

Oklahoma Panhandle State University
Independent Auditor's Reports and Financial Statements
June 30, 2020 and 2019

Oklahoma Panhandle State University
June 30, 2020 and 2019

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Independent Auditor's Report

Board of Regents for the
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 the business-type activities and the discretely presented component unit of Oklahoma Panhandle State University (the "University") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Oklahoma Panhandle State 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 audits. We did not audit the financial statements of Panhandle State Foundation, the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for Panhandle State Foundation, is based solely on the report of the other auditors. We conducted our audits 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 Panhandle State Foundation, the discretely presented component unit, 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 audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Oklahoma Panhandle State University as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

This schedule of expenditures and federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's 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.

BKD, LLP

Springfield, Missouri
October 28, 2020

Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

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, 2020, with fiscal years 2019 and 2018 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

The University ended the year with an increase of 75.9 percent in net position for the year ended June 30, 2020, compared to an increase of 12.7 percent for the year ended June 30, 2019. Some of the financial highlights of the year were:

Net Position: For the year ended June 30, 2020, the University's net position increased \$2,783,043 from \$3,668,316 in 2019 to \$6,451,359 in 2020. The majority of the increase was in unrestricted net position.

For the year ended June 30, 2019, the University's net position increased by \$414,707 from actual \$3,253,609 in 2018 to \$3,668,316 in 2019. The majority of the increase was in the restricted for capital projects net position.

Total Revenues: Total revenues increased from \$21,138,008 for the year ended June 30, 2019, to \$23,959,348 for the year ended June 30, 2020. The increase was due mainly to insurance proceeds for previous roof damage.

Total revenues increased from \$20,476,152 for the year ended June 30, 2018, to \$21,138,008 for the year ended June 30, 2019. The increase was due mainly to increases in tuition and fees.

Total Expenses: Total expenses increased from \$20,723,301 for the year ended June 30, 2019, to \$21,176,305 for the year ended June 30, 2020. The increase was a result of increased operating expenses due to the purchase of new furniture funded by a master lease.

Total expenses decreased from \$20,865,157 for the year ended June 30, 2018, to \$20,723,301 for the year ended June 30, 2019. The decrease was a result of decreased compensation expense due to the accounting for the OTRS net pension obligation.

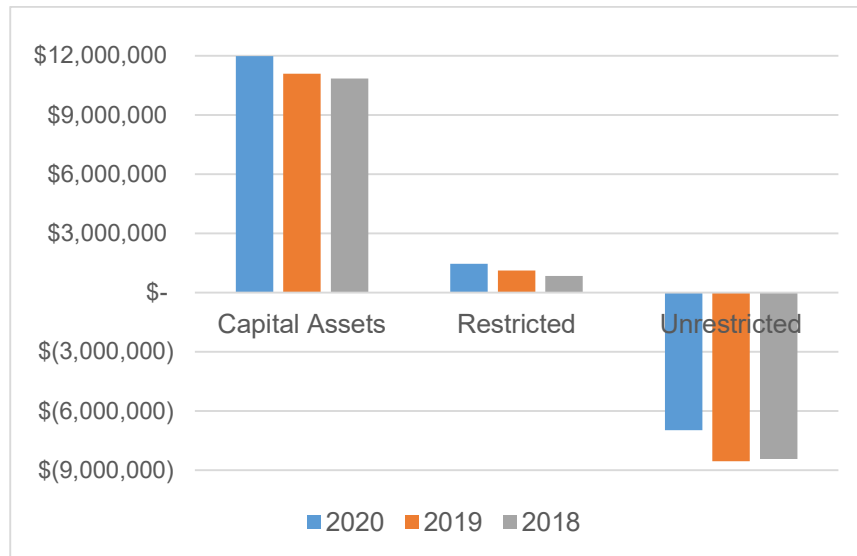
Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

Components of Net Position: At June 30, 2020, the University's net position increased to \$6,451,359 from \$3,668,316 at June 30, 2019, and increased from \$3,253,609 at June 30, 2018. Graphically displayed, the comparative net position increases (decreases) by category for the three fiscal years are shown below:

| | Net Investment in Capital Assets | | | |
|-------------------------------|---|---------------------|---------------------|---------------------|
| | Restricted | Unrestricted | Total | |
| FY2020 | \$ 11,973,695 | \$ 1,450,611 | \$ (6,972,947) | \$ 6,451,359 |
| FY2019 | 11,084,989 | 1,124,355 | (8,541,028) | 3,668,316 |
| Change in Net Position | \$ 888,706 | \$ 326,256 | \$ 1,568,081 | \$ 2,783,043 |
| FY2019 | \$ 11,084,989 | \$ 1,124,355 | \$ (8,541,028) | \$ 3,668,316 |
| FY2018 | 10,853,813 | 838,224 | (8,438,428) | 3,253,609 |
| Change in Net Position | \$ 231,176 | \$ 286,131 | \$ (102,600) | \$ 414,707 |



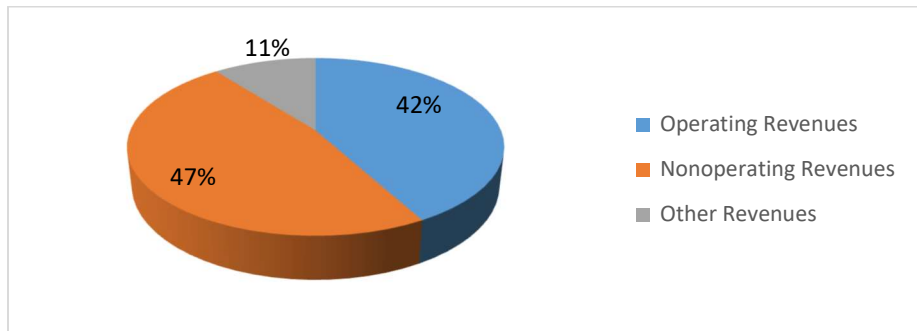
Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

Components of Revenues: The following chart provides a graphical breakdown of revenues by category for the fiscal year ending June 30, 2020:

| Operating Revenues | Nonoperating Revenues | Other Revenues | Total Revenues |
|--------------------|-----------------------|----------------|----------------|
| \$ 10,061,601 | \$ 11,368,803 | \$ 2,528,944 | \$ 23,959,348 |



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's 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 nonfinancial 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.

Oklahoma Panhandle State University
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

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, 2020, compared to the year ended June 30, 2019, cash increased due to the receipt of insurance proceeds for prior roof damage and restricted investment decreased due to the purchase of new furniture with the master lease funds. Noncurrent liabilities decreased by \$912,311 due to regularly scheduled debt payments during the year.

