Oklahoma Panhandle State University

Financial Statements
with Independent Auditors' Reports

June 30, 2017 and 2016

Contents

INDEPENDENT AUDITOR'S REPORT

Board of Regents
Oklahoma Agricultural and Mechanical Colleges
Oklahoma Panhandle State University
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma Panhandle State University (the University), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2017 the University adopted new accounting guidance, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the Regents that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of the Regents as of June 30, 2017, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 30, 2017

Introduction

The discussion and analysis of Oklahoma Panhandle State University's (the University) financial statements provides an overview of the University's financial activities for the year ended June 30, 2017, with fiscal years 2016 and 2015 data presented for comparative purposes. Since this discussion and analysis is designed to focus on current activities resulting in change and current known facts, it should be read in conjunction with the University's basic financial statements and the footnotes.

Financial Highlights

During 2017, the University implemented GASB 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and restated its July 1, 2016 net position. Due to the fact that complete prior year information was not available, no prior periods presented in the basic financial statements or in this MD&A have been restated for comparative purposes.

<u>Net Position</u>: For the year ended June 30, 2017, the University's net position increased by $60,951 from actual operations and decreased by $179,035 as a result of the GASB 73 implementation for an overall decrease in net position of $118,084. The decrease was in unrestricted net position

For the year ended June 30, 2016, the University's net position increased from $3,716,717 in 2015 to $4,890,115 in 2016. The majority of the increase was in the net investment in capital assets and in restricted for capital projects.

<u>Total Revenues</u>: Total revenues decreased from $21,397,495 for the year ended June 30, 2016 to $20,934,299 for the year ended June 30, 2017. The decrease was due mainly to decreases in appropriations due to state-wide revenue shortfalls and a decrease in overall financial aid revenue.

Total revenues decreased from $22,367,035 for the year ended June 30, 2015 to $21,397,495 for the year ended June 30, 2016. The decrease was due mainly to decreases in appropriations due to state-wide revenue shortfalls.

<u>Total Expenses</u>: Total expenses increased from $20,224,097 for the year ended June 30, 2016 to $20,873,348 for the year ended June 30, 2017. The increase was a result of increased compensation expense due to the accounting for the OTRS net pension obligation.

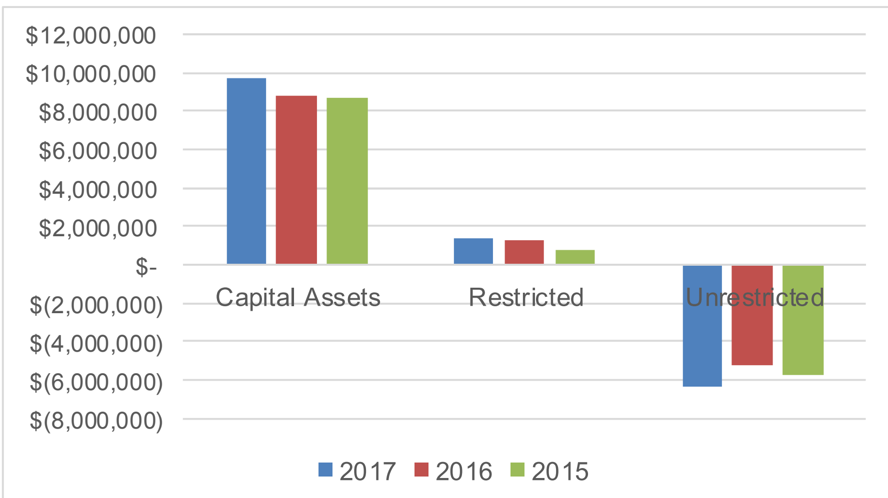
Total expenses decreased from $20,439,435 for the year ended June 30, 2015 to $20,224,097 for the year ended June 30, 2016. The decrease was a result of lower contractual and utilities costs.

<u>Components of Net Position</u>: At June 30, 2017, the University's net position decreased to $4,772,031 from $4,890,115 at June 30, 2016, and $3,716,717 in 2015. Graphically displayed, the comparative net position increases (decreases) by category for the three fiscal years are shown below:

Financial Highlights (continued)

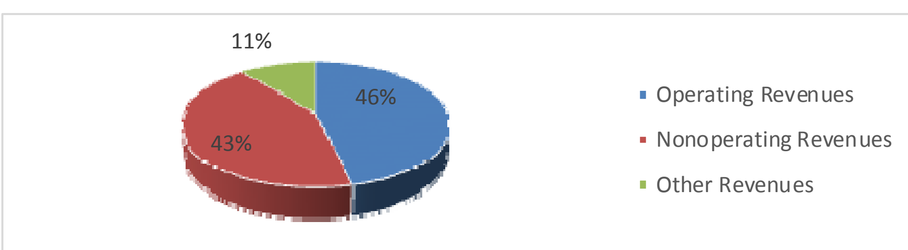
	Net Investment in Capital Assets	Restricted	Unrestricted	Total
FY2017	$ 9,762,503	$ 1,354,016	$ (6,344,488)	$ 4,772,031
FY2016*	8,840,261	1,247,661	(5,197,807)	4,890,115
Change in Net Position	$ 922,242	$ 106,355	$ (1,146,681)	$ (118,084)
FY2016*	$ 8,840,261	$ 1,247,661	$ (5,197,807)	$ 4,890,115
FY2015*	8,667,374	784,461	(5,735,118)	3,716,717
Change in Net Position	$ 172,887	$ 463,200	$ 537,311	$ 1,173,398

* prior year amounts not restated for MD&A purposes



Components of Revenues: The following chart provides a graphical breakdown of revenues by category for the fiscal year ending June 30, 2017:

Operating Revenues	Nonoperating Revenues	Other Revenues	Total Revenues
$ 9,666,453	$ 8,959,132	$ 2,308,714	$ 20,934,299



Using This Annual Report

The annual report consists of three basic financial statements: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows.

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information on the University as a whole and on its activities. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the University operating results.

These two statements report the University's net position and changes in them. The University's net position - assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position - is one way to measure the University's financial health, or financial position. Over time, increases or decreases in the University's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider many other non-financial factors, such as the trend and quality of applicants, freshman class size, student retention, condition of the buildings, and the safety of the campus, to assess the overall health of the institution.

These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Statements of Net Position

The following schedules were prepared from the University's statements of net position, which are presented on an accrual basis of accounting.

For the year ended June 30, 2017, compared to the year ended June 30, 2016, deferred outflows increased and deferred inflows changed due to the changes in the OTRS net pension obligation.

	June 30		Increase	Percent
	2017	2016*	(Decrease)	Change
Assets				
Current assets	$ 4,924,571	$ 5,715,012	$ (790,441)	(13.83%)
Noncurrent assets:				
Restricted cash and cash equivalents	1,257,072	932,477	324,595	34.81%
Capital assets, net of depreciation	22,255,914	22,921,598	(665,684)	(2.90%)
Other	224,978	274,349	(49,371)	(18.00%)
Total assets	$ 28,662,535	$ 29,843,436	$ (1,180,901)	(3.96%)
Deferred outflows	$ 3,620,928	$ 1,081,919	$ 2,539,009	234.68%
Liabilities				
Current liabilities	$ 2,732,136	$ 2,655,960	$ 76,176	2.87%
Noncurrent liabilities	23,686,120	21,726,592	1,959,528	9.02%
Total liabilities	$ 26,418,256	$ 24,382,552	$ 2,035,704	8.35%
Deferred inflows	$ 1,093,176	$ 1,652,688	$ (559,512)	(33.85%)
Net Position				
Net investment in capital assets	$ 9,762,503	$ 8,840,261	$ 922,242	10.43%
Restricted for expendable purposes	1,354,016	1,247,661	106,355	8.52%
Unrestricted	(6,344,488)	(5,197,807)	(1,146,681)	22.06%
Total net position	$ 4,772,031	$ 4,890,115	$ (118,084)	(2.41%)

* prior year amounts not restated for MD&A purposes

For the year ended June 30, 2016, compared to the year ended June 30, 2015, deferred outflows increased and deferred inflows decreased due to the changes related to GASB Statement No. 68.

