-</u>	<u>74,000</u>
NET ASSETS			
Unrestricted	1,086,435	1,543,076	2,629,511
Temporarily restricted	2,269,705	511,418	2,781,123
Permanently restricted	<u>11,002,745</u>	<u>881,353</u>	<u>11,884,098</u>
TOTAL NET ASSETS	<u>14,358,885</u>	<u>2,935,847</u>	<u>17,294,732</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,432,885</u>	<u>\$ 2,935,847</u>	<u>\$ 17,368,732</u>

See notes to financial statements.

DISCRETELY PRESENTED COMPONENT UNITS
 COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

Year Ended December 31, 2008
 (FISCAL YEAR ENDS OF COMPONENT UNITS)

	<u>University Foundation</u>	<u>Pharmacy Foundation</u>	<u>Total</u>
SUPPORT, REVENUES, GAINS AND OTHER ADDITIONS			
Contributions	\$ 1,221,236	\$ 161,190	\$ 1,382,426
Program service revenue	272,004	-	272,004
Interest dividend income	403,334	79,614	482,948
Gain (loss) on sale of marketable securities	(330,516)	-	(330,516)
Unrealized gain on marketable securities, net	(3,955,449)	(361,954)	(4,317,403)
Building rental	70,000	-	70,000
Other revenue	77,642	39,406	117,048
Other investment income	-	23,936	23,936
Continuing education	-	97,025	97,025
Net assets released from restrictions	-	-	-
TOTAL SUPPORT, REVENUES, GAINS AND OTHER ADDITIONS	<u>(2,241,749)</u>	<u>39,217</u>	<u>(2,202,532)</u>
EXPENSES			
Program services for university	988,044	91,395	1,079,439
Supporting services:			
Management and general	81,007	21,059	102,066
Fundraising	30,341	-	30,341
Continuing education expenses	-	64,348	64,348
Scholarships and Grants	-	81,075	81,075
School of Pharmacy	-	15,130	15,130
TOTAL EXPENSES	<u>1,099,392</u>	<u>273,007</u>	<u>1,372,399</u>
NET INCREASE IN ASSETS	(3,341,141)	(233,790)	(3,574,931)
NET ASSETS, BEGINNING OF YEAR	<u>14,358,885</u>	<u>2,935,847</u>	<u>17,294,732</u>
NET ASSETS, END OF YEAR	<u>\$ 11,017,744</u>	<u>\$ 2,702,057</u>	<u>\$ 13,719,801</u>

See notes to financial statements.

DISCRETELY PRESENTED COMPONENT UNITS
 COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

Year Ended December 31, 2007
 (FISCAL YEAR ENDS OF COMPONENT UNITS)

	University Foundation <u>(Restated)</u>	Pharmacy Foundation	<u>Total</u>
SUPPORT, REVENUES, GAINS AND OTHER ADDITIONS			
Contributions	\$ 2,278,886	\$ 200,307	\$ 2,479,193
Program service revenue	211,214	-	211,214
Interest dividend income	418,346	82,991	501,337
Gain (loss) on sale of marketable securities	183,330	-	183,330
Unrealized gain on marketable securities, net	44,309	(20,963)	23,346
Building rental	70,600	-	70,600
Loss on disposal of property	(34,828)	-	(34,828)
Other revenue	71,741	38,235	109,976
Other investment income	-	94,833	94,833
Continuing education	-	96,039	96,039
Net assets released from restrictions	-	-	-
	<u>3,243,598</u>	<u>491,442</u>	<u>3,735,040</u>
TOTAL SUPPORT, REVENUES, GAINS AND OTHER ADDITIONS			-
EXPENSES			
Program services for university	860,518	104,062	964,580
Supporting services:			
Management and general	93,018	26,827	119,845
Fundraising	10,853	-	10,853
Continuing education expenses	-	57,583	57,583
Scholarships and Grants	-	82,950	82,950
School of Pharmacy	-	17,032	17,032
	<u>964,389</u>	<u>288,454</u>	<u>1,252,843</u>
TOTAL EXPENSES			-
NET INCREASE IN ASSETS	2,279,209	202,988	2,482,197
NET ASSETS, BEGINNING OF YEAR	<u>12,079,676</u>	<u>2,732,859</u>	<u>14,812,535</u>
NET ASSETS, END OF YEAR	<u>\$ 14,358,885</u>	<u>\$ 2,935,847</u>	<u>\$ 17,294,732</u>

See notes to financial statements.

