

Oklahoma Panhandle State University

**An Organizational Unit of the Board of Regents
For the Oklahoma Agricultural and Mechanical Colleges
Financial Statements
with Independent Auditors' Reports**

June 30, 2018 and 2017

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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, 2018, 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, 2018, 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 2018 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, 2018, 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 31, 2018, 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.

Arlidge & Associates, P.C.

October 31, 2018

Oklahoma Panhandle State University
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Management's Discussion and Analysis- (Unaudited)
Years Ended June 30, 2018, 2017, and 2016

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, 2018, with fiscal years 2017 and 2016 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 2018, the University implemented GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and restated its July 1, 2017 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.

Net Position: For the year ended June 30, 2018, the University's net position decreased by \$389,005 from actual operations and decreased by \$1,129,417 as a result of the GASB 75 implementation for an overall decrease in net position of \$1,518,422. The decrease was in unrestricted net position

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

Total Revenues: Total revenues decreased from \$20,934,299 for the year ended June 30, 2017 to \$20,476,152 for the year ended June 30, 2018. The decrease was due mainly to decreases in appropriations due to state-wide revenue shortfalls.

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 Expenses: Total expenses decreased from \$20,873,348 for the year ended June 30, 2017 to \$20,865,157 for the year ended June 30, 2018. The decrease was a result of decreased compensation expense due to the accounting for the OTRS net pension obligation.

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.

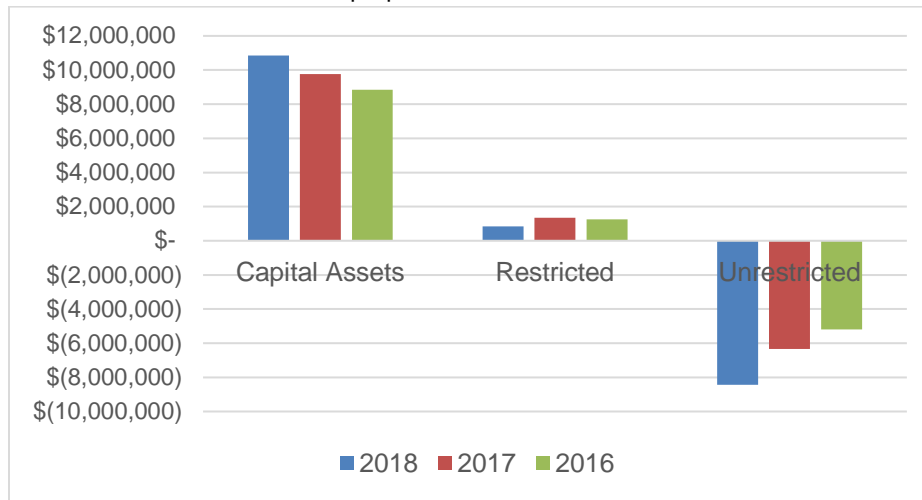
Components of Net Position: At June 30, 2018, the University's net position decreased to \$3,253,609 from \$4,772,031 at June 30, 2017, and \$4,890,115 in 2016. Graphically displayed, the comparative net position increases (decreases) by category for the three fiscal years are shown below:

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Financial Highlights (continued)

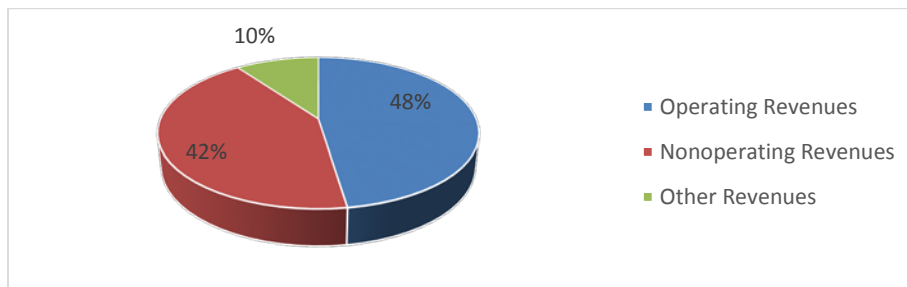
	Net Investment in			
	Capital Assets	Restricted	Unrestricted	Total
FY2018	\$ 10,853,813	\$ 838,224	\$ (8,438,428)	\$ 3,253,609
FY2017*	9,762,503	1,354,016	(6,344,488)	4,772,031
Change in Net Position	\$ 1,091,310	\$ (515,792)	\$ (2,093,940)	\$ (1,518,422)
FY2017*	\$ 9,762,503	\$ 1,354,016	\$ (6,344,488)	\$ 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)

* 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, 2018:

Operating Revenues	Nonoperating Revenues	Other Revenues	Total Revenues
\$ 9,747,335	\$ 8,681,617	\$ 2,047,200	\$ 20,476,152



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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, 2018, compared to the year ended June 30, 2017, deferred outflows decreased and deferred inflows increased due to the changes in the OTRS net pension and OPEB obligation.

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	June 30		Increase (Decrease)	Percent Change
	2018	2017*		
Assets				
Current assets	\$ 5,175,619	\$ 4,924,571	\$ 251,048	5.10%
Noncurrent assets:				
Restricted cash and cash equivalents	507,125	1,257,072	(749,947)	(59.66%)
Capital assets, net of depreciation	22,010,760	22,255,914	(245,154)	(1.10%)
Other	284,742	224,978	59,764	26.56%
Total assets	\$ 27,978,246	\$ 28,662,535	\$ (684,289)	(2.39%)
Deferred outflows	\$ 2,529,940	\$ 3,620,928	\$ (1,090,988)	(30.13%)
Liabilities				
Current liabilities	\$ 2,070,902	\$ 2,732,136	\$ (661,234)	(24.20%)
Noncurrent liabilities	22,808,402	23,686,120	(877,718)	(3.71%)
Total liabilities	\$ 24,879,304	\$ 26,418,256	\$ (1,538,952)	(5.83%)
Deferred inflows	\$ 2,375,273	\$ 1,093,176	\$ 1,282,097	117.28%
Net Position				
Net investment in capital assets	\$ 10,853,813	\$ 9,762,503	\$ 1,091,310	11.18%
Restricted for expendable purposes	838,224	1,354,016	(515,792)	(38.09%)
Unrestricted	(8,438,428)	(6,344,488)	(2,093,940)	33.00%
Total net position	\$ 3,253,609	\$ 4,772,031	\$ (1,518,422)	(31.82%)

* prior year amounts not restated for MD&A purposes

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

	June 30		Increase (Decrease)	Percent Change
	2017*	2016*		
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%)

