

Oregon State University

Fiscal Year 2015

Financial Statement and Compliance Audit



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Agenda

Introductions

Responsibilities under Auditing Standards

Scope of Engagements

Engagement Results

Required Governance Communications

Emerging Developments

Questions

Responsibilities under US Generally Accepted Standards (GAAS)

- Responsible for:
 - Expressing an opinion on whether financial statements are in conformity with U.S. Generally Accepted Accounting Principles in all material respects.
 - Expressing an opinion only over information identified in our report.
 - Performing audit in accordance with required auditing standards (Government Auditing Standards, former OMB Circular A-133).
 - Communication of significant matters related to audit, information required by law/regulations, or other information agreed upon with the University.

Responsibilities under GAAS

- An audit in accordance with GAAS:
 - Does not relieve management of responsibilities.
 - Includes consideration of internal control as basis for financial audit procedures, but not to opine on effectiveness of internal controls.
 - ◇ Required to report material weaknesses and significant deficiencies noted during the course of our audit.
 - Is designed to obtain reasonable, but not absolute, assurance about whether statements are free of material misstatement.

Generally Accepted Government Auditing Standards

- Increased auditing standards versus GAAS.
- Design audit to provide reasonable assurance (but not absolute) of detecting material misstatements that result from noncompliance.
- Audit committee required communications
 - Nature and extent of planned testing and reporting on compliance with laws and regulations and internal control over financial reporting.
- Additional reporting requirements
 - Report on Compliance with Laws and Regulations on Internal Control Over Financial Reporting
 - Fraud/illegal acts

OMB Circular A-133

- An audit in accordance with OMB Circular A-133:
 - An opinion on whether University complied, in all material respects, with compliance requirements of major programs tested.
 - Includes consideration of internal control as basis for financial audit procedures, but not to opine on effectiveness of internal controls
 - Evaluation of presentation of the schedule of expenditures of federal awards accompanying financial statements in relation to financial statements as a whole.

Scope of Engagements

Fiscal Year
2015
Financial
Statement
Audit

NCAA
Agreed
Upon
Procedures

OMB
Circular A-
133 Single
Audit

Engagement Results

- Financial Statement Audit
 - Unmodified Report
 - GASB Statement No. 68 Implemented
 - Change in entity
 - ◇ First year stand-alone
 - ◇ Separation impact reported



Financial Statements

Opinion – unmodified

Management's Discussion and Analysis

Statements of Net Position

Statements of Revenues, Expenses, and Changes in Net Position

Statements of Cash Flows

Notes to the Financial Statements

Required Supplementary Information

Financial Statements

GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27

Restated FY 2015 to reflect net pension liability and deferred inflow. Net impact - \$74.5 million reduction beginning net assets.

End of FY2015 reflected a Net Pension Asset of \$40.8 million

New disclosures/supplementary information

Note For Next Year

Net Pension Asset of \$40.8 million reported as of 6/30/15 expected to swing to Net Pension Liability for 6/30/16.

Based upon Moro Decision, balance would have been \$47.7 million liability.

See Note 20 for more information.

Change in Entity

Positive impact
to bottom line
of \$224.7 million

Reported as a
“Special Item”
on page 20.
Additional
information also
provided at
Note 18.

Included:

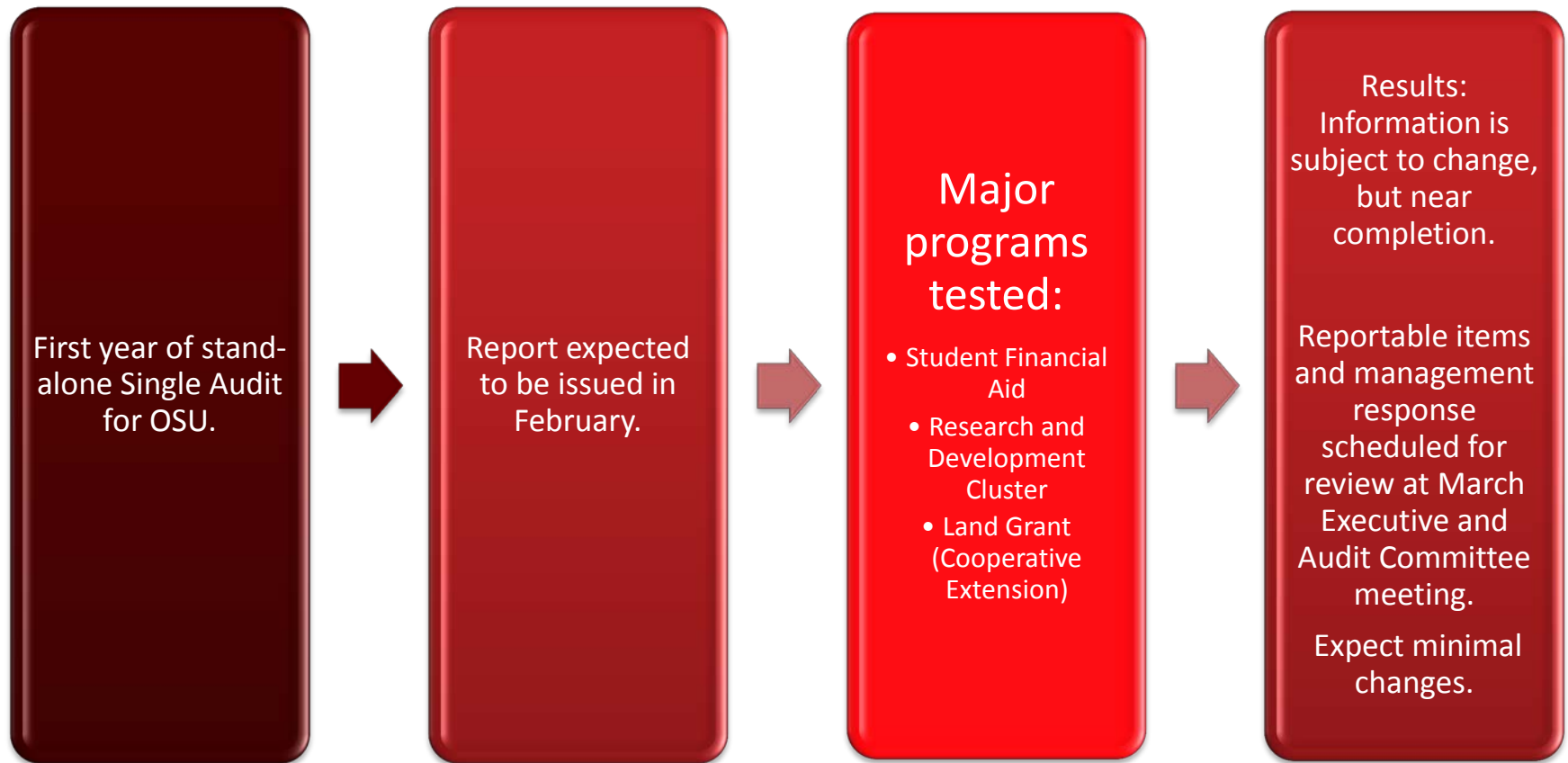
- State paid debt removed: \$223 million
- Cash from closing of OUS: \$3.4 million
- Other: (\$1.9 million)

NCAA Agreed Upon Procedures

- Set of procedures defined by NCAA.
- Some changes in procedures in FY15.
 - One of changes: Agree NCAA Membership Financial Reporting System and athletic squad lists provided by University.
 - Report issued in January 2016. A full review scheduled for the March Executive and Audit committee meeting.



Single Audit Results



Required Communications

- Auditors' Communication with Those Charged with Governance
 - Qualitative Aspects of Accounting Practices
 - ◇ Accounting Policies
 - ◇ Accounting Estimates
 - ◇ Financial Statement Disclosures
 - Difficulties Encountered in Performing the Audit – None
 - Uncorrected Misstatements – See Exhibit
 - Corrected Misstatements – See Exhibit

Required Communications

- Auditors' Communication with Those Charged with Governance (continued)
 - Disagreements with Management – None
 - Management Representations – See Exhibit
 - Management Consultations with other Independent Accountants – None
 - Significant Issues Discussed with Management Prior to Engagement – None
 - Other Audit Findings or Issues – See Management Letter



Required Communications

- Auditors' Communication with Those Charged with Governance (continued)
 - Audits of group financial statements
 - ◇ See Exhibit for passed adjustment related to the Foundation
 - ◇ No other significant matters
 - Quality of component auditor's work
 - ◇ No concerns over component auditor's work
 - Other Information
 - ◇ Limited procedures performed over MD&A and the "Message from the President"

Management Letter – Financial Reporting

No material weaknesses.

No significant deficiencies.

Two other matters:

- Bank Reconciliations
- Capitalized Interest

Emerging Developments

- Perkins Loan Program Extended
- Changes to Single Audit
 - Issuance of the Uniform Grant Guidance regulations
 - Replaces OMB Circular A-133
 - New guidelines effective for awards after December 2014 and Single Audits beginning fiscal year 2016.
 - ◇ Codifying eight circulars into one streamlined set of guidelines.
 - Impact to procurement policies, reporting, SEFA presentation, indirect cost determination, time and effort reporting, etc.
 - Change to audit requirements – Major Program determination and other thresholds.





Questions?



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