| | 2020 | 2019 | Increase (Decrease) | Percent Change |
|---------------------------------------|----------------------|----------------------|--------------------------------|---------------------------|
| Assets | | | | |
| Current assets | \$ 5,183,315 | \$ 3,644,016 | \$ 1,539,299 | 42.24% |
| Noncurrent assets | | | | |
| Restricted cash and cash equivalents | 603,681 | 628,998 | (25,317) | -4.02% |
| Restricted investments | 293,177 | 1,241,313 | (948,136) | -76.38% |
| Capital assets, net of depreciation | 23,255,615 | 22,330,111 | 925,504 | 4.14% |
| Other | 128,943 | 145,359 | (16,416) | -11.29% |
| Total assets | <u>\$ 29,464,731</u> | <u>\$ 27,989,797</u> | <u>\$ 1,474,934</u> | 5.27% |
| Deferred Outflows of Resources | <u>\$ 2,040,968</u> | <u>\$ 1,942,060</u> | <u>\$ 98,908</u> | 5.09% |
| Liabilities | | | | |
| Current liabilities | \$ 2,228,814 | \$ 2,319,018 | \$ (90,204) | -3.89% |
| Noncurrent liabilities | 20,091,399 | 21,003,710 | (912,311) | -4.34% |
| Total liabilities | <u>\$ 22,320,213</u> | <u>\$ 23,322,728</u> | <u>\$ (1,002,515)</u> | -4.30% |
| Deferred Inflows of Resources | <u>\$ 2,734,127</u> | <u>\$ 2,940,813</u> | <u>\$ (206,686)</u> | -7.03% |
| Net Position | | | | |
| Net investment in capital assets | \$ 11,973,695 | \$ 11,084,989 | \$ 888,706 | 8.02% |
| Restricted for expendable purposes | 1,450,611 | 1,124,355 | 326,256 | 29.02% |
| Unrestricted | (6,972,947) | (8,541,028) | 1,568,081 | -18.36% |
| Total net position | <u>\$ 6,451,359</u> | <u>\$ 3,668,316</u> | <u>\$ 2,783,043</u> | 75.87% |

Oklahoma Panhandle State University
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

For the year ended June 30, 2019, compared to the year ended June 30, 2018, deferred outflows decreased and deferred inflows increased due to the changes in the OTRS net pension and OPEB benefit and OPEB liabilities. Noncurrent liabilities decreased by \$1,182,722 due to refinancing two older debts to more favorable terms and regularly scheduled debt payments during the year.

| | 2019 | 2018 | Increase (Decrease) | Percent Change |
|---------------------------------------|----------------------|----------------------|--------------------------------|---------------------------|
| Assets | | | | |
| Current assets | \$ 3,644,016 | \$ 4,112,558 | \$ (468,542) | -11.39% |
| Noncurrent assets | | | | |
| Restricted cash and cash equivalents | 628,998 | 507,125 | 121,873 | 24.03% |
| Restricted investments | 1,241,313 | 1,224,746 | 16,567 | 1.35% |
| Capital assets, net of depreciation | 22,330,111 | 22,010,760 | 319,351 | 1.45% |
| Other | <u>145,359</u> | <u>123,057</u> | <u>22,302</u> | 18.12% |
| Total assets | <u>\$ 27,989,797</u> | <u>\$ 27,978,246</u> | <u>\$ 11,551</u> | 0.04% |
| Deferred Outflows of Resources | <u>\$ 1,942,060</u> | <u>\$ 2,529,940</u> | <u>\$ (587,880)</u> | -23.24% |
| Liabilities | | | | |
| Current liabilities | \$ 2,319,018 | \$ 2,022,872 | \$ 296,146 | 14.64% |
| Noncurrent liabilities | <u>21,003,710</u> | <u>22,856,432</u> | <u>(1,852,722)</u> | -8.11% |
| Total liabilities | <u>\$ 23,322,728</u> | <u>\$ 24,879,304</u> | <u>\$ (1,556,576)</u> | -6.26% |
| Deferred Inflows of Resources | <u>\$ 2,940,813</u> | <u>\$ 2,375,273</u> | <u>\$ 565,540</u> | 23.81% |
| Net Position | | | | |
| Net investment in capital assets | \$ 11,084,989 | \$ 10,853,813 | \$ 231,176 | 2.13% |
| Restricted for expendable purposes | 1,124,355 | 838,224 | 286,131 | 34.14% |
| Unrestricted | <u>(8,541,028)</u> | <u>(8,438,428)</u> | <u>(102,600)</u> | 1.22% |
| Total net position | <u>\$ 3,668,316</u> | <u>\$ 3,253,609</u> | <u>\$ 414,707</u> | 12.75% |

Oklahoma Panhandle State University

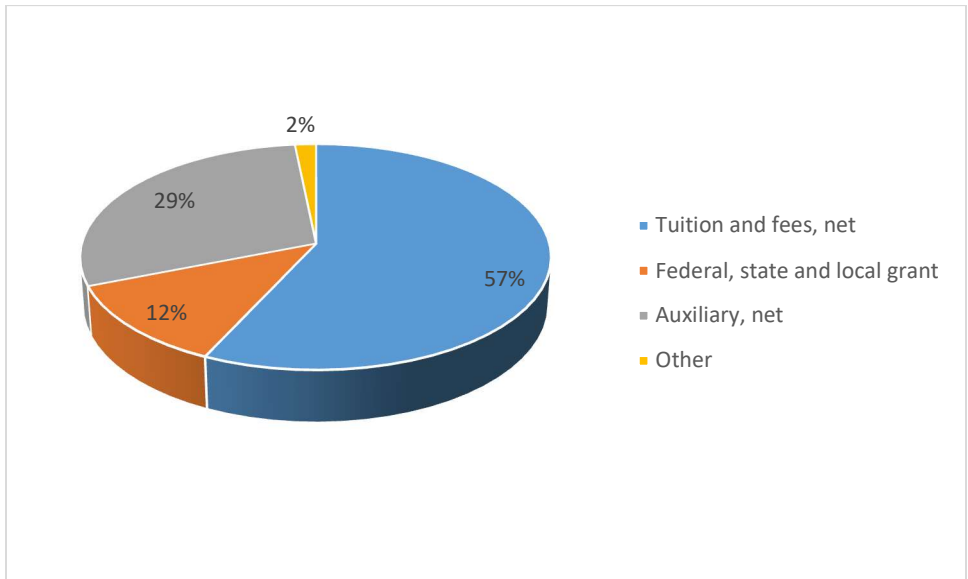
Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

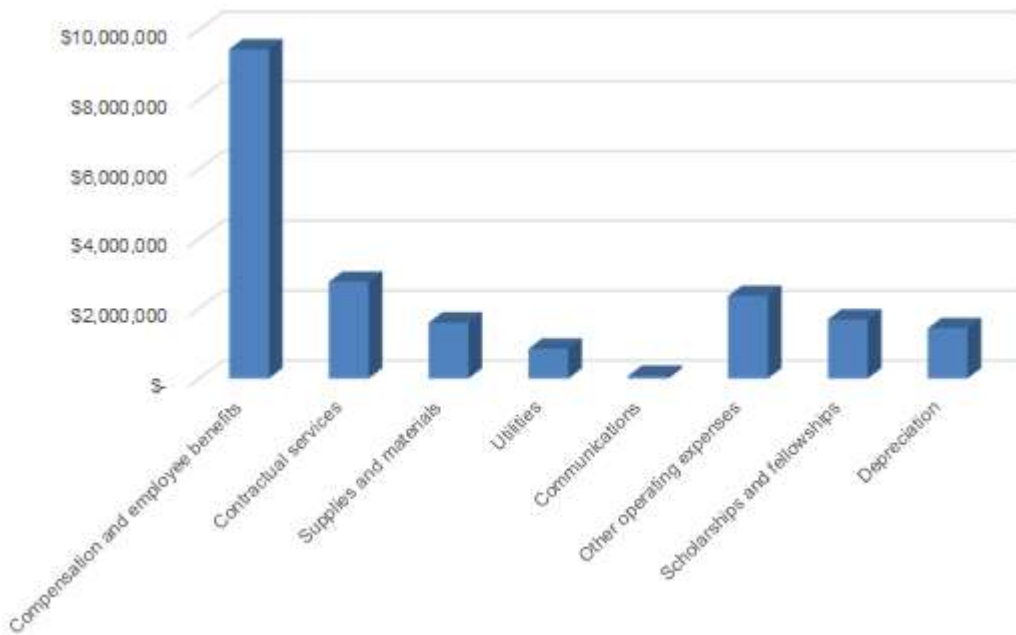
Statement of Revenues, Expenses, and Changes In Net Position