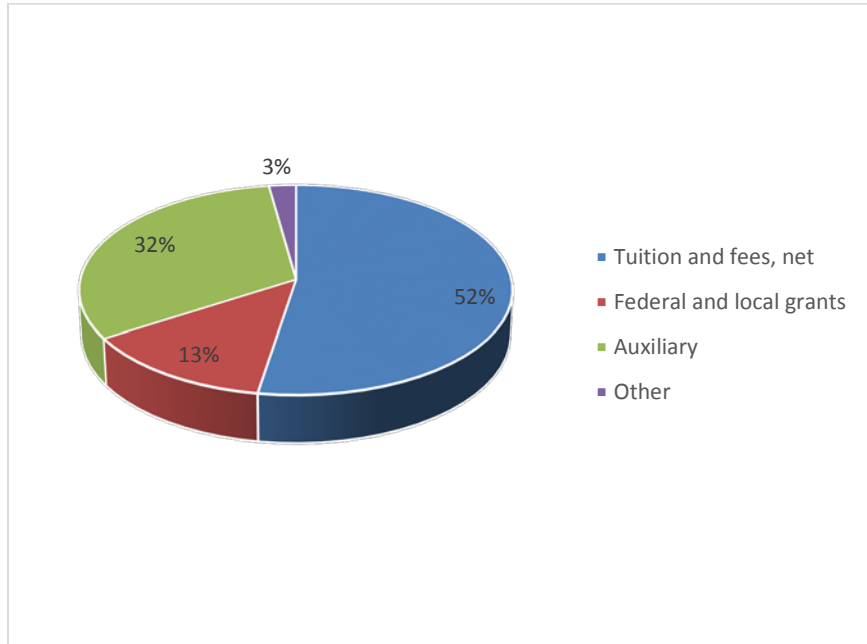
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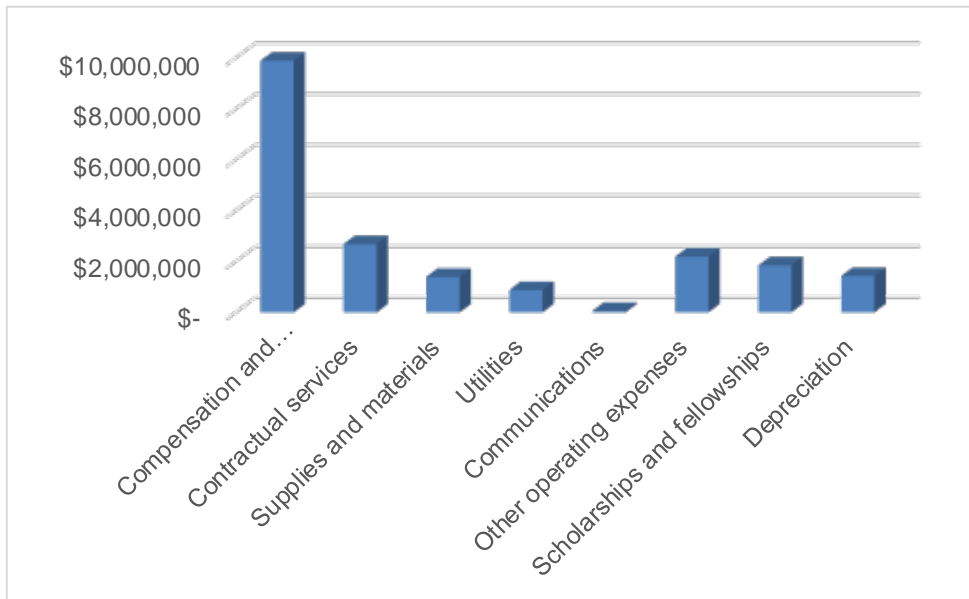
Statements of Revenues, Expenses and Changes In Net Position

Operating revenues and expenses for the fiscal year ended June 30, 2018, were as follows:

Operating Revenues



Operating Expenses



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	2018	2017*	2017 vs. 2016 Increase (Decrease)	2017 vs. 2016 Percentage Change	2016*	2016 vs. 2015 Increase (Decrease)	2016 vs. 2015 Percentage Change
Operating revenues:							
Tuition and fees, net	\$ 5,099,099	\$ 4,947,650	\$ 151,449	3.06%	\$ 4,890,058	\$ 57,592	1.18%
Federal and local grants	1,296,820	1,029,969	266,851	25.91%	1,169,219	(139,250)	(11.91%)
Auxiliary	3,088,155	3,435,564	(347,409)	(10.11%)	3,581,978	(146,414)	(4.09%)
Other	263,261	253,270	9,991	3.94%	180,392	72,878	40.40%
Total operating revenue	9,747,335	9,666,453	80,882	0.84%	9,821,647	(155,194)	(1.58%)
Less operating expenses	20,363,694	20,373,054	(9,360)	(0.05%)	19,637,644	735,410	3.74%
Net operating loss	(10,616,359)	(10,706,601)	90,242	(0.84%)	(9,815,997)	(890,604)	9.07%
Nonoperating revenue:							
State appropriation	5,581,936	6,004,661	(422,725)	(7.04%)	6,444,629	(439,968)	(6.83%)
On-behalf appropriations for OTRS	442,371	433,582	8,789	2.03%	478,969	(45,387)	(9.48%)
Federal and state grants	2,338,696	2,263,770	74,926	3.31%	2,638,265	(374,495)	(14.19%)
Other nonoperating revenue	233,205	167,055	66,150	100.00%	-	167,055	100.00%
Investment income	85,409	90,064	(4,655)	(5.17%)	99,969	(9,905)	(9.91%)
Interest expense	(501,463)	(500,294)	(1,169)	0.23%	(586,453)	86,159	(14.69%)
Net nonoperating revenue	8,180,154	8,458,838	(278,684)	(3.29%)	9,075,379	(616,541)	(6.79%)
Other revenues, expenses, gains and losses:							
State appropriations restricted for capital purposes	1,128,991	1,112,009	16,982	1.53%	1,051,848	60,161	5.72%
On-behalf appropriations for OCIA capital leases	918,209	1,196,705	(278,496)	(23.27%)	862,168	334,537	38.80%
Total other gains, losses, revenues and expenses	2,047,200	2,308,714	(261,514)	(11.33%)	1,914,016	394,698	20.62%
Change in net position	(389,005)	60,951	(449,956)	(738.23%)	1,173,398	(1,112,447)	(94.81%)
Net position, beginning as previously reported	4,772,031	4,711,080	60,951	1.29%	3,716,717	994,363	26.75%
Cummulative effect of implementing GASB No. 75	(1,129,417)	-	(1,129,417)	100.00%	-	-	- %
Net position, beginning (restated)	3,642,614	4,711,080	(1,068,466)	(22.68%)	3,716,717	994,363	26.75%
Net position, ending	\$ 3,253,609	\$ 4,772,031	\$ (1,518,422)	(31.82%)	\$ 4,890,115	\$ (118,084)	(2.41%)

* prior year amounts not restated for MD&A purposes

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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		
	2018	2017	2016
Cash Provided by (Used in):			
Operating activities	\$ (8,785,736)	\$ (8,583,246)	\$ (8,604,196)
Noncapital financing activities	7,920,632	8,261,574	9,049,873
Investing activities	82,822	86,337	91,825
Capital and related financing activities	(742,235)	(404,953)	(352,592)
Net increase (decrease) in cash	(1,524,517)	(640,288)	184,910
Cash and cash equivalents:			
Beginning	5,226,409	5,866,697	5,681,787
Ending	<u>\$ 3,701,892</u>	<u>\$ 5,226,409</u>	<u>\$ 5,866,697</u>

Summary of Net Position

Although the statements of revenues, expenses, and changes in net position show a decrease in net position from operations of \$389,005 during fiscal year 2018 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.