Independent Auditors' 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
Southwestern Oklahoma State University
Oklahoma City, Oklahoma

We have audited the financial statements of Southwestern Oklahoma State University (the "University"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 13, 2009. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the University's discretely presented component units, Southwestern Oklahoma State University Foundation, Inc. (the "University Foundation") and Southwestern Pharmacy Alumni Foundation, Inc. (the "Pharmacy Foundation") as described in our report on the University's financial statements. The financial statements of the University Foundation and Pharmacy Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency 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 misstatements on a time basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatements, we performed tests of 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 non-compliance and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Regents, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
November 13, 2009

Independent Auditors' Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133 and on the
Schedule of Expenditures of Federal Awards

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

Compliance

We have audited the compliance of Southwestern Oklahoma State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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 of America; 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. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, Southwestern Oklahoma State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Southwestern Oklahoma State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended June 30, 2009, and have issued our report thereon dated November 13, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the use of the Board of Regents, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
November 13, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education		
Student Financial Aid Cluster		
Federal Pell Grant Program	84.063	\$ 5,124,141
Federal Supplemental Education Opportunity Grants	84.007	93,237
Federal Workstudy Program	84.033	233,950
Federal Family Education Loan Program	84.032	17,572,219
Academic Competitiveness Grants	84.375	197,771
National Science and Mathematics Access to Retain Talent	84.376	107,848
<i>Total Student Financial Aid Cluster</i>		<u>23,329,166</u>
Other Program		
KESAM	84.367	140,571
TRIO Upward Bound	84.047	375,115
Mathematics and Science Partnerships	84.366	7,225
Total U.S. Department of Education		<u>23,852,077</u>
U.S. Department of Health and Human Services		
Development Disabilities		
CWPEP	93.658	46,788
National Institute of Health	93.389	210,160
Total U.S. Department of Health		<u>256,948</u>
Small Business Administration		
Passed through Southeastern Oklahoma State University		
Small Business Development Center	59.037	133,893
National Science Foundation		
Sure-Step	47.076	83,341
OKAMP	47.076	9,163
Total National Science Foundation		<u>92,504</u>
National Aeronautics and Space Administration		
NASA/Fellowship/Career workforce	43.001	40,456
U.S. Department of Interior		
Bureau of Indian Affairs	15.114	20,176

See notes to Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Commerce		
Manufacturing Extension Partnership	11.611	41,857
Economic Development Technical Assistance	11.303	<u>83,102</u>
Total U.S. Department of Commerce		124,959
U.S. Department of Agriculture		
Upward Bound Child Nutrition Program	10.559	6,799
National School Lunch Program	10.555	<u>143,999</u>
Total U.S. Department of Agriculture		150,799
U.S. Department of Labor		
Western OK Business and Com	17.261	56,671
U.S. Department of Justice		
RUSO-Violence Protection Program	16.525	52,116
Bullet Proof Vest Program	16.607	<u>(442)</u>
Total U.S. Department of Justice		51,674
North Carolina Campus Connect	94.007	<u>500</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 24,780,657</u></u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

I. Summary of significant accounting policies

The schedule of expenditures of federal awards include 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.

II. Federal Family Education Loan

The University participates in the Federal Family Education Loan Program (the FFEL Program), CFDA number 84.032, which includes the Federal Stafford Loan Program, Federal Parents Loans for Undergraduate Students. The FFEL Program does not require the University to draw down cash; however, the University is required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may require the University to reimburse the loan guarantee agencies.

III. Sub-recipients

During the year ended June 30, 2009, the University provided federal awards to sub-recipients through two awards: U.S. Department of Labor award for Western Oklahoma Business and Commercialization Center and the U.S. Department of Commerce for Economic Development Administration.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Program / Cluster</u>	<u>CFDA Number</u>
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: \$743,420

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

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

None to report for the June 30, 2009 period.

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

None to report for the June 30, 2009 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SOUTHWESTERN OKLAHOMA STATE UNIVERSITY

June 30, 2009

No matters were reportable.