Operating revenues and expenses for the fiscal year ended June 30, 2020, were as follows:

Operating Revenues



Operating Expenses



Oklahoma Panhandle State University
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

| | 2020 | 2019 | Increase (Decrease) | Percent Change | 2018 | Increase (Decrease) | Percent Change |
|---|---------------------|---------------------|--------------------------------|---------------------------|---------------------|--------------------------------|---------------------------|
| Operating Revenues | | | | | | | |
| Tuition and fees, net | \$ 5,728,888 | \$ 5,952,337 | \$ (223,449) | -3.75% | \$ 5,099,099 | \$ 853,238 | 16.73% |
| Federal, state, and local grant | 1,215,195 | 1,219,614 | (4,419) | -0.36% | 1,296,820 | (77,206) | -5.95% |
| Auxiliary, net | 2,954,680 | 3,348,493 | (393,813) | -11.76% | 3,088,155 | 260,338 | 8.43% |
| Other | 162,838 | 133,496 | 29,342 | 21.98% | 263,261 | (129,765) | -49.29% |
| Total operating revenue | 10,061,601 | 10,653,940 | (592,339) | -5.56% | 9,747,335 | 906,605 | 9.30% |
| Less operating expenses | 20,762,131 | 20,237,592 | 524,539 | 2.59% | 20,363,694 | (126,102) | -0.62% |
| Net operating loss | (10,700,530) | (9,583,652) | (1,116,878) | 12.43% | (10,616,359) | 1,032,707 | 0.84% |
| Nonoperating Revenues | | | | | | | |
| State appropriations | 5,797,991 | 5,639,983 | 158,008 | 2.80% | 5,581,936 | 58,047 | 1.04% |
| On-behalf appropriations for OTRS | 464,127 | 474,191 | (10,064) | -2.12% | 442,371 | 31,820 | 7.19% |
| Federal and state grants | 3,078,242 | 2,469,967 | 608,275 | 24.63% | 2,338,696 | 131,271 | 5.61% |
| Other nonoperating revenue | 1,955,600 | 222,894 | 1,732,706 | 777.37% | 233,205 | (10,311) | -4.42% |
| Investment income | 72,843 | 98,441 | (25,598) | -26.00% | 85,409 | 13,032 | 15.26% |
| Interest expense | (414,174) | (485,709) | 71,535 | -14.73% | (501,463) | 15,754 | -3.14% |
| Net nonoperating revenue | 10,954,629 | 8,419,767 | 2,534,862 | 30.11% | 8,180,154 | 239,613 | 2.93% |
| Other Revenues, Expenses, Gains, or Losses | | | | | | | |
| State appropriations restricted for capital purposes | 1,029,062 | 1,093,389 | (64,327) | -5.88% | 1,128,991 | (35,602) | -3.15% |
| Capital grants | 1,305,673 | 287,070 | 1,018,603 | 354.83% | - | 287,070 | 0.00% |
| On-behalf appropriations for OCIA capital leases | 194,209 | 198,133 | (3,924) | -1.98% | 918,209 | (720,076) | -78.42% |
| Total other revenues, expenses, gains, or losses | 2,528,944 | 1,578,592 | 950,352 | 60.20% | 2,047,200 | (468,608) | -22.89% |
| Increase (Decrease) in Net Position | 2,783,043 | 414,707 | 2,368,336 | 206.61% | (389,005) | 803,712 | -206.61% |
| Net Position, Beginning of Year | 3,668,316 | 3,253,609 | 414,707 | 12.75% | 3,642,614 | (389,005) | -10.68% |
| Net Position, End of Year | \$ 6,451,359 | \$ 3,668,316 | \$ 2,783,043 | 75.87% | \$ 3,253,609 | \$ 414,707 | 12.75% |

Oklahoma Panhandle State University
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

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.

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|---------------------|
| Cash Provided by (Used in) | | | |
| Operating activities | \$ (9,352,153) | \$ (8,866,633) | \$ (8,785,736) |
| Noncapital financing activities | 10,820,961 | 8,332,844 | 8,153,837 |
| Investing activities | 1,020,157 | 82,853 | 82,822 |
| Capital and related financing activities | <u>(1,200,855)</u> | <u>(419,008)</u> | <u>(975,440)</u> |
| Net Increase (Decrease) in Cash | 1,288,110 | (869,944) | (1,524,517) |
| Cash and Cash Equivalents, Beginning of Year | <u>2,831,948</u> | <u>3,701,892</u> | <u>5,226,409</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 4,120,058</u> | <u>\$ 2,831,948</u> | <u>\$ 3,701,892</u> |

Oklahoma Panhandle State University
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

Summary of Net Position

Although the statements of revenues, expenses, and changes in net position show an increase in net position of \$2,783,043 during fiscal year 2020, 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.

| | <u>2020</u> | <u>2019</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> | <u>2018</u> | <u>Increase (Decrease)</u> | <u>Percent Change</u> |
|---|---------------------|---------------------|--------------------------------|---------------------------|---------------------|--------------------------------|---------------------------|
| Educational and general | \$ 1,289,309 | \$ 1,275,301 | \$ 14,008 | 1.10% | \$ 1,411,298 | \$ (135,997) | -9.64% |
| Auxiliary operations | 1,967,458 | 677,552 | 1,289,906 | 190.38% | 1,314,082 | (636,530) | -48.44% |
| Pension and OPEB liabilities | (10,229,714) | (10,493,881) | 264,167 | 6.00% | (11,163,808) | 669,927 | -6.00% |
| Other restricted net position | 791,285 | 481,760 | 309,525 | 64.25% | 483,367 | (1,607) | -0.33% |
| Net position restricted for capital projects | 659,326 | 642,595 | 16,731 | 2.60% | 354,857 | 287,738 | 81.09% |
| Capital assets | <u>11,973,695</u> | <u>11,084,989</u> | <u>888,706</u> | 8.02% | <u>10,853,813</u> | <u>231,176</u> | 2.13% |
| | <u>\$ 6,451,359</u> | <u>\$ 3,668,316</u> | <u>\$ 2,783,043</u> | 75.87% | <u>\$ 3,253,609</u> | <u>\$ 414,707</u> | 12.75% |

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.