	2018	2017*	2018 vs. 2017 Increase (Decrease)	2018 vs. 2017 Percentage Change	2016*	2017 vs. 2016 Increase (Decrease)	2017 vs. 2016 Percentage Change
Educational and general	\$ 1,411,298	\$ 1,711,857	\$ (300,559)	(17.56%)	\$ 2,868,577	\$ (1,156,720)	(40.32%)
Auxiliary operations	1,314,082	1,724,401	(410,319)	(23.79%)	1,639,813	84,588	5.16%
Pension and OPEB Obligation	(11,163,808)	(9,780,746)	(1,383,062)	14.14%	(9,706,197)	(74,549)	0.77%
Restricted net position	483,367	259,315	224,052	86.40%	222,169	37,146	16.72%
Net position restricted							
for capital projects	354,857	1,094,701	(739,844)	(67.58%)	1,025,492	69,209	6.75%
Capital assets	10,853,813	9,762,503	1,091,310	11.18%	8,840,261	922,242	10.43%
	<u>\$ 3,253,609</u>	<u>\$ 4,772,031</u>	<u>\$ (1,518,422)</u>	<u>(31.82%)</u>	<u>\$ 4,890,115</u>	<u>\$ (118,084)</u>	<u>(2.41%)</u>

*prior year amounts not restated for MD&A purposes

The unrestricted net position category contains all activity associated with the implementation and reporting of multiple GASB Statements regarding accounting and financial reporting for pensions and other postemployment benefits.

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Capital Assets

At June 30, 2018, the University has approximately \$22 million invested in capital assets, net of accumulated depreciation of \$31.2 million. Depreciation charges totaled \$1,427,540 for the year ended June 30, 2018, compared to \$1,453,027 for the year ended June 30, 2017, and \$1,484,144 for the year ended June 30, 2016. Details of these assets for the three years are shown below.

	Year Ended June 30		
	2018	2017	2016
Capital assets:			
Land	\$ 361,163	\$ 361,163	\$ 361,163
Construction in progress	579,088	637,382	21,516
Non-major infrastructure	9,976,218	9,976,218	9,976,218
Land improvements	1,610,119	1,535,403	1,535,403
Buildings	32,860,779	31,788,422	31,694,949
Furniture, fixtures, and equipment	6,289,943	6,479,282	6,437,997
Library materials	1,566,739	2,055,843	2,057,566
Total capital assets	53,244,049	52,833,713	52,084,812
Less accumulated depreciation	31,233,289	30,577,799	29,163,214
Net capital assets	\$ 22,010,760	\$ 22,255,914	\$ 22,921,598

Outstanding Debt

For the year ended June 30, 2018, the University had \$11,915,766 in debt outstanding, compared to \$12,145,825 at June 30, 2017, and \$13,697,066 at June 30, 2016. The table below summarizes these amounts by type.

	Year Ended June 30		
	2018	2017	2016
ODFA-Series 2009 20yr	\$ 1,117,000	\$ 1,198,250	\$ 1,283,500
ODFA-Series 2009 15yr	143,167	164,250	186,834
OCIA-Series 2010A	-	695,541	1,376,150
ODFA-Series 2011	775,000	796,000	815,000
OCIA-Series 2014A	3,574,767	3,574,767	3,831,646
ODFA-Series 2014A-2002	808,916	996,416	1,178,833
ODFA-Series 2014A-2004A	731,667	840,000	945,250
ODFA-Series 2014B	3,638,334	3,823,834	4,005,417
OCIA-Series 2014B	38,582	56,767	74,436
ODFA-Series 2017E	1,088,333	-	-
Total capital leases	\$ 11,915,766	\$ 12,145,825	\$ 13,697,066

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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 \$300,559 in net position or 17.6%. The University's Educational & General Fund ended the year with net reserves of 11.8% of Educational & General Fund expenditures.

The University ended fiscal year 2018 with an overall decrease of \$1,518,422 in total net position. This is a 31.8% decrease in overall net position. This overall decrease in net position was the combination of a decrease from current year activity of \$389,005 and a decrease as a result of the implementation of GASB 75 of \$1,129,417, which shows up in unrestricted net position.

The fall 2018 enrollment for the University was a head count of 1,264, which is a 9.6% increase from the fall 2017 of 1,153. This follows a decrease of 5.8% in headcount for the fall 2017 headcount of 1,153 over the fall 2016 headcount of 1,224. Credit hours are up for the fall of 2018 from the fall of 2017 by 8.0% after being down by 2.9% for the fall of 2017 over the fall of 2016.

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
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Statements of Net Position

	University		Foundation	
	June 30		December 31	
Assets	2018	2017	2017	2016
Current Assets:				
Cash and cash equivalents	\$ 2,779,082	\$ 3,868,786	\$ 461,131	\$ 433,638
Restricted cash and cash equivalents	415,685	100,551	-	-
Restricted investments	1,063,061	-	-	-
Certificates of deposit	-	-	160,000	160,000
Accounts receivable, net	329,480	334,220	-	-
Grants receivable	71,690	179,593	-	-
Interest receivable	6,194	7,034	946	946
Inventories	510,427	434,387	-	-
Total current assets	5,175,619	4,924,571	622,077	594,584
Noncurrent Assets:				
Restricted cash and cash equivalents	507,125	1,257,072	-	-
Restricted investments	161,685	158,258	13,925,142	13,052,476
Student loans receivable, net	52,330	66,720	-	-
Restricted net OPEB asset	70,727	-	-	-
Investments	-	-	30,722	25,994
Capital assets, net	22,010,760	22,255,914	-	-
Total noncurrent assets	22,802,627	23,737,964	13,955,864	13,078,470
Total assets	\$ 27,978,246	\$ 28,662,535	\$ 14,577,941	\$ 13,673,054
Deferred Outflows of Resources				
Deferred outflows related to OPEB	\$ 10,130	\$ -	\$ -	\$ -
Deferred outflows related to pensions	2,519,810	3,620,928	-	-
Total deferred outflows	\$ 2,529,940	\$ 3,620,928	\$ -	\$ -

(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	2018	2017	2017	2016
Current Liabilities:				
Accounts payable	\$ 508,271	\$ 501,672	\$ -	\$ -
Accrued liabilities	243,959	269,759	-	-
Unearned revenues	183,258	206,268	-	-
Student and other deposits	132,140	143,731	189,110	189,920
Accrued compensated absences	244,029	265,325	8,987	7,520
Current portion of noncurrent liabilities	759,245	1,345,381	-	-
Total current liabilities	2,070,902	2,732,136	198,097	197,440
Noncurrent Liabilities, net of current portion:				
Total OPEB liability	976,255	40,909	-	-
Federal loan program contributions refundable	27,664	27,664	-	-
Net pension obligation	10,501,352	12,643,504	-	-
Premium on capital lease obligation	119,621	146,610	-	-
Capital lease obligations	11,183,510	10,827,433	-	-
Total noncurrent liabilities	22,808,402	23,686,120	-	-
Total liabilities	\$ 24,879,304	\$ 26,418,256	\$ 198,097	\$ 197,440
Deferred Inflows of Resources				
Deferred credit on OCIA lease restructure	\$ 159,132	\$ 173,987	\$ -	\$ -
Deferred inflows related to pensions	1,830,217	919,189	-	-
Deferred inflows related to OPEB	385,924	-	-	-
Total deferred inflows	\$ 2,375,273	\$ 1,093,176	\$ -	\$ -
Net Position:				
Net investment in capital assets	\$ 10,853,813	\$ 9,762,503	\$ -	\$ -
Restricted:				
Nonexpendable - scholarships and other	-	-	4,738,888	4,576,276
Expendable:				
Scholarships, research, instruction and other	255,274	30,117	806,752	502,103
Loans	215,144	229,198	-	-
Capital projects	354,857	1,094,701	-	-
OPEB	12,949	-	-	-
Unrestricted	(8,438,428)	(6,344,488)	8,834,204	8,397,235
Total net position	\$ 3,253,609	\$ 4,772,031	\$ 14,379,844	\$ 13,475,614