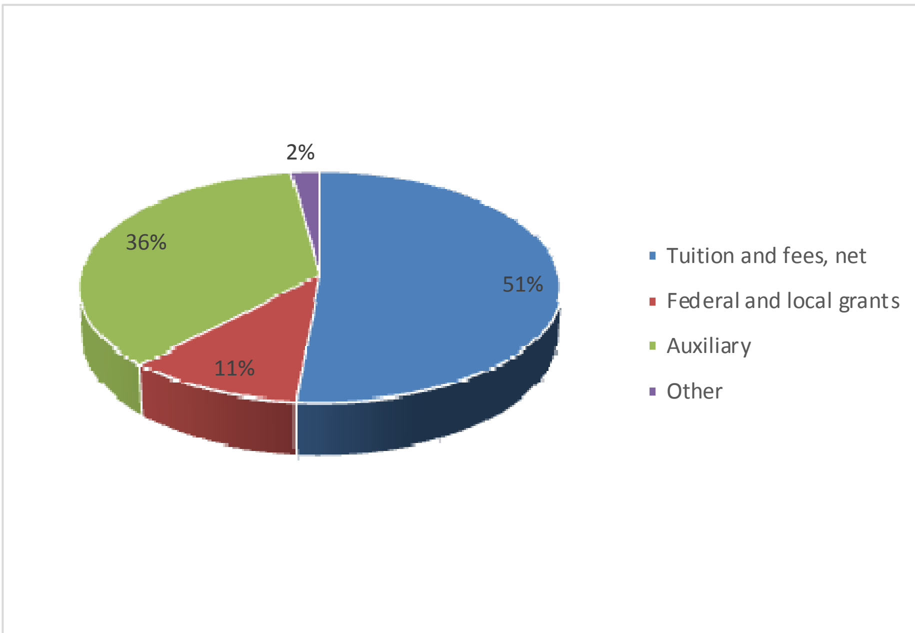
	June 30		Increase	Percent
	2016*	2015*	(Decrease)	Change
Assets				
Current assets	$ 5,715,012	$ 6,106,358	$ (391,346)	(6.41%)
Noncurrent assets:				
Restricted cash and cash equivalents	932,477	442,267	490,210	110.84%
Capital assets, net of depreciation	22,921,598	23,915,070	(993,472)	(4.15%)
Other	274,349	253,177	21,172	8.36%
Total assets	$ 29,843,436	$ 30,716,872	$ (873,436)	(2.84%)
Deferred outflows	$ 1,081,919	$ 710,790	$ 371,129	52.21%
Liabilities				
Current liabilities	$ 2,655,960	$ 2,468,392	$ 187,568	7.60%
Noncurrent liabilities	21,726,592	22,777,599	(1,051,007)	(4.61%)
Total liabilities	$ 24,382,552	$ 25,245,991	$ (863,439)	(3.42%)
Deferred inflows	$ 1,652,688	$ 2,464,954	$ (812,266)	(32.95%)
Net Position				
Net investment in capital assets	$ 8,840,261	$ 8,667,374	$ 172,887	1.99%
Restricted for expendable purposes	1,247,661	784,461	463,200	59.05%
Unrestricted	(5,197,807)	(5,735,118)	537,311	(9.37%)
Total net position	$ 4,890,115	$ 3,716,717	$ 1,173,398	31.57%

* prior year amounts not restated for MD&A purposes

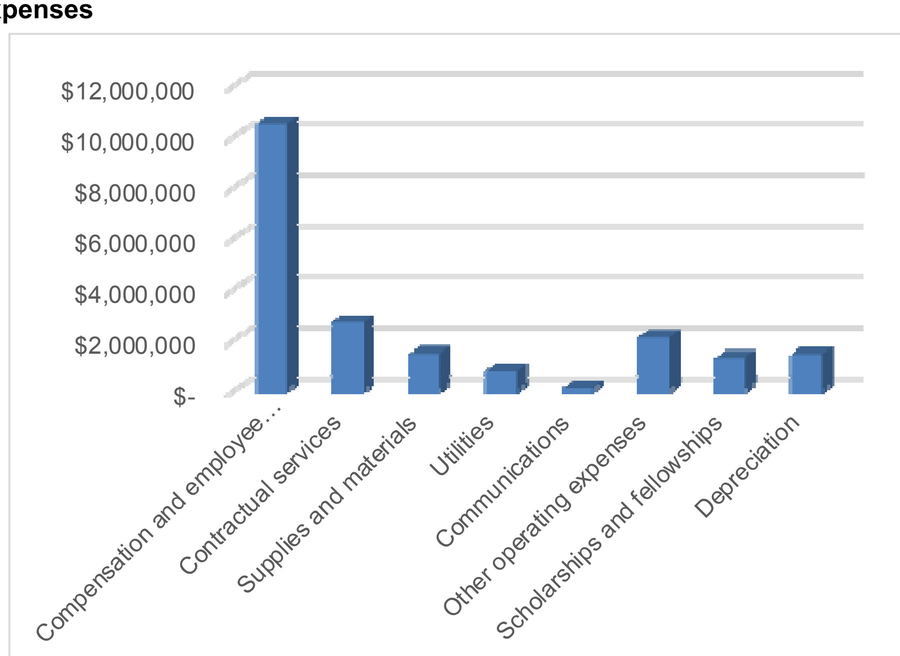
Statements of Revenues, Expenses and Changes In Net Position

Operating revenues and expenses for the fiscal year ended June 30, 2017, were as follows:

Operating Revenues



Operating Expenses



	2017	2016*	Increase (Decrease)	Percentage Change	2015*	Increase (Decrease)	Percentage Change
Operating revenues:							
Tuition and fees, net	$ 4,947,650	$ 4,890,058	$ 57,592	1.18%	$ 5,117,181	$ (227,123)	(4.44%)
Federal and local grants	1,029,969	1,169,219	(139,250)	(11.91%)	1,147,613	21,606	1.88%
Auxiliary	3,435,564	3,581,978	(146,414)	(4.09%)	3,423,818	158,160	4.62%
Other	253,270	180,392	72,878	40.40%	324,985	(144,593)	(44.49%)
Total operating revenue	9,666,453	9,821,647	(155,194)	(1.58%)	10,013,597	(191,950)	(1.92%)
Less operating expenses	20,373,054	19,637,644	735,410	3.74%	19,939,755	(302,111)	(1.52%)
Net operating loss	(10,706,601)	(9,815,997)	(890,604)	9.07%	(9,926,158)	110,161	(1.11%)
Nonoperating revenue:							
State appropriation	6,004,661	6,444,629	(439,968)	(6.83%)	7,344,045	(899,416)	(12.25%)
On-behalf appropriations for OTRS	433,582	478,969	(45,387)	(9.48%)	480,975	(2,006)	(0.42%)
Federal and state grants	2,263,770	2,638,265	(374,495)	(14.19%)	2,650,898	(12,633)	(0.48%)
Other nonoperating revenue	167,055	-	167,055	100.00%	26,677	(26,677)	(100.00%)
Investment income	90,064	99,969	(9,905)	(9.91%)	89,838	10,131	11.28%
Interest expense	(500,294)	(586,453)	86,159	(14.69%)	(499,680)	(86,773)	17.37%
Net nonoperating revenue	8,458,838	9,075,379	(616,541)	(6.79%)	10,092,753	(1,017,374)	(10.08%)
Other revenues, expenses, gains and losses:							
State appropriations restricted for capital purposes	1,112,009	1,051,848	60,161	5.72%	1,097,904	(46,056)	(4.19%)
On-behalf appropriations for OCIA capital leases	1,196,705	862,168	334,537	38.80%	663,101	199,067	30.02%
Total other gains, losses, revenues and expenses	2,308,714	1,914,016	394,698	20.62%	1,761,005	153,011	8.69%
Change in net position	60,951	1,173,398	(1,112,447)	(94.81%)	1,927,600	(754,202)	(39.13%)
Net position, beginning as previously reported	4,890,115	3,716,717	1,173,398	31.57%	1,789,117	1,927,600	107.74%
Cummulative effect of implementing GASB No. 73	(179,035)	-	(179,035)	100.00%	-	-	- %
Net position, beginning (restated)	4,711,080	3,716,717	994,363	26.75%	1,789,117	1,927,600	107.74%
Net position, ending	$ 4,772,031	$ 4,890,115	$ 876,279	17.92%	$ 3,716,717	$ 3,100,998	83.43%

* prior year amounts not restated for MD&A purposes

Statements of Cash Flows

Another way to assess the financial health of an institution is to look at the Statements of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statements of Cash Flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

	Years Ended June 30		
	2017	2016	2015
Cash Provided by (Used in):			
Operating activities	$ (8,583,246)	$ (8,604,196)	$ (8,632,729)
Noncapital financing activities	8,261,574	9,049,873	10,021,724
Investing activities	86,337	91,825	87,179
Capital and related financing activities	(404,953)	(352,592)	(498,091)
Net increase (decrease) in cash	(640,288)	184,910	978,083
Cash and cash equivalents:			
Beginning	5,866,697	5,681,787	4,703,704
Ending	$ 5,226,409	$ 5,866,697	$ 5,681,787

Summary of Net Position

Although the statements of revenues, expenses, and changes in net position show an increase in net position from operations of $60,951 during fiscal year 2017 this is representative of all activities combined. Management believes that it is important to point out the net change in net position for each major area of the University. This is displayed below.

	2017	2016*	2017 vs. 2016 Increase (Decrease)	2017 vs. 2016 Percentage Change	2015*	2016 vs. 2015 Increase (Decrease)	2016 vs. 2015 Percentage Change
Educational and general	$ 1,711,857	$ 2,868,577	$ (1,156,720)	(40.32%)	$ 2,995,417	$ (126,840)	(4.23%)
Auxiliary operations	1,724,401	1,639,813	84,588	5.16%	1,637,778	2,035	0.12%
Pension Obligation	(9,780,746)	(9,706,197)	(74,549)	0.77%	(10,368,313)	662,116	(6.39%)
Restricted net position	259,315	222,169	37,146	16.72%	263,844	(41,675)	(15.80%)
Net positon restricted							
for capital projects	1,094,701	1,025,492	69,209	6.75%	520,617	504,875	96.98%
Capital assets	9,762,503	8,840,261	922,242	10.43%	8,667,374	172,887	1.99%
	$ 4,772,031	$ 4,890,115	$ (118,084)	(2.41%)	$ 3,716,717	$ 1,173,398	31.57%

*prior year amounts not restated for MD&A purposes

The unrestricted net position category contains all activity associated with the implementation and reporting of GASB Statement No. 68 Accounting and Financial Reporting for Pensions.