Oklahoma Panhandle State University
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

Capital Assets

At June 30, 2020, the University has approximately \$23.3 million invested in capital assets, net of accumulated depreciation of \$33.5 million. Depreciation charges totaled \$1,472,394 for the year ended June 30, 2020, compared to \$1,439,074 for the year ended June 30, 2019, and \$1,427,540 for the year ended June 30, 2018. Details of these assets for the three years are shown below.

| | 2020 | 2019 | 2018 |
|----------------------------------|----------------------|----------------------|----------------------|
| Capital Assets | | | |
| Land | \$ 361,163 | \$ 361,163 | \$ 361,163 |
| Construction in progress | 2,229,623 | 838,323 | 579,088 |
| Nonmajor infrastructure networks | 9,976,218 | 9,976,218 | 9,976,218 |
| Nonstructural improvements | 2,579,305 | 2,524,681 | 1,610,119 |
| Building and improvements | 33,907,273 | 33,060,812 | 32,860,779 |
| Equipment | 6,263,727 | 6,512,147 | 6,289,943 |
| Library materials | 1,432,838 | 1,468,514 | 1,566,739 |
| | <u>56,750,147</u> | <u>54,741,858</u> | <u>53,244,049</u> |
| Total capital assets | | | |
| Less accumulated depreciation | <u>33,494,532</u> | <u>32,411,747</u> | <u>31,233,289</u> |
| Capital assets, net | <u>\$ 23,255,615</u> | <u>\$ 22,330,111</u> | <u>\$ 22,010,760</u> |

Capital Lease Obligations

For the year ended June 30, 2020, the University had \$11,007,015 in capital lease obligations outstanding, compared to \$11,860,509 at June 30, 2019, and \$11,915,766 at June 30, 2018. The table below summarizes these amounts by type.

| | 2020 | 2019 | 2018 |
|----------------------------|----------------------|----------------------|----------------------|
| ODFA - Series 2009B 20 yr | \$ - | \$ - | \$ 1,117,000 |
| ODFA - Series 2009B 15 yr | - | - | 143,167 |
| ODFA - Series 2011 | 735,000 | 756,000 | 775,000 |
| OCIA - Series 2014A | 3,562,432 | 3,566,760 | 3,574,767 |
| ODFA - Series 2014A - 2002 | 412,416 | 615,166 | 808,916 |
| ODFA - Series 2014A - 2004 | 501,917 | 619,250 | 731,667 |
| ODFA - Series 2014B | 3,253,834 | 3,447,417 | 3,638,334 |
| OCIA - Series 2014B | - | 19,667 | 38,582 |
| ODFA - Series 2017E | 920,416 | 1,005,416 | 1,088,333 |
| ODFA - Series 2018A | 700,333 | 813,833 | - |
| ODFA - Series 2019A 15 yr | 92,167 | 114,167 | - |
| ODFA - Series 2019A 20 yr | 828,500 | 902,833 | - |
| | <u>\$ 11,007,015</u> | <u>\$ 11,860,509</u> | <u>\$ 11,915,766</u> |

Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

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 an increase of \$14,008 in net position or 1.1 percent. The University's Educational & General Fund ended the year with net reserves of 10.4 percent of Educational & General Fund expenditures.

The University ended fiscal year 2020 with an overall increase of \$2,783,043 in total net position. This is a 75.9 percent increase in overall net position. This increase in net position was primarily in the auxiliary unrestricted net position.

The fall 2020 enrollment for the University was a head count of 1,331, which is a 3.9 percent increase from fall 2019 of 1,281. This follows an increase of 1.5 percent in headcount for fall 2019 headcount of 1,281 over fall 2018 headcount of 1,262. Credit hours are up for fall 2020 from fall 2019 by 6.3 percent after being up by 4.0 percent fall 2019 over fall 2018.

Economic Factors

As a result of the COVID-19 pandemic, the University has transitioned to offer additional remote classes to comply with social distancing requirements recommended by the Center for Disease Control and to allow students access to their classes in the event they or their instructors are quarantined.

As part of the CARES Act the University received \$937,592 in HEERF funding. Half of that funding had to be distributed straight to University students. The remaining institutional portion can and has been used to provide for additional cleaning services and supplies and also updating remote learning technology.

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
Statements of Net Position
June 30, 2020 and 2019

| | University June 30 | | Foundation December 31 | |
|---------------------------------------|-----------------------|-------------------|---------------------------|-------------------|
| | 2020 | 2019 | 2019 | 2018 |
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 3,097,979 | \$ 1,589,904 | \$ 293,123 | \$ 590,135 |
| Restricted cash and cash equivalents | 418,398 | 613,046 | - | - |
| Certificates of deposit | - | - | 190,000 | 190,000 |
| Accounts receivable, net | 802,055 | 1,053,200 | - | - |
| Grants receivable | 510,461 | 99,277 | - | - |
| Interest receivable | 6,037 | 5,215 | 946 | 946 |
| Inventories | 348,385 | 283,374 | - | - |
| Total current assets | <u>5,183,315</u> | <u>3,644,016</u> | <u>484,069</u> | <u>781,081</u> |
| Noncurrent Assets | | | | |
| Restricted cash and cash equivalents | 603,681 | 628,998 | - | - |
| Restricted investments | 293,177 | 1,241,313 | 17,817,822 | 13,417,654 |
| Student loans receivable, net | 45,467 | 49,039 | - | - |
| Restricted net OPEB asset | 83,476 | 96,320 | - | - |
| Investments | - | - | 30,722 | 30,722 |
| Capital assets, net | <u>23,255,615</u> | <u>22,330,111</u> | <u>-</u> | <u>-</u> |
| Total noncurrent assets | <u>24,281,416</u> | <u>24,345,781</u> | <u>17,848,544</u> | <u>13,448,376</u> |
| Total assets | <u>29,464,731</u> | <u>27,989,797</u> | <u>18,332,613</u> | <u>14,229,457</u> |
| Deferred Outflows of Resources | | | | |
| Deferred outflows related to OPEB | 135,548 | 80,163 | - | - |
| Deferred outflows related to pensions | <u>1,905,420</u> | <u>1,861,897</u> | <u>-</u> | <u>-</u> |
| Total deferred outflows of resources | <u>2,040,968</u> | <u>1,942,060</u> | <u>-</u> | <u>-</u> |

See Notes to Financial Statements

| | University June 30 | | Foundation December 31 | |
|---|-----------------------|---------------------|---------------------------|----------------------|
| | 2020 | 2019 | 2019 | 2018 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 212,715 | \$ 343,958 | \$ - | \$ - |
| Accrued liabilities | 456,903 | 472,373 | - | - |
| Unearned revenue | 262,326 | 188,562 | - | - |
| Student deposits | 99,645 | 127,246 | 212,985 | 194,329 |
| Accrued compensated absences | 250,426 | 242,170 | 9,472 | 9,225 |
| Current portion of total OPEB liability | 40,000 | 40,000 | - | - |
| Current portion of capital lease obligations | 906,799 | 904,709 | - | - |
| Total current liabilities | <u>2,228,814</u> | <u>2,319,018</u> | <u>222,457</u> | <u>203,554</u> |
| Noncurrent Liabilities | | | | |
| Deposits held in custody for others | 51,695 | 46,568 | - | - |
| Noncurrent portion of total OPEB liability | 724,049 | 652,742 | - | - |
| Federal loan program contributions | 16,792 | 27,664 | - | - |
| Net pension liability | 8,936,808 | 9,007,882 | - | - |
| Capital lease obligations | 10,362,055 | 11,268,854 | - | - |
| Total noncurrent liabilities | <u>20,091,399</u> | <u>21,003,710</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>22,320,213</u> | <u>23,322,728</u> | <u>222,457</u> | <u>203,554</u> |
| Deferred Inflows of Resources | | | | |
| Deferred credit on OCIA lease restructure | 131,259 | 144,277 | - | - |
| Deferred inflows related to pensions | 1,999,387 | 2,100,013 | - | - |
| Deferred inflows related to OPEB | 603,481 | 696,523 | - | - |
| Total deferred inflows of resources | <u>2,734,127</u> | <u>2,940,813</u> | <u>-</u> | <u>-</u> |
| Net Position | | | | |
| Net investment in capital assets | 11,973,695 | 11,084,989 | - | - |
| Restricted for | | | | |
| Nonexpendable - scholarships and other | - | - | 7,669,221 | 5,209,225 |
| Expendable | | | | |
| Scholarships, research, instruction, and other | 512,302 | 224,534 | 1,200,538 | 1,769,059 |
| Loans | 228,550 | 222,125 | - | - |
| Capital projects | 659,326 | 642,595 | - | - |
| OPEB | 50,433 | 35,101 | - | - |
| Unrestricted | <u>(6,972,947)</u> | <u>(8,541,028)</u> | <u>9,240,397</u> | <u>7,047,619</u> |
| Total net position | <u>\$ 6,451,359</u> | <u>\$ 3,668,316</u> | <u>\$ 18,110,156</u> | <u>\$ 14,025,903</u> |