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,	
	2018	2017	2017	2016
Operating revenues:				
Student tuition and fees, net of scholarship discounts and allowances of \$5,499,000 and \$5,837,000 in 2018 and 2017, respectively	\$ 5,099,099	\$ 4,947,650	\$ -	\$ -
Federal grants and contracts	398,419	370,749	-	-
State and local grants and contracts	9,740	12,162	-	-
Non-governmental grants and contracts	888,661	647,058	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances of \$232,000 and \$246,000 in 2018 and 2017, respectively	863,215	1,000,388	-	-
Food service, net of scholarship discounts and allowances of \$58,000 and \$61,000 in 2018 and 2017, respectively	811,503	775,192	-	-
Bookstore	506,362	543,302	-	-
Athletics	149,123	217,497	-	-
All other	757,952	899,185	-	-
Gifts and contributions	-	-	1,236,411	769,641
Other operating revenues	263,261	253,270	-	-
Total operating revenues	9,747,335	9,666,453	1,236,411	769,641
Operating expenses:				
Compensation and employee benefits	9,887,597	10,492,167	102,740	97,864
Contractual services	2,679,964	2,704,932	13,171	12,915
Supplies and materials	1,394,885	1,460,755	2,628	2,059
Utilities	878,721	779,692	-	-
Communications	57,545	82,099	-	-
Other operating expenses	2,191,941	2,088,589	21,625	23,532
Scholarships and fellow ships	1,845,501	1,311,793	1,380,944	734,900
Depreciation	1,427,540	1,453,027	272	971
Total operating expenses	20,363,694	20,373,054	1,521,380	872,241
Operating loss	(10,616,359)	(10,706,601)	(284,969)	(102,600)
Nonoperating revenues (expenses):				
State appropriations	5,581,936	6,004,661	-	-
OTRS on-behalf contributions	442,371	433,582	-	-
Federal grants	2,084,312	1,938,562	-	-
State grants	254,384	325,208	-	-
Contributions and other nonoperating revenues	233,205	167,055	-	-
Net realized and unrealized gains and losses on investments	-	-	532,115	2,610,086
Investment income	85,409	90,064	657,084	557,308
Interest expense	(501,463)	(500,294)	-	-
Net nonoperating revenues (expenses)	8,180,154	8,458,838	1,189,199	3,167,394
Gains (loss) before other revenues, expenses, gains and losses	(2,436,205)	(2,247,763)	904,230	3,064,794
State appropriations restricted for capital purposes	1,128,991	1,112,009	-	-
On-behalf payments for OCIA capital leases	918,209	1,196,705	-	-
Change in net position	(389,005)	60,951	904,230	3,064,794
Net position, beginning (as previously reported)	4,772,031	4,711,080	13,475,614	10,410,820
Cummulative effect of implementing GASB No. 75	(1,129,417)	-	-	-
Net position, beginning (restated)	3,642,614	4,711,080	13,475,614	10,410,820
Net position, ending	\$ 3,253,609	\$ 4,772,031	\$ 14,379,844	\$ 13,475,614

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,	
	2018	2017
Cash Flows from Operating Activities:		
Student tuition and fees	\$ 6,302,877	\$ 5,258,564
Grants and contracts	1,404,723	850,376
Auxiliary enterprise charges	1,866,107	3,137,124
Other operating receipts	277,651	267,342
Payments to employees for salaries and benefits	(9,511,332)	(9,974,292)
Payments to suppliers	(9,125,762)	(8,122,360)
Net cash used in operating activities	(8,785,736)	(8,583,246)
Cash Flows from Noncapital Financing Activities:		
State appropriations	5,581,936	6,004,661
Federal and state grants	2,338,696	2,256,913
Federal direct student loans receipts	3,450,084	3,626,462
Federal direct student loans disbursements	(3,450,084)	(3,626,462)
Net cash provided by noncapital financing activities	7,920,632	8,261,574
Cash Flows from Capital and Related Financing Activities:		
Cash paid for capital assets	(1,186,213)	(787,343)
Capital grants and gifts received	1,362,196	1,279,064
Proceeds of capital debt	71,939	-
Interest paid on capital debt and leases	(338,824)	(300,590)
Principal payments on capital debt	(651,333)	(596,084)
Net cash used in capital and related financing activities	(742,235)	(404,953)
Cash Flows from Investing Activities:		
Sale (purchase) of investments	(3,427)	(4,278)
Interest received on investments	86,249	90,615
Net cash provided by investing activities	82,822	86,337
Net decrease in cash and cash equivalents	(1,524,517)	(640,288)
Cash and cash equivalents:		
Beginning	5,226,409	5,866,697
Ending	\$ 3,701,892	\$ 5,226,409

(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,	
	2018	2017
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities:		
Operating loss	\$ (10,616,359)	\$ (10,706,601)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,427,540	1,453,027
Net loss on disposal of fixed assets	3,827	-
On-behalf contributions to teachers' retirement system	442,371	433,582
Changes in operating assets and liabilities:		
Accounts and other receivables	127,033	(35,532)
Inventories	(76,040)	40,132
Restricted net OPEB asset	(70,727)	(165,521)
Deferred outflows related to OPEB	200	-
Deferred outflows related to pensions	1,090,788	(2,539,009)
Accounts payable and accrued liabilities	(19,201)	244,985
Total OPEB liability	(194,071)	-
Net pension obligation	(2,142,152)	3,179,776
Deferred inflows related to OPEB	385,924	-
Deferred inflows related to pensions	911,028	(544,657)
Unearned revenue	(23,010)	48,006
Compensated absences	(21,296)	(1,004)
Student and other deposits	(11,591)	9,570
Net cash used in operating activities	\$ (8,785,736)	\$ (8,583,246)
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities:		
Interest on capital debt paid by state agency on behalf of the University	\$ 204,483	\$ 241,548
Principal on capital debt paid by state agency on behalf of the University	713,726	955,157
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Current assets:		
Cash and cash equivalents	\$ 2,779,082	\$ 3,868,786
Restricted cash and cash equivalents	415,685	100,551
Noncurrent assets:		
Restricted cash and cash equivalents	507,125	1,257,072
Total cash and cash equivalents	\$ 3,701,892	\$ 5,226,409

See notes to financial statements.

Oklahoma Panhandle State University

(An Organizational Unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges)

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.

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 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.