Capital Assets

At June 30, 2017, the University has approximately $22.3 million invested in capital assets, net of accumulated depreciation of $30.6 million. Depreciation charges totaled $1,453,027 for the year ended June 30, 2017, compared to $1,484,144 for the year ended June 30, 2016, and $1,609,571 for the year ended June 30, 2015. Details of these assets for the three years are shown below.

	Year Ended June 30		
	2017	2016	2015
Capital assets:			
Land	$ 361,163	$ 361,163	$ 361,163
Construction in progress	637,383	21,517	273,263
Non-major infrastructure	9,976,218	9,976,218	9,583,369
Land improvements	1,535,403	1,535,403	1,535,403
Buildings	31,788,421	31,694,949	31,672,802
Furniture, fixtures, and equipment	6,479,282	6,437,997	6,594,226
Library materials	2,055,843	2,057,565	1,832,324
Total capital assets	52,833,713	52,084,812	51,852,550
Less accumulated depreciation	30,577,799	29,163,214	27,937,480
Net capital assets	$ 22,255,914	$ 22,921,598	$ 23,915,070

Outstanding Debt

For the year ended June 30, 2017, the University had $12,145,825 in debt outstanding, compared to $13,697,066 at June 30, 2016, and $14,891,820 at June 30, 2015. The table below summarizes these amounts by type.

	Year Ended June 30		
	2017	2016	2015
OCIA-Series 2005F	$ -	$ -	$ 207,862
ODFA-Series 2009 20yr	1,198,250	1,283,500	1,360,667
ODFA-Series 2009 15yr	164,250	186,834	206,917
OCIA-Series 2010A	695,541	1,376,150	1,772,613
ODFA-Series 2011	796,000	815,000	836,000
OCIA-Series 2014A	3,574,767	3,831,646	3,831,646
ODFA-Series 2014A-2002	996,416	1,178,833	1,355,333
ODFA-Series 2014A-2004A	840,000	945,250	1,046,583
ODFA-Series 2014B	3,823,834	4,005,417	4,183,917
OCIA-Series 2014B	56,767	74,436	90,282
Total capital leases	$ 12,145,825	$ 13,697,066	$ 14,891,820

Component Unit

Panhandle State Foundation (the Foundation) meets the criteria for inclusion as a discretely presented component unit of the University. The most recent financial statements of the Foundation are included under the heading "Foundation".

Summary

The University's Educational & General Fund ended the year with a decrease of $1,195,344 in net position or 41.67%. The University's Educational & General Fund ended the year with net reserves of 12.8% of Educational & General Fund expenditures.

The University ended fiscal year 2017 with an overall decrease of $118,084 in total net position. This is a 2.4% decrease in overall net position. This overall decrease in net position was the combination of an increase from current year activity of $60,951 and a decrease as a result of the implementation of GASB 73 of $179,035, which shows up in unrestricted net position.

The fall 2017 enrollment for the University was a head count of 1,153, which is a 5.8% decrease from the fall 2016 of 1,224. This follows a decrease of 1.7% in headcount for the fall 2016 headcount of 1,224 over the fall 2015 headcount of 1,245. Credit hours are down for the fall of 2017 from the fall of 2016 by 2.9% and were down by 3.1% for the fall of 2016 over the fall of 2015.

Contacting the University's Financial Management

The University's financial statements are designed to provide financial statement readers with a general overview of the University's finances and to show accountability for the money it receives. If you have questions about the University's financial statements or need additional financial information, contact the Business Office at P. O. Box 430, Goodwell, OK 73939.

Oklahoma Panhandle State University
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Net Position

	University		Foundation	
	June 30		December 31	
Assets	2017	2016	2016	2015
Current Assets:				
Cash and cash equivalents	$ 3,868,786	$ 4,651,409	$ 433,638	$ 247,353
Restricted cash and cash equivalents	100,551	282,811	-	-
Certificates of deposit	-	-	160,000	160,000
Accounts receivable, net	334,220	298,688	-	-
Grants receivable	179,593	-	-	-
Interest receivable	7,034	7,585	946	946
Inventories	434,387	474,519	-	-
Total current assets	4,924,571	5,715,012	594,584	408,299
Noncurrent Assets:				
Restricted cash and cash equivalents	1,257,072	932,477	-	-
Investments	158,258	153,980	13,052,476	10,145,361
Student loans receivable, net	66,720	80,792	-	-
Net pension asset	-	39,577	-	-
Other assets	-	-	25,722	45,500
Capital assets, net	22,255,914	22,921,598	272	1,243
Total noncurrent assets	23,737,964	24,128,424	13,078,470	10,192,104
Total assets	$ 28,662,535	$ 29,843,436	$ 13,673,054	$ 10,600,403
Deferred Outflows of Resources				
Deferred outlfows related to pensions	$ 3,620,928	$ 1,081,919	$ -	$ -
Total deferred outflows	$ 3,620,928	$ 1,081,919	$ -	$ -

(Continued)

Oklahoma Panhandle State University
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Net Position (Continued)

	University		Foundation	
	June 30		December 31	
Liabilities and Net Position	2017	2016	2016	2015
Current Liabilities:				
Accounts payable	$ 501,672	$ 245,874	$ -	$ -
Accrued liabilities	269,759	280,771	-	-
Unearned revenues	206,268	158,262	-	-
Student and other deposits	143,731	134,161	189,920	182,063
Accrued compensated absences	265,325	266,329	7,520	7,520
Current portion of noncurrent liabilities	1,345,381	1,570,563	-	-
Total current liabilities	2,732,136	2,655,960	197,440	189,583
Noncurrent Liabilities, net of current portion:				
Accrued OPEB obligation	40,909	40,710	-	-
Federal loan program contributions refundable	27,664	34,521	-	-
Net pension obligation	12,643,504	9,324,270	-	-
Premium on capital lease obligation	146,610	173,599	-	-
Capital lease obligations	10,827,433	12,153,492	-	-
Total noncurrent liabilities	23,686,120	21,726,592	-	-
Total liabilities	$ 26,418,256	$ 24,382,552	$ 197,440	$ 189,583
Deferred Inflows of Resources,				
Deferred credit on OCIA lease restructure	$ 173,987	$ 188,842	$ -	$ -
Deferred inflows related to pensions	919,189	1,463,846	-	-
Total deferred inflows	$ 1,093,176	$ 1,652,688	$ -	$ -
Net Position:				
Net investment in capital assets	$ 9,762,503	$ 8,840,261	$ -	$ -
Restricted:				
Nonexpendable - scholarships and other	-	-	4,576,276	4,480,902
Expendable:				
Scholarships, research, instruction and other	30,117	35,467	502,103	333,095
Loans	229,198	186,702	-	-
Capital projects	1,094,701	1,025,492	-	-
Debt service				
Unrestricted	(6,344,488)	(5,197,807)	8,397,235	5,596,823
Total net position	$ 4,772,031	$ 4,890,115	$ 13,475,614	$ 10,410,820

See notes to financial statements.

Oklahoma Panhandle State University
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Revenues, Expenses and Changes in Net Position

	University		Foundation	
	Year Ended June 30,		Year Ended December 31,	
	2017	2016	2016	2015
Operating revenues:				
Student tuition and fees, net of scholarship discounts and allowances of $5,837,000 and $6,206,000 in 2017 and 2016, respectively	$ 4,947,650	$ 4,890,058	$ -	$ -
Federal grants and contracts	370,749	240,424	-	-
State and local grants and contracts	12,162	22,988	-	-
Non-governmental grants and contracts	647,058	905,807	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances of $246,000 and $261,000 in 2017 and 2016, respectively	1,000,388	1,106,685	-	-
Food service, net of scholarship discounts and allowances of $61,000 and $65,000 in 2017 and 2016, respectively	775,192	850,624	-	-
Bookstore	543,302	564,239	-	-
Athletics	217,497	145,561	-	-
All other	899,185	914,869	-	-
Gifts and contributions	-	-	769,641	672,635
Other operating revenues	253,270	180,392	-	-
Total operating revenues	9,666,453	9,821,647	769,641	672,635
Operating expenses:				
Compensation and employee benefits	10,492,167	9,499,045	97,864	93,370
Contractual services	2,704,932	2,669,151	12,915	11,035
Supplies and materials	1,460,755	1,479,305	2,059	3,074
Utilities	779,692	750,684	-	-
Communications	82,099	113,680	-	-
Other operating expenses	2,088,589	1,895,043	23,532	18,900
Scholarships and fellowships	1,311,793	1,746,592	734,900	680,264
Depreciation	1,453,027	1,484,144	971	971
Total operating expenses	20,373,054	19,637,644	872,241	807,614
Operating loss	(10,706,601)	(9,815,997)	(102,600)	(134,979)
Nonoperating revenues (expenses):				
State appropriations	6,004,661	6,444,629	-	-
On-behalf contributions to OTRS	433,582	478,969	-	-
Federal grants	1,938,562	2,265,311	-	-
State grants	325,208	372,954	-	-
Contributions and other nonoperating revenues	167,055	-	-	-
Net realized and unrealized gains and losses on investments	-	-	2,610,086	(1,271,883)
Investment income	90,064	99,969	557,308	529,099
Interest expense	(500,294)	(586,453)	-	-
Net nonoperating revenues (expenses)	8,458,838	9,075,379	3,167,394	(742,784)
Gains (loss) before other revenues, expenses, gains and losses	(2,247,763)	(740,618)	3,064,794	(877,763)
State appropriations restricted for capital purposes	1,112,009	1,051,848	-	-
On-behalf payments for OCIA capital leases	1,196,705	862,168	-	-
Change in net position	60,951	1,173,398	3,064,794	(877,763)
Net position, beginning (as previously reported)	4,890,115	3,716,717	10,410,820	11,288,583
Cummulative effect of implementing GASB No. 73	(179,035)	-	-	-
Net position, beginning (restated)	4,711,080	3,716,717	10,410,820	11,288,583
Net position, ending	$ 4,772,031	$ 4,890,115	$ 13,475,614	$ 10,410,820

See notes to financial statements.