Oklahoma Panhandle State University
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

| | University June 30 | | Foundation December 31 | |
|---|-----------------------|--------------------|---------------------------|------------------|
| | 2020 | 2019 | 2019 | 2018 |
| Operating Revenues | | | | |
| Tuition and fees, net of scholarship discounts and allowances: 2020 - \$6,410,000; 2019 - \$6,209,000 | \$ 5,728,888 | \$ 5,952,337 | \$ - | \$ - |
| Federal grants and contracts | 315,025 | 337,037 | - | - |
| State and local grants and contracts | 32,519 | 31,015 | - | - |
| Nongovernmental grants and contracts | 867,651 | 851,562 | - | - |
| Auxiliary enterprise charges | | | | |
| Housing, net of scholarship discounts and allowances: 2020 - \$270,000; 2019 - \$261,000 | 971,761 | 1,196,285 | - | - |
| Food services, net of scholarship discounts and allowances: 2020 - \$67,000; 2019 - \$65,000 | 655,376 | 916,959 | - | - |
| Bookstore | 458,786 | 442,995 | - | - |
| Athletics | 196,380 | 49,133 | - | - |
| Other | 672,377 | 743,121 | - | - |
| Gifts and contributions | - | - | 2,811,874 | 1,766,135 |
| Other operating revenues | 162,838 | 133,496 | - | - |
| Total operating revenues | <u>10,061,601</u> | <u>10,653,940</u> | <u>2,811,874</u> | <u>1,766,135</u> |
| Operating Expenses | | | | |
| Compensation and employee benefits | 9,784,106 | 9,437,092 | 106,802 | 104,279 |
| Contractual services | 2,766,175 | 2,768,438 | 13,200 | 13,982 |
| Supplies and materials | 1,298,582 | 1,603,607 | 2,185 | 2,155 |
| Utilities | 775,801 | 853,126 | - | - |
| Communications | 84,962 | 77,876 | - | - |
| Other operating expenses | 2,706,580 | 2,366,869 | 14,417 | 21,076 |
| Scholarships and fellowships | 1,873,531 | 1,691,510 | 1,356,354 | 1,363,282 |
| Depreciation | 1,472,394 | 1,439,074 | - | - |
| Total operating expenses | <u>20,762,131</u> | <u>20,237,592</u> | <u>1,492,958</u> | <u>1,504,774</u> |
| Operating Loss | <u>(10,700,530)</u> | <u>(9,583,652)</u> | <u>1,318,916</u> | <u>261,361</u> |

Oklahoma Panhandle State University
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

| | University June 30 | | Foundation December 31 | |
|--|-----------------------|---------------------|---------------------------|----------------------|
| | 2020 | 2019 | 2019 | 2018 |
| Nonoperating Revenues (Expenses) | | | | |
| State appropriations | \$ 5,797,991 | \$ 5,639,983 | \$ - | \$ - |
| OTRS on-behalf contributions | 464,127 | 474,191 | - | - |
| Federal grants and contracts | 2,739,650 | 2,187,461 | - | - |
| State grants and contracts | 338,592 | 282,506 | - | - |
| Contributions and other nonoperating revenues | 1,955,600 | 222,894 | - | - |
| Net realized and unrealized gains and (losses) on investments | - | - | 2,037,442 | (1,343,748) |
| Investment income | 72,843 | 98,441 | 727,895 | 728,446 |
| Interest expense | (414,174) | (485,709) | - | - |
| | <u>10,954,629</u> | <u>8,419,767</u> | <u>2,765,337</u> | <u>(615,302)</u> |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | <u>254,099</u> | <u>(1,163,885)</u> | <u>4,084,253</u> | <u>(353,941)</u> |
| Other Revenues, Expenses, Gains, or Losses | | | | |
| State appropriations restricted for capital purposes | 1,029,062 | 1,093,389 | - | - |
| Capital grants | 1,305,673 | 287,070 | - | - |
| On-behalf payments for OCIA capital leases | 194,209 | 198,133 | - | - |
| | <u>2,528,944</u> | <u>1,578,592</u> | <u>-</u> | <u>-</u> |
| Increase (Decrease) in Net Position | 2,783,043 | 414,707 | 4,084,253 | (353,941) |
| Net Position, Beginning of Year | <u>3,668,316</u> | <u>3,253,609</u> | <u>14,025,903</u> | <u>14,379,844</u> |
| Net Position, End of Year | <u>\$ 6,451,359</u> | <u>\$ 3,668,316</u> | <u>\$ 18,110,156</u> | <u>\$ 14,025,903</u> |

Oklahoma Panhandle State University
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Tuition and fees | \$ 5,938,094 | \$ 5,582,889 |
| Grants and contracts | 804,011 | 1,192,027 |
| Auxiliary enterprise charges | 3,070,383 | 2,999,525 |
| Other operating receipts | 166,410 | 136,787 |
| Payments to employees for salaries and benefits | (9,606,692) | (9,370,647) |
| Payments to suppliers | (9,724,359) | (9,407,214) |
| | <u>(9,352,153)</u> | <u>(8,866,633)</u> |
| Net cash used in operating activities | | |
| Cash Flows from Noncapital Financing Activities | | |
| State appropriations | 5,797,991 | 5,639,983 |
| Federal grants and contracts | 2,728,778 | 2,187,461 |
| State and local grants and contracts | 338,592 | 282,506 |
| Contributions and other nonoperating revenues | 1,955,600 | 222,894 |
| | <u>10,820,961</u> | <u>8,332,844</u> |
| Net cash provided by noncapital financing activities | | |
| Cash Flows from Capital and Related Financing Activities | | |
| Cash paid for capital assets | (2,397,898) | (1,608,223) |
| Capital appropriations received | 1,029,062 | 1,093,389 |
| Proceeds from capital grants | 1,305,673 | 287,070 |
| Proceeds from capital leases | - | 1,108,725 |
| Interest paid on capital leases | (308,193) | (362,634) |
| Principal payments on capital leases | (829,499) | (937,335) |
| | <u>(1,200,855)</u> | <u>(419,008)</u> |
| Net cash used in capital and related financing activities | | |
| Cash Flows from Investing Activities | | |
| Purchase of investments | (6,390) | (16,567) |
| Proceeds from sales and maturities of investments | 954,526 | - |
| Interest received on investments | 72,021 | 99,420 |
| | <u>1,020,157</u> | <u>82,853</u> |
| Net cash provided by investing activities | | |
| Net increase (decrease) in cash and cash equivalents | 1,288,110 | (869,944) |
| Cash and Cash Equivalents, Beginning of Year | <u>2,831,948</u> | <u>3,701,892</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 4,120,058</u> | <u>\$ 2,831,948</u> |