Oklahoma Panhandle State University
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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Oklahoma Panhandle State University
(An Organizational Unit of the Board of Regents for the
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Notes to Financial Statements

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. The University's deferred outflows of resources are comprised of deferred charges on an OCIA lease restructure and contributions to pensions and OPEB 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. The University's deferred inflows of resources were comprised of credits realized on an OCIA lease restructure and deferred inflows related to net pension and OPEB obligations.

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.

Other Post-employment Benefits (OPEB): For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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.

Oklahoma Panhandle State University
 (An Organizational Unit of the Board of Regents for the
 Oklahoma Agricultural and Mechanical Colleges)
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments:

Beginning net position for fiscal year 2018 was restated as follows:

	<u>Fiscal Year 2018</u>
Beginning net position, as previously reported	\$ 4,772,031
Implementation of GASB Statement No. 75	<u>(1,129,417)</u>
Beginning net positions, restated	<u>\$ 3,642,614</u>

New accounting pronouncements adopted in fiscal year 2018: The University adopted the following new accounting pronouncements during the year ended June 30, 2017:

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's Health Insurance Benefit Plan is subject to this new standard and as a result, the College's beginning net position as of July 1, 2017, has been reduced by \$1,129,417 from its previously reported net position. Amounts for 2017 have not been restated because to do so would be impractical, and therefore is not required under the new standard.

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.

Oklahoma Panhandle State University
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Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

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

	2018	2017
Deposits with the State Treasurer	\$ 3,674,679	\$ 5,191,589
U.S. financial institutions	7,213	14,820
Change funds	20,000	20,000
TOTAL DEPOSITS	<u>\$ 3,701,892</u>	<u>\$ 5,226,409</u>

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 \$3,674,679 and \$5,191,589 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2018 and June 30, 2017, respectively, \$3,502,963 and \$5,056,847, 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, 2018, and 2017, the University also held nonnegotiable certificates of deposit totaling \$83,548 and \$55,688, 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.

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.

Oklahoma Panhandle State University
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Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

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	2018	2017
Municipal bonds	Level 2	AA	More than 10 years	\$ 24,216	\$ 23,681
US Agency mortgage-backed securities	Level 2	Aaa	More than 10 years	28,560	37,104
Certificates of deposit	N/A	N/A	Less than One	83,548	55,688
Money market funds	N/A	N/A	Less than One	1,088,422	41,785
Total investments				<u>\$ 1,224,746</u>	<u>\$ 158,258</u>

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:

	2018	2017
Student tuition and fees	\$ 1,699,954	\$ 1,853,276
Auxiliary enterprises and other student activities	1,885,956	1,608,601
	3,585,910	3,461,877
Less: allowance for doubtful accounts	(3,256,430)	(3,127,657)
Accounts receivable, net	<u>\$ 329,480</u>	<u>\$ 334,220</u>

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 at June 30, 2018 and 2017, respectively, are reflected in the accompanying statements of net position as noncurrent liabilities.

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Notes to Financial Statements

Note 4. Loans Receivable (Continued)

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.

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:

	2018		
	Program	Loan Fund	Total
Loans receivable	\$ 35,958	\$ 275,208	\$ 311,166
Less: allowance for uncollectible loans	-	(258,836)	(258,836)
Loans receivable, net	<u>\$ 35,958</u>	<u>\$ 16,372</u>	<u>\$ 52,330</u>
	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	<u>\$ 35,958</u>	<u>\$ 30,762</u>	<u>\$ 66,720</u>

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Note 5. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Transfers	Retirements	Balance at June 30, 2018
Capital assets not being depreciated:					
Land	\$ 361,163	\$ -	\$ -	\$ -	\$ 361,163
Construction in-progress	637,382	954,616	(1,010,440)	(2,470)	579,088
Total capital assets not being depreciated	998,545	954,616	(1,010,440)	(2,470)	940,251
Other capital assets:					
Non-major infrastructure networks	9,976,218	-	-	-	9,976,218
Non-structural improvements	1,535,403	12,000	62,716	-	1,610,119
Buildings and improvements	31,788,422	124,633	947,724	-	32,860,779
Equipment	6,479,282	85,144	-	(274,483)	6,289,943
Library materials	2,055,843	9,821	-	(498,925)	1,566,739
Total other capital assets	51,835,168	231,598	1,010,440	(773,408)	52,303,798
Accumulated depreciation:					
Non-major infrastructure networks	5,328,867	499,192	-	-	5,828,059
Non-structural improvements	933,626	73,850	-	-	1,007,476
Buildings and improvements	16,554,350	661,177	-	-	17,215,527
Equipment	6,227,798	107,280	-	(273,125)	6,061,953
Library materials	1,533,158	86,041	-	(498,925)	1,120,274
Total accumulated depreciation	30,577,799	1,427,540	-	(772,050)	31,233,289
Capital assets, net	\$ 22,255,914	\$ (241,326)	\$ -	\$ (3,828)	\$ 22,010,760

At June 30, 2018, the cost and related accumulated depreciation of assets held under capital lease obligations were as follows:

	Buildings	Infrastructure	Equipment	CIP	Total
Cost	\$ 11,618,853	\$ 4,806,061	\$ 2,852,795	\$ 186,974	\$ 19,464,683
Less: accumulated depreciation	(3,123,058)	(2,076,673)	(2,852,795)	-	(8,052,526)
	\$ 8,495,795	\$ 2,729,388	\$ -	\$ 186,974	\$ 11,412,157

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Note 5. Capital Assets (Continued)

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	<u>382,679</u>	<u>615,866</u>	<u>-</u>	<u>-</u>	<u>998,545</u>
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	<u>51,702,133</u>	<u>171,477</u>	<u>-</u>	<u>(38,442)</u>	<u>51,835,168</u>
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	<u>29,163,214</u>	<u>1,453,027</u>	<u>-</u>	<u>(38,442)</u>	<u>30,577,799</u>
Capital assets, net	<u>\$ 22,921,598</u>	<u>\$ (665,684)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,255,914</u>

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	<u>(2,799,150)</u>	<u>(1,817,567)</u>	<u>(2,852,795)</u>	<u>(7,469,512)</u>
	<u>\$ 8,819,703</u>	<u>\$ 2,988,494</u>	<u>\$ -</u>	<u>\$ 11,808,197</u>

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Note 6. Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2018, was as follows:

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018	Current Portion
Capital lease obligations:					
ODFA - Series 2009B 20yr	\$ 1,198,250	\$ -	\$ (81,250)	\$ 1,117,000	\$ 84,250
ODFA - Series 2009B 15yr	164,250	-	(21,083)	143,167	22,083
OCIA-Series 2010A	695,541	-	(695,541)	-	-
ODFA-Series 2011	796,000	-	(21,000)	775,000	19,000
OCIA-Series 2014A	3,574,767	-	-	3,574,767	8,007
ODFA-Series 2014A - 2002	996,416	-	(187,500)	808,916	193,750
ODFA-Series 2014A - 2004	840,000	-	(108,333)	731,667	112,417
ODFA-Series 2014B	3,823,834	-	(185,500)	3,638,334	190,917
OCIA-Series 2014B	56,767	-	(18,185)	38,582	18,915
OCIA-Series 2017E	-	1,135,000	(46,667)	1,088,333	82,917
Total capital lease obligations	<u>12,145,825</u>	<u>1,135,000</u>	<u>(1,365,059)</u>	<u>11,915,766</u>	<u>732,256</u>
Other liabilities:					
Premium	173,599	-	(26,989)	146,610	26,989
Federal loan program contributions	27,664	-	-	27,664	-
Total other liabilities	<u>201,263</u>	<u>-</u>	<u>(26,989)</u>	<u>174,274</u>	<u>26,989</u>
Total noncurrent liabilities	<u>\$ 12,347,088</u>	<u>\$ 1,135,000</u>	<u>\$ (1,392,048)</u>	<u>\$ 12,090,040</u>	<u>\$ 759,245</u>