Oklahoma Panhandle State University
(An Organizational Unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges)
Statements of Cash Flows

	Year Ended June 30, 2017	Year Ended June 30, 2016
Cash Flows from Operating Activities:		
Student tuition and fees	$ 5,258,564	$ 4,920,000
Grants and contracts	850,376	1,169,219
Auxiliary enterprise charges	3,137,124	3,594,023
Other operating receipts	267,342	172,292
Payments to employees for salaries and benefits	(9,974,292)	(9,732,948)
Payments to suppliers	(8,122,360)	(8,726,782)
Net cash used in operating activities	(8,583,246)	(8,604,196)
Cash Flows from Noncapital Financing Activities:		
State appropriations	6,004,661	6,444,629
Federal and state grants	2,256,913	2,605,244
Federal direct student loans receipts	3,626,462	3,799,657
Federal direct student loans disbursements	(3,626,462)	(3,799,657)
Net cash provided by noncapital financing activities	8,261,574	9,049,873
Cash Flows from Capital and Related Financing Activities:		
Cash paid for capital assets	(787,343)	(513,795)
Capital grants and gifts received	1,279,064	1,051,848
Interest paid on capital debt and leases	(300,590)	(316,062)
Principal payments on capital debt	(596,084)	(574,583)
Net cash used in capital and related financing activities	(404,953)	(352,592)
Cash Flows from Investing Activities:		
Sale (purchase) of investments	(4,278)	(7,581)
Interest received on investments	90,615	99,406
Net cash provided by investing activities	86,337	91,825
Net increase (decrease) in cash and cash equivalents	(640,288)	184,910
Cash and cash equivalents:		
Beginning	5,866,697	5,681,787
Ending	$ 5,226,409	$ 5,866,697

(Continued)

Oklahoma Panhandle State University
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Cash Flows (Continued)

	Year Ended June 30,	
	2017	2016
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities:		
Operating loss	$ (10,706,601)	$ (9,815,997)
Adjustments to reconcile operating loss		
to net cash used in operating activities:		
Depreciation and amortization	1,453,027	1,484,144
Net loss on disposal of fixed assets	-	23,123
On-behalf contributions to teachers' retirement system	433,582	478,969
Changes in operating assets and liabilities:		
Accounts and other receivables	(35,532)	32,548
Inventories	40,132	(77,485)
Other assets	(165,521)	(5,491)
Deferred outflows related to pensions	(2,539,009)	(441,367)
Accounts payable and accrued liabilities	244,985	(62,141)
Net pension obligation	3,179,776	576,662
Deferred inflows related to pensions	(544,657)	(797,411)
Unearned revenue	48,006	1,339
Compensated absences	(1,004)	(19,429)
Student and other deposits	9,570	18,340
Net cash used in operating activities	$ (8,583,246)	$ (8,604,196)
Noncash Investing, Noncapital Financing and		
Capital and Related Financing Activities:		
Interest on capital debt paid by state		
agency on behalf of the University	$ 241,548	$ 241,997
Principal on capital debt paid by state		
agency on behalf of the University	955,157	620,171
Reconciliation of Cash and Cash Equivalents		
to the Statements of Net Position:		
Current assets:		
Cash and cash equivalents	$ 3,868,786	$ 4,651,409
Restricted cash and cash equivalents	100,551	282,811
Noncurrent assets:		
Restricted cash and cash equivalents	1,257,072	932,477
Total cash and cash equivalents	$ 5,226,409	$ 5,866,697

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of operations: Oklahoma Panhandle State University (the University) is a baccalaureate degree-granting institution established by an act of the Oklahoma State Legislature in 1909. The University's mission is to provide higher education primarily for the people of the Oklahoma Panhandle and surrounding areas through academic programs, cultural enrichment, lifelong learning experiences and public service activities. The University is under the governance of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Board of Regents).

Reporting entity: The University is one of five institutions of higher education in Oklahoma that comprise the Oklahoma Agricultural and Mechanical Colleges, which in turn is part of the Higher Education component unit of the State of Oklahoma.

The Board of Regents has constitutional authority to govern, control and manage the Oklahoma Agricultural and Mechanical Colleges, which consists of Connors State College, Langston University, Northeastern Oklahoma A&M College, Oklahoma Panhandle State University and Oklahoma State University. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, acquire and take title to real and personal property in its name, and appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

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

Prior to fiscal year 2015, the University reported itself as a component unit of the State of Oklahoma. Based on an evaluation performed by management during 2015, it was determined that the University is not a legally separate entity, and therefore is not a component unit of the State. The University is an organizational unit of the Board of Regents as mentioned above.

Component unit: Panhandle State Foundation (the Foundation) is a legally separate, tax-exempt component unit of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests is restricted to the activities governed by donors, bond documents and/or trustees. Accordingly, resources received and held by the Foundation can only be used by, or for the benefit of, the University. The Foundation is considered a discretely-presented component unit of the University under the definition of GASB Statement No. 39. The Foundation has a December 31st year end and reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information for these differences. The Foundation prepares separate, standalone financial statements which may be obtained by contacting the Foundation's management.

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

Basis of accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements

Note 1. Summary of Significant Accounting Policies (Continued)

have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash equivalents: For purposes of the statements of cash flows, the 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 based on quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

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

A student account receivable and student loan receivable are considered to be past due if any portion of the receivable balance is outstanding for more than 90 days after the end of the semester. Late charges are generally assessed and, when they are assessed, are included in income and trade accounts receivable. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the Department of Education.

Accounts receivable also include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts.

Inventories: Inventories consist primarily of rental books, books and supplies held for resale, and livestock. Rental books are valued at amortized cost, using an average three-year life. Books and supplies held for resale are valued at the lower of cost or market on the first-in, first-out basis. Livestock are valued at estimated current fair market value.

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

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 40 years for buildings, infrastructure and land improvements, and 3 to 10 years for library materials and equipment.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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 Internal Revenue Code Section 511(a)(2)(B).

Note 1. Summary of Significant Accounting Policies (Continued)

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) most federal, state and local grants and contracts; and (4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, student aid revenue and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship discounts and allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the differences 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 or state government 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.

Deferred outflows of resources: Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2017 and 2016, the University's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure and contributions to pensions applicable to a future reporting period.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2017 and 2016, the University's deferred inflows of resources were comprised of credits realized on an OCIA lease restructure and deferred inflows related to net pension obligation.

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

Note 1. Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments:

Beginning net position for fiscal year 2017 was restated as follows:

	Fiscal Year 2017
Beginning net position, as previously reported	$ 4,890,115
Implementation of GASB Statement No. 73	(179,035)
Beginning net positions, restated	$ 4,711,080

New accounting pronouncements adopted in fiscal year 2017: The University adopted the following new accounting pronouncements during the year ended June 30, 2017:

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

GASB Statement 73 established requirements for pensions that are not within the scope of GASB statement nos. 67 and 68; that is pension plans that are not administered through a trust. Accounting for these pension plans is essentially the same as those plans covered by a trust. The University's Supplemental Retirement Plan is subject to this new standard and as a result, the University's beginning net position as of July 1, 2016, has been reduced by $179,035 from its previously reported net position. Amounts for 2016 have not been restated because to do so would be impractical, and therefore is not required under the new standard.

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

GASB Statement No. 74 was issued in June 2015, and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The statement applies primarily to the general purpose external financial reports of state and local government OPEB plans. For OPEB plans that do not issue separate stand-alone general purpose financial statements, additional disclosures are required by the new standard in the sponsoring government's financial statements. The standard did not impact the University's previously reported net position or change in net position.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

GASB No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The University has not determined the impact of this statement; however, it is not expected to be material. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81*, Irrevocable Split-Interest Agreements*

GASB No. 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for fiscal years beginning after December 15, 2016, and should be applied retroactively. The University does not believe that GASB No. 81 will have significant impact on its financial statements.

GASB Statement No. 83*, Certain Asset Retirement Obligations*

GASB No. 83 was issued November 2016, under this statement a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. This Statement is effective for fiscal years beginning after June 15, 2018. The University has not yet determined the impact that implementation of GASB 83 will have on its net position.