Oklahoma Panhandle State University
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

| | 2020 | 2019 |
|--|-----------------------|-----------------------|
| Reconciliation of Operating Loss to Net | | |
| Cash Used in Operating Activities | | |
| Operating loss | \$ (10,700,530) | \$ (9,583,652) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation | 1,472,394 | 1,439,074 |
| On-behalf contributions to teachers' retirement system | 464,127 | 474,191 |
| Changes in net assets and liabilities | | |
| Accounts and other receivables | (156,467) | (748,016) |
| Inventories | (65,011) | 227,053 |
| Restricted net OPEB asset | 12,844 | (25,593) |
| Deferred outflows related to OPEB | (55,385) | (70,033) |
| Deferred outflows related to pensions | (43,523) | 657,913 |
| Accounts payable and accrued liabilities | (146,713) | (86,101) |
| Total OPEB liability | 71,307 | (283,513) |
| Net pension liability | (71,074) | (1,493,470) |
| Deferred inflows related to OPEB | (93,042) | 310,599 |
| Deferred inflows related to pensions | (100,626) | 269,796 |
| Unearned revenue | 73,764 | 5,304 |
| Compensated absences | 8,256 | (1,859) |
| Student deposits and deposits held in custody for others | (22,474) | 41,674 |
| | <u>\$ (9,352,153)</u> | <u>\$ (8,866,633)</u> |
| Net cash used in operating activities | | |
| | <u>\$ (9,352,153)</u> | <u>\$ (8,866,633)</u> |
| Noncash Investing, Noncapital Financing, and Capital and Related Financing Activities | | |
| Interest on capital debt paid by state agency on behalf of the University | \$ 170,214 | \$ 171,211 |
| Principal on capital debt paid by state agency on behalf of the University | 23,995 | 26,922 |
| Construction in progress acquisitions included in accounts payable | - | 150,202 |
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Position | | |
| Current assets | | |
| Cash and cash equivalents | \$ 3,097,979 | \$ 1,589,904 |
| Restricted cash and cash equivalents | 418,398 | 613,046 |
| Noncurrent assets | | |
| Restricted cash and cash equivalents | 603,681 | 628,998 |
| | <u>\$ 4,120,058</u> | <u>\$ 2,831,948</u> |
| | <u>\$ 4,120,058</u> | <u>\$ 2,831,948</u> |

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Nature of Operations and 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.

Discretely Presented 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.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

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.

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.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

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 acquisition 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.

Unearned Revenue

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.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes and is earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. 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.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect as of the date of the statement of net position plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

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.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

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).

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.

Tuition and Fees Revenue

Tuition and fees revenue is recognized in the term to which it relates. The summer term is allocated by number of days falling within each fiscal year.

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.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

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 related to net pension and OPEB obligations.

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.

Cost-Sharing Defined Benefit Pension Plan

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.

Single Employer and Cost-Sharing Defined Benefit Other Postemployment Plans

For purposes of measuring the total OPEB liability, net OPEB liability (asset), deferred outflows of resources, and deferred inflows of resources related to OPEBs, and OPEB expense, information about the fiduciary net position of the Oklahoma Teachers Retirement System (OTRS) and OPSU Health and Death Benefit Plan and additions to/deductions from OTRS's fiduciary net position or OPSU's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

Revisions

Immaterial error corrections were made to the 2019 statement of net position for classification of amounts previously reported as noncurrent restricted cash whose use was restricted for current purposes and for classification of the estimated other postemployment benefits payments expected to be paid during the year ended June 30, 2020. The revisions had no effect on previously reported net position and did not have a significant impact on the financial statement line items impacted.

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Certain immaterial error corrections have been made to the 2019 statements of revenues, expenses, and changes in net position and cash flows for classification of federal grant and contract revenue previously reported as operating revenue whose use was for capital purposes. The revisions had no effect on previously reported net position and did not have a significant impact on the financial statement line items impacted.

New Accounting Pronouncement Adopted in Fiscal Year 2020

The University adopted the following new accounting pronouncement during the year ended June 30, 2020:

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

GASB Statement No. 95 was issued in May 2020 and the primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods after June 15, 2018, and later. The University adopted GASB 95 for the year ended June 30, 2020.

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.

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

| | 2020 | 2019 |
|-----------------------------------|--------------|--------------|
| Deposits with the State Treasurer | \$ 4,094,545 | \$ 2,804,141 |
| U.S. financial institutions | 5,513 | 7,807 |
| Change funds | 20,000 | 20,000 |
| Total deposits | \$ 4,120,058 | \$ 2,831,948 |

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 \$4,094,545 and \$2,804,141 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2020 and 2019, respectively, \$3,428,475 and \$1,703,312, 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, 2020 and 2019, the University also held nonnegotiable certificates of deposit totaling \$88,668 and \$68,094, 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.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

Investments

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.

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

| Types of Investments | Fair Value Hierarchy | Credit Rating | Maturities | 2020 | 2019 |
|--|-----------------------------|----------------------|--------------------|-------------------|--------------------|
| Municipal bonds | Level 2 | AA | More than 10 years | \$ 26,810 | \$ 25,924 |
| U.S. Agency mortgage-backed securities | Level 2 | Aaa | More than 10 years | 21,955 | 25,116 |
| Certificates of deposit | N/A | N/A | Less than one year | 88,668 | 68,094 |
| Money market funds | N/A | N/A | Less than one year | 155,744 | 1,122,179 |
| | | | | <u>\$ 293,177</u> | <u>\$1,241,313</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.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The University is authorized to invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of the deposit at federally insured depository institutions approved by the Board of Regents.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

Custodial 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 are maintained through an investment brokerage firm.

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:

| | 2020 | 2019 |
|--|--------------|--------------|
| Student tuition and fees | \$ 2,486,973 | \$ 2,208,466 |
| Auxiliary enterprises and other student activities | 2,628,498 | 2,218,766 |
| | 5,115,471 | 4,427,232 |
| Less allowance for doubtful accounts | 4,313,416 | 3,374,032 |
| Accounts receivable, net | \$ 802,055 | \$ 1,053,200 |

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 percent 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 percent to 30 percent of the original balance up to maximums of 50 percent to 100 percent of the original loan. The federal government reimburses the University to the extent of 10 percent 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 \$16,792 and \$27,664 at June 30, 2020 and 2019, respectively, are reflected in the accompanying statements of net position as noncurrent liabilities.

Oklahoma Panhandle State University
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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:

| | 2020 | | |
|--|-------------------------------------|---------------------------------|--------------|
| | Perkins Loan Program | I.L. Ennis Loan Fund | Total |
| | | | |
| Loans receivable | \$ 35,958 | \$ 184,584 | \$ 220,542 |
| Less allowance for uncollectible loans | - | (175,075) | (175,075) |
| Loans receivable, net | \$ 35,958 | \$ 9,509 | \$ 45,467 |
| | 2019 | | |
| | Perkins Loan Program | I.L. Ennis Loan Fund | Total |
| | | | |
| Loans receivable | \$ 35,958 | \$ 189,025 | \$ 224,983 |
| Less allowance for uncollectible loans | - | (175,944) | (175,944) |
| Loans receivable, net | \$ 35,958 | \$ 13,081 | \$ 49,039 |