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Note 6. Noncurrent Liabilities (Continued)

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	<u>13,697,066</u>	<u>-</u>	<u>(1,551,241)</u>	<u>12,145,825</u>	<u>1,318,392</u>
Other liabilities:					
Premium	200,588	-	(26,989)	173,599	26,989
Federal loan program contributions	34,521	-	(6,857)	27,664	-
Total other liabilities	<u>235,109</u>	<u>-</u>	<u>(33,846)</u>	<u>201,263</u>	<u>26,989</u>
Total noncurrent liabilities	<u>\$ 13,932,175</u>	<u>\$ -</u>	<u>\$ (1,585,087)</u>	<u>\$ 12,347,088</u>	<u>\$ 1,345,381</u>

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 had 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 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.

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Note 6. Noncurrent Liabilities (Continued)

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, 2018 and 2017 the unamortized gain totaled \$157,298 and \$170,315 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 2010A and 2014A, totaling \$898,127 and \$1,176,692 during the years ended June 30, 2018, and 2017, 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, 2018 and 2017 the unamortized gain totaled \$1,834 and \$3,672, 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 \$20,082 and \$20,013 during the years ended June 30, 2018, and 2017, 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 the state appropriations received, which are restricted for capital purposes, to support payments on this lease obligation.

On 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 the state appropriations received, which are restricted for capital purposes, to support payments on this lease obligation.

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Note 6. Noncurrent Liabilities (Continued)

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.

On December 3, 2017, the University entered into capital lease obligation Series 2017E in the amount of \$1,135,000 for football field improvements. Lease payments over the term of the agreement, including interest, total \$1,386,539. Payments began December 15, 2017, and go through November 15, 2029, and will range from \$47,483 to \$117,302, annually. The University has pledged Section Thirteen to support payments on this lease obligation.

Future minimum lease payments under the University's capital lease obligations are as follows at June 30, 2018:

Years Ending June 30:	Principal	Interest	Total
2019	\$ 732,256	\$ 471,767	\$ 1,204,023
2020	753,995	445,709	1,199,704
2021	751,333	565,815	1,317,148
2022	761,334	393,803	1,155,137
2023	911,998	370,008	1,282,006
2024-2028	4,365,435	1,256,252	5,621,687
2029-2033	3,150,831	452,063	3,602,894
2034-2038	333,584	74,452	408,036
2039-2041	155,000	15,356	170,356
	<u>\$ 11,915,766</u>	<u>\$ 4,045,225</u>	<u>\$ 15,960,991</u>

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.

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Note 7. Retirement Plans (continued)

Summary of Net Pension Obligation

June 30, 2018	Net Pension Obligation	Deferred Outflows	Deferred Inflows	Pension Expense
OTRS Pension Obligation	\$ 10,501,352	\$ 2,519,810	\$ 1,830,217	\$ 1,101,025
Total	<u>\$ 10,501,352</u>	<u>\$ 2,519,810</u>	<u>\$ 1,830,217</u>	<u>\$ 1,101,025</u>
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	<u>\$ 12,643,504</u>	<u>\$ 3,620,928</u>	<u>\$ 919,189</u>	<u>\$ 1,221,266</u>

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/TRS

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

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Note 7. Retirement Plans (continued)

to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions: The contributions requirements of the Plan are at an established rate determined 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 7.80% for any employees' salaries covered by federal funds. Contributions to the pension plan from the University were \$637,971 and \$650,374 for June 30, 2018 and 2017, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, totaling \$442,371 and \$433,582 during 2018 and 2017, respectively, which were 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, 2018 and 2017, the University reported a liability of \$10,501,352 and \$12,482,485, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and June 30, 2016. 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, 2017 and June 30, 2016. Based upon this information, the University's proportion was 0.1586 percent and 0.14957 percent for June 30, 2018 and 2017, respectively.

For the years ended June 30, 2018 and 2017, the University recognized pension expense of \$1,101,025 and \$1,168,835, respectively.

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Note 7. Retirement Plans (continued)

At June 30, 2018, 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	\$ -	\$ 716,955
Changes of assumptions	1,246,222	627,751
Net difference between projected and actual earnings on pension plan investments	149,272	-
Changes in proportion and differences between University contributions and proportionate share of contributions	486,345	482,613
University contributions during the measurement period	-	2,898
University contributions subsequent to the measurement date	<u>637,971</u>	<u>-</u>
Total	<u>\$ 2,519,810</u>	<u>\$ 1,830,217</u>

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	<u>660,704</u>	<u>-</u>
Total	<u>\$ 3,620,928</u>	<u>\$ 919,189</u>

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Note 7. Retirement Plans (continued)

The \$637,971 and \$650,374 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date for June 30, 2018 and 2017, respectively will be recognized as a reduction of the net pension liability in the years ended June 30, 2019 and 2018, 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, 2018		Year ended June 30, 2017	
2019	\$ (129,310)	2018	\$ 284,652
2020	386,938	2019	284,652
2021	181,073	2020	771,511
2022	(306,311)	2021	577,366
2023	(80,768)	2022	122,854
	<u>\$ 51,622</u>		<u>\$ 2,041,035</u>

Actuarial Assumptions: The total pension liability as of June 30, 2018 and 2017, was determined based on an actuarial valuation prepared as of June 30, 2017 and 2016 respectively, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.50%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - 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.
- Investment Rate of Return – 7.50%
- 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%.

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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, 2018 are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	100%	

** 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, 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)

Discount Rate: A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2017 and June 30, 2016. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. 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.

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Note 7. Retirement Plans (continued)

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% for 2018 and 2017, 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, 2018:	<u>1% Decrease to (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase to (8.5%)</u>
Employers' net pension liability	\$ 14,939,868	\$ 10,501,352	\$ 7,184,447
For June 30, 2017:	<u>1% Decrease to (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase to (8.5%)</u>
Employers' net pension liability	\$ 16,341,536	\$ 12,482,485	\$ 9,252,531

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/TRS.

Supplemental Retirement Plan

As of June 30, 2018 there are no longer any employees or retirees eligible for the supplemental retirement plan and therefore there is no financial information to be presented for 2018. However, 2017 information is still presented due to the fact that the University presents comparative financial statements.

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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The University reported a liability of \$0 and \$161,019 for its net pension liability as of June 30, 2018 and 2017, respectively. The net pension liability as of June 30, 2017 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:

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Note 7. Retirement Plans (Continued)

	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	<u>\$ 161,019</u>

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

Summary of Net OPEB Obligation

June 30, 2018	Net OPEB Obligation (Asset)	Deferred Outflows	Deferred Inflows	OPEB Expense
Death Benefit Plan	\$ 33,078	\$ -	\$ 9,005	\$ 1,174
Health Insurance Benefit Plan	943,177	-	319,141	132,901
OTRS OPEB Plan	(70,727)	10,130	57,778	(2,819)
Total	<u>\$ 905,528</u>	<u>\$ 10,130</u>	<u>\$ 385,924</u>	<u>\$ 131,256</u>

Due to this being the first year of implementation and lack of prior year information, only one year of OPEB information is provided in the following footnotes.