GASB Statement 84*, Fiduciary Activities*

GASB No. 84 was issued January 2017, and establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for fiscal years beginning after December 15, 2018. The University has not yet determined the impact that implementation of GASB 84 will have on its net position.

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement 85*, Omnibus 2017*

GASB No. 85, issued March 2017, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for fiscal years beginning after June 15, 2017. The University has not yet determined the impact that implementation of GASB 85 will have on its net position.

GASB Statement 86*, Certain Debt Extinguishment Issues*

GASB No. 86 was issued May 2017. The primary objective of this Statement is to improve the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for fiscal years beginning after June 15, 2017. The University has not yet determined the impact that implementation of GASB 86 will have on its net position.

GASB Statement 87*, Leases*

GASB No. 87 was issued June 2017. The primary objective of this Statement is to increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about activities. This Statement is effective for fiscal years beginning after December 15, 2019. The University has not yet determined the impact that implementation of GASB 87 will have on its net position.

Note 2. Deposits and Investments

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

Oklahoma Statutes require the State Treasurer to ensure that all State funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations. The University's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State's name.

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

The University's carrying amount of the deposits with the State Treasurer and other financial institutions was as follows at June 30:

	2017	2016
Deposits with the State Treasurer	$ 5,191,589	$ 5,831,783
U.S. financial institutions	14,820	14,914
Change funds	20,000	20,000
TOTAL DEPOSITS	$ 5,226,409	$ 5,866,697

The differences between the bank balances of deposits and the related carrying amounts were generally not significant and are due to outstanding checks and deposits in-transit.

Of the $5,191,589 and $5,831,783 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2017 and June 30, 2016, respectively, $5,056,847 and $4,947,940, respectively, represent amounts held within *OK INVEST,* an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that 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's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at *http://www.ok.gov/treasurer/*. After evaluation of the use and purpose of the University's participation in the internal investment pool, the amount on deposit with OK INVEST is treated as demand accounts and reported as cash equivalents.

At June 30, 2017, and 2016, the University also held nonnegotiable certificates of deposit totaling $55,688 and $54,701, respectively. These deposits are either fully insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank. These certificates of deposit are maintained through an investment brokerage firm. For financial reporting purposes, these deposits have been classified as investments.

Note 2. Deposits and Investments (Continued)

Fair Value Measurement: GASB establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs consist of unobservable inputs which are used when observable inputs are unavailable and reflect an entity's own assumptions about the assumptions that the market participants would use in pricing the assets or liabilities. Real Estate held as investments would be valued as level 3 inputs.

The following is a summary of financial assets measured at fair value on a recurring basis as of June 30:

Types of Investment	Fair Value Heirarchy	Credit Rating	Maturities	2017	2016
Municipal bonds	Level 2	AA	More than 10 years	$ 23,681	$ 22,480
US Agency mortgage-backed securities	Level 2	Aaa	More than 10 years	37,104	49,488
Certificates of deposit	N/A	N/A	Less than One	55,688	54,701
Money market funds	N/A	N/A	Less than One	41,785	27,311
Total investments				$ 158,258	$ 153,980

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

Concentration of credit risk: All United States government obligations are held by the Federal Reserve Bank in the name of the University. The majority of the University's certificates of deposits were invested through the State Treasurer.

The Board has authorized short-term funds to be invested in any security currently available through the State Treasurer's office. Generally, these include direct obligations of the United States government and its agencies, certificates of deposit and demand deposits.

Note 3. Accounts Receivable

Accounts receivable relate to tuition and fee charges to students and to auxiliary services provided to students, faculty and staff. Accounts receivable consisted of the following at June 30:

	2017	2016
Student tuition and fees	$ 375,671	$ 402,390
Auxiliary enterprises and other student activities	647,750	349,266
Federal and state agencies	-	45
	1,023,421	751,701
Less: allowance for doubtful accounts	(689,201)	(453,013)
Accounts receivable, net	$ 334,220	$ 298,688

Note 4. Loans Receivable

The University makes loans to students through the Federal Perkins Loan Program (the Program). Under the Program, the federal government provides funds for approximately 75% of the total contribution for student loans with the University providing the balance. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993, under the program. No reimbursements are provided for loans originated after this date. Amounts refundable to the U.S. government upon cessation of the Program of $27,664 and $34,521 at June 30, 2017 and 2016, respectively, are reflected in the accompanying statements of net position as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the Department of Education. The allowance for uncollectible loans only applies to University-funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans.

The University also makes loans to students through the I.L. Ennis Loan Fund, a private loan program. The University provides administrative services to the I.L. Ennis Loan Fund (the Loan Fund) in exchange for financial assistance for the students.

Note 4. Loans Receivable (Continued)

The University has provided an allowance for uncollectible loans which, in management's opinion, is sufficient to absorb loans which will ultimately be written off. Loans receivable consisted of the following at June 30:

	2017		
	Program	Loan Fund	Total
Loans receivable	$ 35,958	$ 289,597	$ 325,555
Less: allowance for uncollectible loans	-	(258,835)	(258,835)
Loans receivable, net	$ 35,958	$ 30,762	$ 66,720

	2016		
	Program	Loan Fund	Total
Loans receivable	$ 35,958	$ 303,135	$ 339,093
Less: allowance for uncollectible loans	-	(258,301)	(258,301)
Loans receivable, net	$ 35,958	$ 44,834	$ 80,792

Note 5. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2017:

	Balance at June 30, 2016	Additions	Transfers	Retirements	Balance at June 30, 2017
Capital assets not being depreciated:					
Land	$ 361,163	$ -	$ -	$ -	$ 361,163
Construction in-progress	21,516	615,866	-	-	637,382
Total capital assets not being depreciated	382,679	615,866	-	-	998,545
Other capital assets:					
Non-major infrastructure networks	9,976,218	-	-	-	9,976,218
Non-structural improvements	1,535,403	-	-	-	1,535,403
Buildings and improvements	31,694,949	93,473	-	-	31,788,422
Equipment	6,437,997	41,285	-	-	6,479,282
Library materials	2,057,566	36,719	-	(38,442)	2,055,843
Total other capital assets	51,702,133	171,477	-	(38,442)	51,835,168
Accumulated depreciation:					
Non-major infrastructure networks	4,838,406	490,461	-	-	5,328,867
Non-structural improvements	860,801	72,825	-	-	933,626
Buildings and improvements	15,907,871	646,479	-	-	16,554,350
Equipment	6,070,077	157,721	-	-	6,227,798
Library materials	1,486,059	85,541	-	(38,442)	1,533,158
Total accumulated depreciation	29,163,214	1,453,027	-	(38,442)	30,577,799
Capital assets, net	$ 22,921,598	$ (665,684)	$ -	$ -	$ 22,255,914

At June 30, 2017, the cost and related accumulated depreciation of assets held under capital lease obligations were as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	$ 11,618,853	$ 4,806,061	$ 2,852,795	$ 19,277,709
Less: accumulated depreciation	(2,799,150)	(1,817,567)	(2,852,795)	(7,469,512)
	$ 8,819,703	$ 2,988,494	$ -	$ 11,808,197

Note 5. Capital Assets (Continued)

Capital asset activity was as follows for the year ended June 30, 2016:

	Balance at June 30, 2015	Additions	Transfers	Retirements	Balance at June 30, 2016
Capital assets not being depreciated:					
Land	$ 361,163	$ -	$ -	$ -	$ 361,163
Construction in-progress	273,263	141,102	(392,849)	-	21,516
Total capital assets not being depreciated	634,426	141,102	(392,849)	-	382,679
Other capital assets:					
Non-major infrastructure networks	9,583,369	-	392,849	-	9,976,218
Non-structural improvements	1,535,403	-	-	-	1,535,403
Buildings and improvements	31,672,802	22,147	-	-	31,694,949
Equipment	6,594,226	54,591	-	(210,820)	6,437,997
Library materials	1,832,324	295,955	-	(70,713)	2,057,566
Total other capital assets	51,218,124	372,693	392,849	(281,533)	51,702,133
Accumulated depreciation:					
Non-major infrastructure networks	4,352,310	486,096	-	-	4,838,406
Non-structural improvements	787,976	72,825	-	-	860,801
Buildings and improvements	15,263,506	644,365	-	-	15,907,871
Equipment	6,040,608	217,166	-	(187,697)	6,070,077
Library materials	1,493,080	63,692	-	(70,713)	1,486,059
Total accumulated depreciation	27,937,480	1,484,144	-	(258,410)	29,163,214
Capital assets, net	$ 23,915,070	$ (970,349)	$ -	$ (23,123)	$ 22,921,598

At June 30, 2016, the cost and related accumulated depreciation of assets held under capital lease obligations were as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	$ 11,618,853	$ 4,806,061	$ 2,852,795	$ 19,277,709
Less: accumulated depreciation	(2,475,242)	(1,558,460)	(2,852,795)	(6,886,497)
	$ 9,143,611	$ 3,247,601	$ -	$ 12,391,212

Note 6. Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2017, was as follows:

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	Current Portion
Capital lease obligations:					
ODFA - Series 2009B 20yr	$ 1,283,500	$ -	$ (85,250)	$ 1,198,250	$ 81,250
ODFA - Series 2009B 15yr	186,834	-	(22,584)	164,250	21,083
OCIA-Series 2010A	1,376,150	-	(680,609)	695,541	695,541
ODFA-Series 2011	815,000	-	(19,000)	796,000	21,000
OCIA-Series 2014A	3,831,646	-	(256,879)	3,574,767	-
ODFA-Series 2014A - 2002	1,178,833	-	(182,417)	996,416	187,500
ODFA-Series 2014A - 2004	945,250	-	(105,250)	840,000	108,333
ODFA-Series 2014B	4,005,417	-	(181,583)	3,823,834	185,500
OCIA-Series 2014B	74,436	-	(17,669)	56,767	18,185
Total capital lease obligations	13,697,066	-	(1,551,241)	12,145,825	1,318,392
Other liabilities:					
Premium	200,588	-	(26,989)	173,599	26,989
Federal loan program contributions	34,521	-	(6,857)	27,664	-
Total other liabilities	235,109	-	(33,846)	201,263	26,989
Total noncurrent liabilities	$ 13,932,175	$ -	$ (1,585,087)	$ 12,347,088	$ 1,345,381

Note 6. Noncurrent Liabilities (Continued)

Noncurrent liability activity for the year ended June 30, 2016, was as follows:

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Current Portion
Capital lease obligations:					
OCIA - Series 2005F	$ 207,862	$ -	$ (207,862)	$ -	$ -
ODFA - Series 2009B 20yr	1,360,667	-	(77,167)	1,283,500	79,167
ODFA - Series 2009B 15yr	206,917	-	(20,083)	186,834	21,000
OCIA-Series 2010A	1,772,613	-	(396,463)	1,376,150	680,609
ODFA-Series 2011	836,000	-	(21,000)	815,000	19,000
OCIA-Series 2014A	3,831,646	-	-	3,831,646	256,879
ODFA-Series 2014A - 2002	1,355,333	-	(176,500)	1,178,833	182,417
ODFA-Series 2014A - 2004	1,046,583	-	(101,333)	945,250	105,250
ODFA-Series 2014B	4,183,917	-	(178,500)	4,005,417	181,583
OCIA-Series 2014B	90,282	-	(15,846)	74,436	17,669
Total capital lease obligations	14,891,820	-	(1,194,754)	13,697,066	1,543,574
Other liabilities:					
Premium	227,577	-	(26,989)	200,588	26,989
Federal loan program contributions	67,542	-	(33,021)	34,521	-
Total other liabilities	295,119	-	(60,010)	235,109	26,989
Total noncurrent liabilities	$ 15,186,939	$ -	$ (1,254,764)	$ 13,932,175	$ 1,570,563

Oklahoma Capital Improvement Authority lease obligations: In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately $6,998,000 to the University. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006, through July 1, 2030, will be $12,223,801.

Payments will be made annually, ranging from $82,033 to $528,546, by the State of Oklahoma on behalf of the University. Concurrent with the allocation, the University entered into a lease agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are provided for capital improvements at the University.

Through June 30, 2014, the University has drawn its total allotment for expenditures incurred in connection with the project. These expenditures have been capitalized as investments in capital assets or recorded as operating expenses, in accordance with the University's policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayments made.

During fiscal year 2011, the University's 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued two new bonds, Series 2010A and 2010B, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. OCIA issued the new Series 2010A and 2010B bonds to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service requirements. Consequently, the University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring extended certain principal payments into the future, resulting in a cost on the restructuring. The University recorded a charge of $623,401 on restructuring as a deferred outflow

Note 6. Noncurrent Liabilities (Continued)

of resources. As of June 30, 2016 the cost was completely amortized. This restructuring resulted in an aggregate difference in principal and interest between the original lease agreement and the restructured lease agreement of $30,810, which approximates the economic cost of the transaction. Obligations relating to the 2010B were extinguished in fiscal year 2015.

During fiscal year 2014, the University's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring resulted in a reduction of principal, thus the University has recorded a credit of $212,623 on restructuring as a deferred inflow of resources that will be amortized over a period of eighteen years. As of June 30, 2017 and 2016 the unamortized gain totaled $170,315 and $183,333, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $496,344, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA related to series 2014A, totaling $1,176,692 and $843,593 during the years ended June 30, 2017, and 2016, respectively, were made by the State of Oklahoma on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

During fiscal year 2015, the University's remaining 2004 lease agreement with OCIA was restructured through a refunding. OCIA issued new bonds, Series 2014B, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring resulted in a reduction of principal, thus the University has recorded a credit of $8,877 on restructuring as a deferred inflow of resources that will be amortized over a period of five years. As of June 30, 2017 and 2016 the unamortized gain totaled $3,672 and $5,509, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $14,560, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA related to series 2014B, totaling $20,013 and $18,575 during the years ended June 30, 2017, and 2016, respectively, were made by the State of Oklahoma on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

Oklahoma Development Finance Authority lease obligations: On August 1, 2009, the University entered into capital lease obligation Series 2009B in the amount of $2,079,000. Lease payments over the term of the agreement, including interest, total $2,963,397. Payments began October 15, 2009, and go through May 15, 2029, and will range from $112,206 to $158,223 annually. Proceeds from the obligation were used for capital expenditures. The University has pledged Section Thirteen revenues to support payments on this lease obligation.

Note 6. Noncurrent Liabilities (Continued)

July 14, 2011, the University entered into capital lease obligation Series 2011 in the amount of $909,000. Lease payments over the term of the agreement, including interest, total $1,684,113. Payments began December 1, 2011, and go through June 1, 2041, and will range from $51,607 to $58,545 annually. Proceeds from the obligation were used for capital expenditures. The University has pledged Section Thirteen revenues to support payments on this lease obligation.

On June 14, 2014, the University entered into capital lease obligation Series 2014A in the amount of $2,693,000 to refinance the 2002 Revenue Bonds and Series 2004A ODFA Capital Lease. Lease payments over the term of the agreement, including interest, total $1,792,941 and $1,385,449, for the 2002A and 2004A, respectively. Payments begin July 15, 2014, and go through May 15, 2022 and 2024 for the 2002A and 2004A, respectively, and will range from $206,773 to $233,039 for the 2002A and $126,518 to $153,888 for the 2004A, annually. The University has pledged Section Thirteen revenues to support payments on this lease obligation. The net present value of the savings for the refinance of the 2002A and 2004A are $238,872 and $146,888, respectively.

On March 10, 2014, the University entered into capital lease obligation Series 2014B in the amount of $4,405,000 to refinance the 2003 A & B Student Housing Revenue Bonds. Lease payments over the term of the agreement, including interest, total $6,138,082. Payments began April 15, 2014, and go through November 15, 2033, and will range from $80,639 to $315,443, annually. The University has pledged Section Thirteen and housing revenues to support payments on this lease obligation. The net present value of the savings for the refinance is $983,343.

Future minimum lease payments under the University's capital lease obligations are as follows at June 30, 2017:

Years Ending June 30:	Principal	Interest	Total
2018	$ 1,318,392	$ 489,033	$ 1,807,425
2019	649,339	438,653	1,087,992
2020	668,995	414,378	1,083,373
2021	666,333	536,534	1,202,867
2022	673,417	366,732	1,040,149
2023-2027	3,884,285	1,410,832	5,295,117
2028-2032	3,465,064	597,991	4,063,055
2033-2037	620,000	101,011	721,011
2038-2041	200,000	25,106	225,106
	$ 12,145,825	$ 4,380,270	$ 16,526,095

Note 7. Retirement Plans

The University's academic and non-academic personnel are covered by various retirement plans. One plan available to University personnel is the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employee retirement system. The University also sponsors a Supplemental Retirement Plan, which is a single-employer public employee retirement system. The University does not maintain the accounting records, hold the investments for, or administer these plans.

Note 7. Retirement Plans (continued)

Summary of Net Pension Obligation

June 30, 2017	Net Pension Obligation	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Obligation	$ 161,019	$ -	$ -	$ 52,431
OTRS Pension Obligation	12,482,485	3,620,928	919,189	1,168,835
Total	$ 12,643,504	$ 3,620,928	$ 919,189	$ 1,221,266

Effective July 1, 2016, the University adopted the provisions of GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 as previously disclosed in Note 1. Because this standard does not require restatement of all periods presented if doing so is impractical, the University has not restated its amounts for fiscal 2016 nor provided similar disclosures for fiscal 2016.

Oklahoma Teachers' Retirement System

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

Benefits provided: OTRS provides retirement, disability, and death benefits to members of the plan. Benefit provisions include:

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

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

Note 7. Retirement Plans (continued)

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

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

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

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

At the election of each eligible member initiating receipt of retirement benefits, the System remits between $100 and $105 per month per eligible retiree to the University for payment of insurance, depending on the members' years of service during 2017.

Contributions: The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 8.55% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the University were $660,704 and $635,443 for June 30, 2017 and 2016, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, of which $433,582 and $478,969 during 2017 and 2016, respectively, was recognized by the University; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: - At June 30, 2017 and 2016, the University reported a liability of $12,482,485 and $9,324,270, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and June 30, 2015. The University's proportion of the net pension liability was based on the University's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2016 and June 30, 2015. Based upon this information, the University's proportion was 0.14957 percent and 0.15354 percent for June 30, 2017 and 2016, respectively.