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

Note 5: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2020:

| | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
|--|------------------------------|-------------------|------------------|--------------------|---------------------------|
| Capital assets not being depreciated | | | | | |
| Land | \$ 361,163 | \$ - | \$ - | \$ - | \$ 361,163 |
| Construction in progress | 838,323 | 1,484,320 | (93,020) | - | 2,229,623 |
| Total capital assets not being depreciated | <u>1,199,486</u> | <u>1,484,320</u> | <u>(93,020)</u> | <u>-</u> | <u>2,590,786</u> |
| Capital assets being depreciated | | | | | |
| Nonmajor infrastructure networks | 9,976,218 | - | - | - | 9,976,218 |
| Nonstructural improvements | 2,524,681 | 54,624 | - | - | 2,579,305 |
| Building and improvements | 33,060,812 | 753,441 | 93,020 | - | 33,907,273 |
| Equipment | 6,512,147 | 45,225 | - | (293,645) | 6,263,727 |
| Library materials | 1,468,514 | 62,277 | - | (97,953) | 1,432,838 |
| Total capital assets being depreciated | <u>53,542,372</u> | <u>915,567</u> | <u>93,020</u> | <u>(391,598)</u> | <u>54,159,361</u> |
| Accumulated depreciation | | | | | |
| Nonmajor infrastructure networks | 6,330,008 | 479,887 | - | - | 6,809,895 |
| Nonstructural improvements | 1,114,676 | 124,017 | - | - | 1,238,693 |
| Building and improvements | 17,877,897 | 688,977 | - | - | 18,566,874 |
| Equipment | 6,015,733 | 96,531 | - | (291,656) | 5,820,608 |
| Library materials | 1,073,433 | 82,982 | - | (97,953) | 1,058,462 |
| Total accumulated depreciation | <u>32,411,747</u> | <u>1,472,394</u> | <u>-</u> | <u>(389,609)</u> | <u>33,494,532</u> |
| Capital assets, net | <u>\$ 22,330,111</u> | <u>\$ 927,493</u> | <u>\$ -</u> | <u>\$ (1,989)</u> | <u>\$ 23,255,615</u> |

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2020, was as follows:

| | Buildings | Infrastructure | Equipment | Nonstructural Improvements | Total |
|-------------------------------|---------------------|-----------------------|--------------------|---------------------------------------|----------------------|
| Cost | \$ 11,618,853 | \$ 4,806,061 | \$ 2,852,795 | \$ 859,953 | \$ 20,137,662 |
| Less accumulated depreciation | <u>(3,770,873)</u> | <u>(2,594,886)</u> | <u>(2,852,795)</u> | <u>(85,995)</u> | <u>(9,304,549)</u> |
| | <u>\$ 7,847,980</u> | <u>\$ 2,211,175</u> | <u>\$ -</u> | <u>\$ 773,958</u> | <u>\$ 10,833,113</u> |

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

Following are the changes in capital assets for the year ended June 30, 2019:

| | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
|--|------------------------------|-------------------|--------------------|--------------------|---------------------------|
| Capital assets not being depreciated | | | | | |
| Land | \$ 361,163 | \$ - | \$ - | \$ - | \$ 361,163 |
| Construction in progress | 579,088 | 1,348,583 | (1,089,348) | - | 838,323 |
| Total capital assets not being depreciated | <u>940,251</u> | <u>1,348,583</u> | <u>(1,089,348)</u> | <u>-</u> | <u>1,199,486</u> |
| Capital assets being depreciated | | | | | |
| Nonmajor infrastructure networks | 9,976,218 | - | - | - | 9,976,218 |
| Nonstructural improvements | 1,610,119 | - | 914,562 | - | 2,524,681 |
| Building and improvements | 32,860,779 | 25,247 | 174,786 | - | 33,060,812 |
| Equipment | 6,289,943 | 353,464 | - | (131,260) | 6,512,147 |
| Library materials | 1,566,739 | 31,823 | - | (130,048) | 1,468,514 |
| Total capital assets being depreciated | <u>52,303,798</u> | <u>410,534</u> | <u>1,089,348</u> | <u>(261,308)</u> | <u>53,542,372</u> |
| Accumulated depreciation | | | | | |
| Nonmajor infrastructure networks | 5,828,059 | 501,949 | - | - | 6,330,008 |
| Nonstructural improvements | 1,007,476 | 107,200 | - | - | 1,114,676 |
| Building and improvements | 17,215,527 | 662,370 | - | - | 17,877,897 |
| Equipment | 6,061,953 | 84,348 | - | (130,568) | 6,015,733 |
| Library materials | 1,120,274 | 83,207 | - | (130,048) | 1,073,433 |
| Total accumulated depreciation | <u>31,233,289</u> | <u>1,439,074</u> | <u>-</u> | <u>(260,616)</u> | <u>32,411,747</u> |
| Capital assets, net | <u>\$ 22,010,760</u> | <u>\$ 320,043</u> | <u>\$ -</u> | <u>\$ (692)</u> | <u>\$ 22,330,111</u> |

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2019, was as follows:

| | Buildings | Infrastructure | Equipment | Nonstructural Improvements | Total |
|-------------------------------|---------------------|-----------------------|--------------------|---------------------------------------|----------------------|
| Cost | \$ 11,618,853 | \$ 4,806,061 | \$ 2,852,795 | \$ 859,953 | \$ 20,137,662 |
| Less accumulated depreciation | <u>(3,446,966)</u> | <u>(2,335,780)</u> | <u>(2,852,795)</u> | <u>(28,665)</u> | <u>(8,664,206)</u> |
| | <u>\$ 8,171,887</u> | <u>\$ 2,470,281</u> | <u>\$ -</u> | <u>\$ 831,288</u> | <u>\$ 11,473,456</u> |

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

Note 6: Noncurrent Liabilities

Noncurrent liability activity for the years ended June 30, 2020 and 2019, was as follows:

| | Beginning Balance | Additions | 2020 | | Ending Balance | Current Portion |
|--|----------------------|-----------------|---------------------|----------------------|-------------------|--------------------|
| | | | | Deductions | | |
| Capital lease obligations | | | | | | |
| ODFA - Series 2011 (0.45% - 5.00%) | \$ 756,000 | \$ - | \$ (21,000) | \$ 735,000 | \$ 22,000 | |
| OCIA - Series 2014A (2.00% - 5.00%) | 3,566,760 | - | (4,328) | 3,562,432 | - | |
| ODFA - Series 2014A - 2002 (3.00% - 5.00%) | 615,166 | - | (202,750) | 412,416 | 211,668 | |
| ODFA - Series 2014A - 2004 (3.00% - 5.00%) | 619,250 | - | (117,333) | 501,917 | 121,333 | |
| ODFA - Series 2014B (2.00% - 3.375%) | 3,447,417 | - | (193,583) | 3,253,834 | 196,917 | |
| OCIA - Series 2014B (2.00% - 4.00%) | 19,667 | - | (19,667) | - | - | |
| ODFA - Series 2017E (2.15% - 3.60%) | 1,005,416 | - | (85,000) | 920,416 | 85,000 | |
| ODFA - Series 2018A (3.75% - 4.00%) | 813,833 | - | (113,500) | 700,333 | 118,333 | |
| ODFA - Series 2019A 15 yr (3.00% - 5.00%) | 114,167 | - | (22,000) | 92,167 | 22,083 | |
| ODFA - Series 2019A 20 yr (3.00% - 5.00%) | 902,833 | - | (74,333) | 828,500 | 78,250 | |
| Premiums | 313,054 | - | (51,215) | 261,839 | 51,215 | |
| Total capital lease obligations | 12,173,563 | - | (904,709) | 11,268,854 | 906,799 | |
| Other noncurrent liabilities | | | | | | |
| Deposits held in custody for others | 46,568 | 5,127 | - | 51,695 | - | |
| Federal loan program contribution | 27,664 | - | (10,872) | 16,792 | - | |
| Total other noncurrent liabilities | 74,232 | 5,127 | (10,872) | 68,487 | - | |
| Total noncurrent liabilities | \$ 12,247,795 | \$ 5,127 | \$ (915,581) | \$ 11,337,341 | \$ 906,799 | |