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Note 8. Other Postemployment Insurance Benefits (Continued)

OTRS OPEB Plan

Plan description: The University as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance 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/TRS

Benefits provided: OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to Oklahoma State University Human Resources, provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions: Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 7; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.15% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the University were \$10,130.

OPEB Liabilities(Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: - At June 30, 2018, the University reported an asset of \$70,727 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017. The University's proportion of the net OPEB asset was based on the University's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, the University's proportion was .1586% percent.

For the year ended June 30, 2018, the University recognized OPEB (benefit) expense of (\$2,819). At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 18,984
Net difference between projected and actual earnings on OPEB plan investments	-	38,794
Differences between University contributions and proportionate share of contributions	-	-
University contributions subsequent to the measurement date	10,130	-
Total	<u>\$ 10,130</u>	<u>\$ 57,778</u>

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Note 8. Other Postemployment Insurance Benefits (Continued)

The \$10,130 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$	(13,214)
2020		(13,214)
2021		(13,214)
2022		(13,214)
2023		(3,516)
Thereafter		(1,406)
Total	\$	<u><u>(57,778)</u></u>

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

- Actuarial Cost Method - Entry Age
- Inflation - 2.50%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - 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.
- Investment Rate of Return – 7.50%
- 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%.

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, 2018 are summarized below:

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Note 8. Other Postemployment Insurance Benefits (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10	6.1%
Total	100.00%	

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

Discount Rate: A single discount rate of 7.50% was used to measure the total OPRB liability (asset) as of June 30, 2017. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). 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 OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.5%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net opeb liability (asset)	\$ (2,961)	\$ (70,727)	\$ (128,667)

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

Death Benefit Plan

Plan description: The University's defined benefit OPEB plan, Death Benefit Plan, provides OPEB to eligible retirees and their dependents. The University's Board of Regents has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided: The University pays life insurance premiums for individuals who meet the specified criteria to be considered a retiree as of the last day of continuous regular employment. Eligible retirees must meet the OTRS guidelines. In addition, the individual must also have been enrolled in the University's life insurance program prior to retirement.

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Note 8. Other Postemployment Insurance Benefits (Continued)

Each retiree is eligible to receive \$10,000 of life insurance coverage at a cost to the College of \$0.29 per \$1,000 of coverage. As of June 30, 2018, there were approximately 115 active employees and 64 retirees covered under the life insurance program. The OPEB Plan does not issue a stand-alone financial report.

Total OPEB Liability: The University's total OPEB liability for the Death Benefits Plan of \$33,078 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Mortality Rates - RPA-2000 Mortality Table projected to 2020
- Pre-Retirement Termination – Table T-3 of the Actuary's Pension Handbook.

Age	Annual Termination Rate
25	5.27%
30	4.83%
35	4.47%
40	3.84%
45	3.21%
50	1.52%
55	0.33%
60	0.00%

Changes in Total OPEB Liability: The following table reports the components of changes in total OPEB liability:

	2018
Beginning total OPEB liability	\$ 40,909
Service cost	1,239
Interest	1,195
Change of assumptions	(3,258)
Difference between actual and expected experience	(7,007)
Ending net OPEB liability	<u>\$ 33,078</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.88%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage-point higher (4.88) than the current rate:

	1% Decrease 2.88%	Current Discount Rate 3.88%	1% Increase 4.88%
Employers' net opeb liability (asset) \$	36,255	\$ 33,078	\$ 30,402

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Note 8. Other Postemployment Insurance Benefits (Continued)

OPEB Expense: For the year ended June 30, 2018, the University recognized OPEB expense of \$1,174. The University also reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,147
Changes of assumptions	-	2,858
Total	<u>\$ -</u>	<u>\$ 9,005</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (1,260)
2020	(1,260)
2021	(1,260)
2022	(1,260)
2023	(1,260)
Thereafter	<u>(2,705)</u>
Total	<u>\$ (9,005)</u>

Health Insurance Benefit Plan

Plan description: The University's defined benefit OPEB plan, Health Insurance Benefit Plan, provides OPEB to eligible retirees and their dependents. The University's Board of Trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided: The University provides medical benefits to eligible retirees and their dependents through the Oklahoma State University A&M System. This Plan allows employees who retire from the University to continue to be covered under the University's Health Insurance Plan until age 65. The retired participant must pay the active participant's premium. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the University.

Employees covered by benefit terms: At June 30, 2018 the following employees were covered by the benefit terms:

Active Employees (Participants)	119
Retired Participants	<u>2</u>
Total	<u>121</u>

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Note 8. Other Postemployment Insurance Benefits (Continued)

Total OPEB Liability: The University's total OPEB liability of \$943,177 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Retirement Age: 63
- Healthcare cost trend rates - Level 5.00% per year
- Mortality Rates - RPA-2000 Mortality Table projected to 2020
- Pre-Retirement Termination – Table T-3 of the Actuary's Pension Handbook.

Age	Annual Termination Rate
25	5.3%
30	4.8%
35	4.5%
40	3.8%
45	3.2%
50	1.5%
55	0.3%
60	0.0%

Changes in Total OPEB Liability: The following table reports the components of changes in total OPEB liability:

	2018
Beginning total OPEB liability, as restated pursuant to GASB 75	\$ 1,129,417
Service cost	126,351
Interest	34,447
Change of assumptions	(84,055)
Difference between actual and expected experience	(262,983)
Ending net OPEB liability	<u>\$ 943,177</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the employer calculated using the discount rate of 3.88%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage-point higher (4.88) than the current rate:

	1% Decrease 2.88%	Current Discount Rate 3.88%	1% Increase 4.88%
Employers' net opeb liability	\$ 1,036,190	\$ 943,177	\$ 839,870

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Notes to Financial Statements

Note 8. Other Postemployment Insurance Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the total OPEB liability of the employer calculated using the healthcare cost trend rate of 5.00%, as well as what the Plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease 4.00%	Current Discount Rate 5.00%	1% Increase 6.00%
Employers' net opeb liability	\$ 805,128	\$ 943,177	\$ 1,075,145

OPEB Expense: For the year ended June 30, 2018, the University recognized OPEB expense of \$132,901. The University also reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 241,843
Changes of assumptions	-	77,298
Total	<u>\$ -</u>	<u>\$ 319,141</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (27,897)
2020	(27,897)
2021	(27,897)
2022	(27,897)
2023	(27,897)
Thereafter	(179,656)
Total	<u>\$ (319,141)</u>

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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 University 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 University Fund.

The University received approximately \$1,117,000 and \$1,099,000 from these funds during the years ended June 30, 2018 and 2017, 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 \$19,816,000 and \$19,122,000 at June 30, 2018 and 2017, 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:

	2018	2017
Direct support from the Foundation to the University	\$ 220,000	\$ 220,000
Scholarships paid directly by the Foundation to University students	209,335	204,968

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.