For the years ended June 30, 2017 and 2016, the University recognized pension expense of $1,168,835 and $452,295, respectively.

Note 7. Retirement Plans (continued)

At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 289,792
Changes of assumptions	1,503,067	-
Net difference between projected and actual earnings on pension plan investments	1,457,157	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	625,717
University contributions during the measurement period	-	3,680
University contributions subsequent to the measurement date	660,704	-
Total	$ 3,620,928	$ 919,189

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 316,709
Changes of assumptions	446,476	-
Net difference between projected and actual earnings on pension plan investments	-	632,547
Changes in proportion and differences between University contributions and proportionate share of contributions	-	514,590
University contributions subsequent to the measurement date	635,443	-
Total	$ 1,081,919	$ 1,463,846

Note 7. Retirement Plans (continued)

The $660,704 and $635,443 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date for June 30, 2017 and 2016, respectively will be recognized as a reduction of the net pension liability in the year ended June 30, 2018 and 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2017			Year ended June 30, 2016		
2018	$	284,652	2017	$	(361,217)
2019		284,652	2018		(361,217)
2020		771,511	2019		(361,217)
2021		577,366	2020		138,572
2022		122,854	2021		(60,730)
Thereafter		-	Thereafter		(11,561)
	$	2,041,035		$	(1,017,370)

<u>Actuarial Assumptions</u>: The total pension liability as of June 30, 2017 and 2016, was determined based on an actuarial valuation prepared as of June 30, 2016 and 2015 respectively, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 2.50% and 3.00% for 2017 and 2016, respectively
- Salary Increases 2017 - Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Salary Increases 2016 - Composed of 3.75% inflation, including 3.00% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50% and 8.00% for 2017 and 2016, respectively.
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Note 7. Retirement Plans (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2017 are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.2%
Domestic Large Cap Equity	10.0%	5.8%
Domestic Mid Cap Equity	13.0%	6.3%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	6.6%
International Small Cap Equity	6.0%	6.6%
Core Plus Fixed Income	17.5%	1.6%
High-yield Fixed Income	6.0%	4.9%
Private Equity	5.0%	8.3%
Real Estate**	7.0%	4.5%
Master Limited Partnerships	7.0%	7.7%
Total	100%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap
** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2016 are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.0%	6.1%
Domestic Small Cap Equity	10.0%	6.6%
International Large Cap Equity	11.5%	5.8%
International Small Cap Equity	6.0%	5.8%
Core Plus Fixed Income	17.5%	1.8%
High-yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
Total	100%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap
** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Note 7. Retirement Plans (continued)

Discount Rate: A single discount rate of 7.50% and 8.00% was used to measure the total pension liability as of June 30, 2016 and June 30, 2015, respectively. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50% and 8.00%, respectively. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the employers calculated using the discount rate of 7.5% and 8% for 2017 and 2016, respectively, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

For June 30, 2017:	1% Decrease to (6.5%)	Current Discount Rate (7.5%)	1% Increase to (8.5%)
Employers' net pension liability	$ 16,341,536	$ 12,482,485	$ 9,252,531
For June 30, 2016	**1% Decrease to (7%)**	**Current Discount Rate (8%)**	**1% Increase to (9%)**
Employers' net pension liability	$ 12,889,832	$ 9,324,270	$ 6,327,252

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

Supplemental Retirement Plan

Plan description: The Supplemental Retirement Plan (the Plan) is a single-employer defined benefit pension plan administered by the University. It guarantees eligible employees a level of retirement benefits. If Social Security and OTRS payments do not equal one-half of the employees highest three years' earnings, the University pays the balance from the current year's operating budget. The authority to establish and amend benefit provisions rests with the Board of Regents. The Plan does not issue a separate financial report, nor is it included in the financial report of another entity.

Funding policy: During the fiscal year ended June 30, 2017, the University made benefit payments of $30,870.

Note 7. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the University reported a liability of $161,019 for its net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017.

For the year ended June 30, 2017 the University recognized pension expense of $52,431.

Schedule of Changes in Total Pension Liability: The University's changes in total pension liability are as follows as of June 30, 2017:

		2017
Beginning net pension liability, as restated pursuant to GASB 73	$	139,458
Interest		4,901
Change of assumptions		2,862
Difference between actual and expected experience		44,668
Benefit payments		(30,870)
Ending net pension liability	$	161,019

Actuarial Assumptions: The total pension liability as of June 30, 2017, was determined based on an actuarial valuation prepared as of June 30, 2017 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Cost of living adjustment – 3.5% per year
- Discount Rate - 3.05% (Based on Bond Buyers General Municipal Bond Index)
- Mortality Rates after Retirement – RP-2000 Combined Mortality Table projected to 2020.

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

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Employers' net pension liability	$ 167,766	$ 161,019	$ 154,796

Note 8. Other Postemployment Insurance Benefits

In addition to pension benefits as described in Note 7, the University pays the life insurance premiums for retired employees until death. 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 OTRS during that time, and elected to receive a vested benefit under the provisions of OTRS. The University funds the payments for this benefit out of current operations. Each retiree is eligible to receive $10,000 of life insurance coverage at a cost to the University of $0.29 per $1,000 of coverage. As of June 30, 2017 and 2016, there were approximately 124 active employees and 56 retirees and 125 active employees and 56 retirees, respectively covered under the life insurance program. Authority to establish and amend benefit provisions rests with the Board of Regents. The OPEB Plan does not issue a stand-alone financial report.

Funding policy: Contribution requirements of the University are established and may be amended by the Board of Regents. All contributions are made by the University. Benefits are funded under a "pay as you go" funding method; however, expenses are recorded as benefits accumulate.

Annual cost and net obligation: The annual required contribution for the current year was determined as part of the June 30, 2017 and 2016, actuarial valuation using the projected unit credit method. The actuarial assumption included a 3.05% investment rate of return and 3.5% investment rate of return, respectively. The assumption also included postretirement benefit increases, which will be funded by the University when granted.

The Plan is an unfunded plan, and accordingly, no assets have been accumulated, and no investment income is earned. The unfunded actuarial accrued liability is being amortized over fifteen years using the level dollar amortization method on a closed basis.

The University's annual life insurance cost and net obligation of the Plan for the years ended June 30 were as follows:

	2017	2016
Annual required contribution	$ 1,898	$ 1,719
Adjustment to annual required contribution	3,279	3,172
Annual pension cost	5,177	4,891
Contributions made	(4,978)	(1,987)
Increase in net pension obligation	199	2,904
Net pension obligation at beginning of year	40,710	37,806
Net OPEB obligation at end of year	$ 40,909	$ 40,710

Note 8. Other Postemployment Insurance Benefits (Continued)

Funded status and funding progress: The funded status of the plan as of June 30, 2017 and 2016, was as follows:

	2017	2016
Actuarial accrued liability (AAL)	$ 40,909	$ 40,710
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 40,909	$ 40,710
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Annual covered payroll (active plan members)	$ 7,517,236	$ 7,434,386
UAAL as a percentage of annual covered payroll	0.54%	0.55%

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

Trend information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2015	$ 11,950	16.3%	$ 37,806
2016	4,891	40.6%	40,710
2017	5,177	96.2%	40,909

Note 9. Funds Held in Trusts by Others

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 of the State of Oklahoma as trustee for the various educational institutions entitled thereto. The University has the right to receive annually approximately 3.7% of the distributions of income produced by Section Thirteen Fund State Educational Institutions assets and New College Fund.

The University received approximately $1,099,000 and $1,036,000 from these funds during the years ended June 30, 2017 and 2016, respectively, which is restricted to the construction or acquisition of buildings, equipment or other capital items. These appropriated amounts are recorded as restricted state appropriations in the statements of revenues, expenses and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for the University, held in trust by the Commissioners of the Land Office, is approximately $19,122,000 and $18,325,000 at June 30, 2017 and 2016, respectively.

Note 10. Panhandle State Foundation

The following is a summary of transactions between the University and the Foundation during the years ended June 30:

	2017	2016
Direct support from the Foundation to the University	$ 220,000	$ 217,625
Scholarships paid directly by the Foundation to University students	204,968	219,575

The following are significant disclosures of the Foundation:

Disclosure about Fair Value of Financial Instruments:

ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs consist of unobservable inputs which are used when observable inputs are unavailable and reflect an entity's own assumptions about the assumptions that the market participants would use in pricing the assets or liabilities. Real estate held as investments would be valued as level 3 inputs.

The following is a summary of financial assets measured at fair value on a recurring basis as of December 31, 2016 and 2015:

	Fair Value Heirarchy	2016	2015
Common stocks	Level 1	$ 5,066,664	$ 3,879,708
Mutual funds	Level 1	4,133,765	2,001,891
Corporate bonds	Level 1	1,249,338	1,419,307
Asset and mortgage backed securities	Level 1	1,124,337	1,324,249
Publicly traded limited partnerships	Level 1	722,254	765,548
Exchange traded and closed end funds	Level 1	2,314	6,933
Interest in perpetual trust	Level 3	753,804	747,725
Total investments		$ 13,052,476	$ 10,145,361

Note 11. Commitments and Contingencies

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. At June 30, 2017 and 2016, there were no pending lawsuits or claims against the University that management believes would result in a material loss to the University in the event of an adverse outcome.

Note 12. Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; employee health, life and accident benefits; and unemployment. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property damage, workers' compensation and unemployment. 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 an annual premium to the pools for its torts, property and workers' compensation insurance coverages. The Oklahoma Risk Management Pool's governing agreement specifies that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

Required Supplementary Information

Oklahoma Panhandle State University

Required Supplementary Information (Unaudited)
June 30, 2017

Schedule of Funding Progress for
Other Postemployment Life Insurance 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)
6/30/2015	$ -	$ 37,806	$ 37,806	0.00%	$ 6,256,982	0.60%
6/30/2016	-	40,710	40,710	0.00%	7,434,386	0.55%
6/30/2017	-	40,909	40,909	0.00%	7,517,236	0.54%

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

As permitted under governmental accounting standards the University obtains an actuarial valuation every other year.

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM (Unaudited)
Last 10 Fiscal Years (a)

	2015 *	2016	2017
University's proportion of the net pension liability	0.1626%	0.1535%	0.1496%
University's proportionate share of the net pension liability	$ 8,747,608	$ 9,324,270	$ 12,482,485
University's covered-employee payroll	$ 7,655,532	$ 7,469,774	$ 7,434,386
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	114%	125%	168%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%

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

Notes to Schedule:

Only years beginning with 2015 are presented because 10-year data is not yet available.
(a) Contributions and covered-employee payroll amounts restated for the early implementation of GASB Statement No. 82

SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM (Unaudited)
Last 10 Fiscal Years

	2015	2016	2017
Contractually required contribution	$ 640,552	$ 635,443	$ 660,704
Contributions in relation to the contractually required contribution	640,552	635,443	660,704
Contribution deficiency (excess)	$ -	$ -	$ -
University's covered-employee payroll	$ 7,469,774	$ 7,434,386	$ 7,517,236
Contribuions as a percentage of covered-employee payroll	9%	9%	9%

Notes to Schedule:

Only years beginning with fiscal 2015 are presented because 10-year data is not yet available.

SCHEDULE OF THE UNIVERSITY'S CHANGE IN TOTAL PENSION LIABILITY
SUPPLEMENTAL RETIREMENT ANNUITY (Unaudited)
Last 10 Fiscal Years

	2017
Beginning net pension liability	139,458
Interest	4,901
Change of assumptions	2,862
Difference between actual and expected experience	44,668
Benefit payments	(30,870)
Ending net pension liability	161,019

Notes to Schedule:

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

Reports Required by
Government Auditing Standards
And OMB Circular

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Regents
Oklahoma Agricultural and Mechanical Colleges
Oklahoma Panhandle State University
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oklahoma Panhandle State University (the "University"), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Regents"), a component unit of the State of Oklahoma, that comprise the statement of net position as of June 30, 2017, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 30, 2017. Our report includes paragraphs related to a change in accounting principle, the reporting entity, and a reference to other auditors who audited the financial statements of Panhandle State Foundation (the "Foundation"), the University's discretely presented component unit, as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Arledge & Associates, P.C.

October 30, 2017

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents
Oklahoma Agricultural and Mechanical Colleges
Oklahoma Panhandle State University
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Oklahoma Panhandle State University's (the "University"), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Regents"), which is a component unit of the State of Oklahoma, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2017. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002, that we consider to be significant deficiencies.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the University as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates, P.C.

October 30, 2017

OKLAHOMA PANHANDLE STATE UNIVERSITY
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
U.S. DEPARTMENT OF EDUCATION			
Student financial assistance cluster			
Federal Pell Grant Program	84.063	N/A	$ 1,887,569
Federal Supplemental Educational Opportunity Grants	84.007	N/A	32,896
Federal Work-Study Program	84.033	N/A	45,016
Federal Perkins Loans	84.038	N/A	35,958
Federal Direct Student Loans	84.268	N/A	3,626,462
Total Student Financial Assistance Cluster			5,627,901
TRIO program cluster			
TRIO- Upward Bound	84.047	N/A	327,288
Total TRIO program cluster			327,288
TOTAL U.S. DEPARTMENT OF EDUCATION			**5,955,189**
U.S. DEPARTMENT OF INTERIOR; FISH AND WILDLIFE SERVICE			
Passed through the Oklahoma Department of Wildlife Conservation			
Wildlife Restoration and Basic Hunter Education Program-Shooting Range Complex	15.611	F17AF00041 (W-186-P-1)	22,476
Total Wildlife Restoration and Basic Hunter Education Program			22,476
TOTAL U.S. DEPARTMENT OF INTERIOR			**22,476**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 5,977,665**

See notes to schedule of expenditures of federal awards.

OKLAHOMA PANHANDLE STATE UNIVERSITY
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

NOTE A--BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Oklahoma Panhandle State University (the “University”) under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C--FEDERAL DIRECT STUDENT LOAN PROGRAM

The University participates in the Federal Direct Loan Program (the “Program”), CFDA number 84.268, which includes the Federal Subsidized Direct Loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan and Federal Direct Loans Parents of Undergraduate Students. The Federal Direct Loan Program requires the University to draw down cash; and the University is required to perform certain administrative functions under the Program. Failure to perform such functions may require the University to reimburse the loan guarantee agencies. The University is not responsible for the collection of these loans. The value of loans made during the audit period are considered Federal awards expended for the audit period.

NOTE D--FEDERAL PERKINS LOANS

The University has $35,958 in Federal Perkins loans outstanding at June 30, 2017. These loan balances outstanding are included as federal expenditures in the Schedule. During the year ended June 30, 2017, the University issued Perkins loans totaling $0.

NOTE E--SUBRECIPIENTS

During the year ended June 30, 2017, the University did not provide any federal awards to subrecipients.

OKLAHOMA PANHANDLE STATE UNIVERSITY
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified? _____ yes __X__ no

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified? __X__ yes _____ no

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __X__ yes _____ no

Identification of major federal programs:

Program	CFDA Number
Student Financial Assistance 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: $750,000

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

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

None to report for the June 30, 2017, period.

Section III--Finding Required to be Reported in Accordance with the Uniform Guidance:

Finding 2017-001 Special Tests and Provisions - Return of Title IV Funds

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.003, 84.379 – Student Financial Assistance Cluster

Criteria: The total number of calendar days in a payment or enrollment period includes all days within the period except for institutionally scheduled breaks of at least five consecutive calendar days including days in which the student was on an approved leave of absence are excluded from the total number of calendar days in a payment period or period of enrollment. (34 CFR Section 668.22(f)). The Federal Student Aid Handbook (Handbook) provides an example of how the enrollment period is calculated. The Handbook states, "…the break is calculated using the first day after the last day of class scheduled and the last day of the scheduled break is the day before the next class held." (2017 Federal Student Aid Handbook, Volume 5).

Condition: We recalculated the scheduled breaks to determine the number of days to exclude for return calculation purposes. We calculated Thanksgiving Break to include five days and Spring Break to include nine days. The University calculated Thanksgiving Break as three days and Spring Break as five days and did not include Saturdays and Sundays as appropriate.

Questioned Costs: None

Cause and Effect: The University did not use Saturdays and Sundays in their calculations which resulted in inaccurate calculations and inaccurate amounts being refunded to the US Department of Education.

Recommendation: We recommend the University correct its calculation within their automated system and implements a procedure to periodically review these calculations.

Management's response: Our Registrar's office at OPSU is responsible for setting up our enrollment periods in Banner. The error in calculation was brought to their attention and corrected. The calculation dates will be reviewed annually and verified by the Registrar's office.

Finding 2017-002: Special Tests and Provisions - Common Origination Documentation (COD) Reconciliation

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033, 84.379 – Student Financial Assistance Cluster

Criteria: In accordance with 34 CFR section 685.300(b) "In the program participation agreement, the school must promise to comply with the Act and applicable regulations and must agree to – (5) On a monthly basis, reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary."

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD within 15 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records.

Condition: During our School Account Statement (SAS) data file reconciliation testwork, we noted that the University did not perform the required monthly reconciliation process throughout the year.

Questioned Costs: Unknown

Cause and Effect: During fiscal 2017, the University implemented new software that was understood to automatically reconcile the differences between the SAS data files and the University's financial records. The new software did not reconcile the SAS data file to the University's records as intended and management then failed to perform these reconciliations on a monthly basis.
Recommendation: We recommend the University perform/review the required reconciliations between the SAS data file and the University's financial records and follow up on any differences noted.

Management's response: We are still in the process of utilizing Banner for reconciling the Direct Loans. 1617 was the first year OPSU was on Banner and the first time to implement many new processes including the electronic reconciliation process for Direct Loans. The initial SAS data file report was not set up correctly for receiving files from COD. Once the report parameters were set up correctly, we were informed the files have to be imported as a *dat* file, not the way they were received from COD. The files also have to be imported in date order or the file imported overwrites the current file. This happened when we imported YTD files. We hope to have most of the bugs worked out for 1718 and will be able to use the Direct Loan Reconciliation process in Banner. Until we verify the electronic process within Banner meets the regulation requirements, the monthly SAS will be imported into an excel spreadsheet and balanced with our internal school's Direct Loan records.

OKLAHOMA PANHANDLE STATE UNIVERSITY
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

No matters were reportable.