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Note 10. Panhandle State Foundation (Continued)

The following is a summary of financial assets measured at fair value on a recurring basis as of December 31, 2017 and 2016:

	<u>Fair Value Hierarchy</u>	<u>2017</u>	<u>2016</u>
Common stocks	Level 1	\$ 5,807,609	\$ 5,066,664
Mutual funds	Level 1	4,760,942	4,133,765
Corporate bonds	Level 1	1,303,947	1,249,338
Asset and mortgage backed securities	Level 1	930,572	1,124,337
Publicly traded limited partnerships	Level 1	317,699	722,254
Exchange traded and closed end funds	Level 1	3,600	2,314
Interest in perpetual trust	Level 3	800,773	753,804
Certificate of Deposits	Level 2	160,000	160,000
Mineral Interests	Level 3	25,722	25,722
Investment in land	Level 3	5,000	5,000
Total investments		<u>\$ 14,115,864</u>	<u>\$ 13,243,198</u>

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, 2018 and 2017, 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
Schedules of Required Supplementary Information
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM (Unaudited)
Last 10 Fiscal Years (a)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
University's proportion of the net pension liability	0.1626%	0.1535%	0.1496%	0.1586%
University's proportionate share of the net pension liability	\$ 8,747,608	\$ 9,324,270	\$ 12,482,485	\$ 10,501,352
University's covered-employee payroll	\$ 7,655,532	\$ 7,469,774	\$ 7,434,386	\$ 7,517,236
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	114%	125%	168%	140%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%	69.32%

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

Notes to Schedule:

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

OKLAHOMA PANHANDLE STATE UNIVERSITY
Schedules of Required Supplementary Information
SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM (Unaudited)
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 640,552	\$ 635,443	\$ 650,374	\$ 637,971
Contributions in relation to the contractually required contribution	<u>640,552</u>	<u>635,443</u>	<u>650,374</u>	<u>637,971</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 7,469,774	\$ 7,434,386	\$ 7,517,236	\$ 7,244,059
Contributions as a percentage of covered-employee payroll	9%	9%	9%	9%

Notes to Schedule:

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

OKLAHOMA PANHANDLE STATE UNIVERSITY
Schedules of Required Supplementary Information
SCHEDULE OF THE UNIVERSITY'S CHANGE IN TOTAL PENSION LIABILITY
SUPPLEMENTAL RETIREMENT ANNUITY (Unaudited)
Last 10 Fiscal Years

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

Notes to Schedule:

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

OKLAHOMA PANHANDLE STATE UNIVERSITY
Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
OKLAHOMA TEACHERS' RETIREMENT SYSTEM
SUPPLEMENTAL HEALTH INSURANCE PROGRAM
Last 10 Fiscal Years* (Dollar amounts in thousands)

	<u>2018</u>
College's proportion of the net OPEB liability (asset)	0.1586%
College's proportionate share of the net OPEB liability (asset)	\$ (70,727)
College's covered payroll	\$ 7,517,236
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-0.94%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%

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

Notes to Schedule:

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

OKLAHOMA PANHANDLE STATE UNIVERSITY
Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
SUPPLEMENTAL HEALTH INSURANCE PROGRAM
Last 10 Fiscal Years (Dollar amounts in thousands)

	<u>2018</u>
Contractually required contribution	\$ 10,130
Contributions in relation to the contractually required contribution	<u>10,130</u>
Contribution deficiency (excess)	<u>\$ -</u>
College's covered payroll	\$ 7,244,059
Contributions as a percentage of covered payroll	0.14%

Notes to Schedule:

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

OKLAHOMA PANHANDLE STATE UNIVERSITY
Schedules of Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Death Benefit Plan

Last 10 Fiscal Years

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 1,239
Interest	1,195
Change in assumptions	(3,258)
Differences between expected and actual experience	(7,007)
Contributions	-
Net change in total OPEB liability	<u>(7,831)</u>
Total OPEB liability - beginning	40,909
Total OPEB liability - ending (a)	<u><u>\$ 33,078</u></u>
Covered employee payroll	\$ 7,244,059
Net OPEB liability (asset) as a percentage of covered-employee payroll	0.46%

Notes to Schedule:

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

The discount rate used for 2018 is 3.88%.

OKLAHOMA PANHANDLE STATE UNIVERSITY
Schedules of Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Health Insurance Benefit Plan

Last 10 Fiscal Years

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 126,351
Interest	34,447
Change in assumptions	(84,055)
Differences between expected and actual experience	<u>(262,983)</u>
Net change in total OPEB liability	<u>(186,240)</u>
Total OPEB liability - beginning	<u>1,129,417</u>
Total OPEB liability - ending (a)	<u><u>\$ 943,177</u></u>
Covered employee payroll	\$ 7,244,059
Net OPEB liability (asset) as a percentage of covered-employee payroll	13.02%

Notes to Schedule:

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

The discount rate used for 2018 is 3.88%.

Reports Required by
Government Auditing Standards
And OMB Circular



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"), which is a component unit of the State of Oklahoma, and its discretely presented component unit, that comprise the statement of net position as of June 30, 2018, 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 31, 2018. Our report includes paragraphs related to a change in accounting principle 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Arlidge & Associates, P.C.

October 31, 2018



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, 2018. 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, 2018.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 31, 2018, 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.



October 31, 2018

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, 2018

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF EDUCATION			
Student financial assistance cluster			
Federal Pell Grant Program	84.063	N/A	\$ 2,000,812
Federal Supplemental Educational Opportunity Grants	84.007	N/A	31,109
Federal Work-Study Program	84.033	N/A	42,720
Federal Perkins Loans	84.038	N/A	35,958
Federal Direct Student Loans	84.268	N/A	3,450,084
<i>Total Student Financial Assistance Cluster</i>			<u>5,560,683</u>
TRIO program cluster			
TRIO--Upward Bound	84.047	N/A	280,129
<i>Total TRIO program cluster</i>			<u>280,129</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>5,840,812</u>
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)	112,034
<i>Total Wildlife Restoration and Basic Hunter Education Program</i>			<u>112,034</u>
TOTAL U.S. DEPARTMENT OF INTERIOR			<u>112,034</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the Oklahoma Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4299-DR-OK	44,228
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4315-DR-OK	51,936
<i>Total Disaster Grants</i>			<u>96,164</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>96,164</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,049,010</u>

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, 2018

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, 2018. 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 the cost principles contained in the Uniform Guidance, 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, 2018. These loan balances outstanding are included as federal expenditures in the Schedule. During the year ended June 30, 2018, the University issued Perkins loans totaling \$0.

NOTE E--SUBRECIPIENTS

During the year ended June 30, 2018, 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, 2018

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? _____ yes X 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)? _____ yes X no

Identification of major federal programs:

<u>Program</u>	<u>CFDA Number</u>
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

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--Continued

Year Ended June 30, 2018

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

None to report for the June 30, 2018, period.

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

None to report for the June 30, 2018, period.

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, 2018

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

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033, 84.038 – 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.

Current Year Status: This finding has been corrected in the current period.

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--
Continued

Year Ended June 30, 2018

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

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033, 84.038 – 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.

Current Year Status: This finding has been corrected in the current period.