Oklahoma Panhandle State University
Notes to Financial Statements
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| | Beginning Balance | 2019 | | Ending Balance | Current Portion |
|--|----------------------|--------------|----------------|-------------------|--------------------|
| | | Additions | Deductions | | |
| Capital lease obligations | | | | | |
| ODFA - Series 2009B 20 yr (3.60% - 4.50%) | \$ 1,117,000 | \$ - | \$ (1,117,000) | \$ - | \$ - |
| ODFA - Series 2009B 15 yr (3.60% - 4.10%) | 143,167 | - | (143,167) | - | - |
| ODFA - Series 2011 (0.45% - 5.00%) | 775,000 | - | (19,000) | 756,000 | 21,000 |
| OCIA - Series 2014A (2.00% - 5.00%) | 3,574,767 | - | (8,007) | 3,566,760 | 4,328 |
| ODFA - Series 2014A - 2002 (3.00% - 5.00%) | 808,916 | - | (193,750) | 615,166 | 202,750 |
| ODFA - Series 2014A - 2004 (3.00% - 5.00%) | 731,667 | - | (112,417) | 619,250 | 117,333 |
| ODFA - Series 2014B (2.00% - 3.375%) | 3,638,334 | - | (190,917) | 3,447,417 | 193,583 |
| OCIA - Series 2014B (2.00% - 4.00%) | 38,582 | - | (18,915) | 19,667 | 19,667 |
| ODFA - Series 2017E (2.15% - 3.60%) | 1,088,333 | - | (82,917) | 1,005,416 | 85,000 |
| ODFA - Series 2018A (3.75% - 4.00%) | - | 878,000 | (64,167) | 813,833 | 113,500 |
| ODFA - Series 2019A 15 yr (3.00% - 5.00%) | - | 116,000 | (1,833) | 114,167 | 22,000 |
| ODFA - Series 2019A 20 yr (3.00% - 5.00%) | - | 909,000 | (6,167) | 902,833 | 74,333 |
| Premiums | 146,610 | 199,725 | (33,281) | 313,054 | 51,215 |
| Total capital lease obligations | 12,062,376 | 2,102,725 | (1,991,538) | 12,173,563 | 904,709 |
| Other noncurrent liabilities | | | | | |
| Deposits held in custody for others | 48,030 | - | (1,462) | 46,568 | - |
| Federal loan program contribution | 27,664 | - | - | 27,664 | - |
| Total other noncurrent liabilities | 75,694 | - | (1,462) | 74,232 | - |
| Total noncurrent liabilities | \$ 12,138,070 | \$ 2,102,725 | \$ (1,993,000) | \$ 12,247,795 | \$ 904,709 |

Oklahoma Capital Improvement Authority Lease Obligations (OCIA)

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.

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Notes to Financial Statements
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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.

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, 2020 and 2019, the unamortized gain totaled \$131,259 and \$144,277, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$496,344, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA related to Series 2014A, totaling \$174,087 and \$177,926 during the years ended June 30, 2020 and 2019, 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, 2019, the unamortized gain was fully amortized.

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.

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Lease principal and interest payments to OCIA related to Series 2014B, totaling \$20,122 and \$20,207 during the years ended June 30, 2020 and 2019, 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 Obligation (ODFA)

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.

On May 7, 2019, the University entered into capital lease obligation Series 2019A in the amount of \$1,025,000 to refinance the 2009B ODFA capital lease obligation. Lease payments over the term of the agreement, including interest, total \$131,102 and \$1,167,801 for the 15-year and 20-year portions, respectively. Payments began June 15, 2019, and go through May 15, 2024 and 2029, for the 15-year and 20-year portions, respectively, and will range from \$2,250 to \$26,622 for the 15-year portion and \$9,978 to \$117,180 for the 20-year portion, annually.

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.

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 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 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 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.

On November 8, 2018, the University entered into capital lease obligation Series 2018A in the amount of \$878,000 for classroom furniture upgrades. Lease payments over the term of the agreement, including interest, total \$1,025,858. Payments began December 15, 2018, and go through November 15, 2025, and will range from \$61,100 to \$146,823 annually.

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Future minimum lease payments under the University’s capital lease obligations are as follows at June 30, 2020:

| | Principal | Interest | Total |
|----------------------|----------------------|---------------------|----------------------|
| Years ending June 30 | | | |
| 2021 | \$ 855,584 | \$ 447,266 | \$ 1,302,850 |
| 2022 | 869,331 | 417,215 | 1,286,546 |
| 2023 | 1,025,831 | 388,827 | 1,414,658 |
| 2024 | 1,050,793 | 349,407 | 1,400,200 |
| 2025 | 936,442 | 307,490 | 1,243,932 |
| 2026 - 2030 | 4,353,023 | 985,841 | 5,338,864 |
| 2031 - 2035 | 1,628,011 | 209,523 | 1,837,534 |
| 2036 - 2040 | 233,000 | 48,409 | 281,409 |
| 2041 | 55,000 | 2,681 | 57,681 |
| | <u>\$ 11,007,015</u> | <u>\$ 3,156,659</u> | <u>\$ 14,163,674</u> |

Note 7: Retirement Plans

The University’s academic and nonacademic personnel are covered by the Oklahoma Teachers’ Retirement System (OTRS), which is a State of Oklahoma public employee retirement system. The University does not maintain the accounting records, hold the investments for, or administer this plan.

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 percent 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 percent of final compensation for each year of credited service.

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- 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 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2 percent 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 percent of the employees' annual pay and an additional 7.70 percent and 7.80 percent for any employees' salaries covered by federal funds for 2020 and 2019, respectively. Contributions to the pension plan from the University were \$636,051 and \$637,053 for June 30, 2020 and 2019, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, totaling \$464,127 and \$474,191 during 2020 and 2019, respectively, which were recognized by the University; these on-behalf payments did not meet the criteria of a special funding situation.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020 and 2019, the University reported a liability of \$8,936,808 and \$9,007,882, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, and June 30, 2018. 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, 2019, and June 30, 2018. Based upon this information, the University's proportion was 0.1350 percent and 0.1490 percent for June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$884,955 and \$545,483, respectively.

At June 30, 2020, 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 |
|---|---|--|
| | <hr/> | <hr/> |
| Differences between expected and actual experience | \$ 458,761 | \$ 382,969 |
| Changes of assumptions | 469,201 | 301,599 |
| Net difference between projected and actual earnings on pension plan investments | 60,609 | - |
| Changes in proportion and differences between University contributions and proportionate share of contributions | 274,431 | 1,309,848 |
| University contributions during the measurement period | 6,367 | 4,971 |
| University contributions subsequent to the measurement date | 636,051 | - |
| | <hr/> | <hr/> |
| Total | <u>\$ 1,905,420</u> | <u>\$ 1,999,387</u> |

Oklahoma Panhandle State University
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At June 30, 2019, 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 | \$ - | \$ 622,673 |
| Changes of assumptions | 844,456 | 461,380 |
| Net difference between projected and actual earnings on pension plan investments | - | 156,586 |
| Changes in proportion and differences between University contributions and proportionate share of contributions | 380,388 | 852,545 |
| University contributions during the measurement period | - | 6,829 |
| University contributions subsequent to the measurement date | 637,053 | - |
| Total | \$ 1,861,897 | \$ 2,100,013 |

The \$636,051 and \$637,053 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date for June 30, 2020 and 2019, respectively, will be recognized as a reduction of the net pension liability in the years ended June 30, 2021 and 2020, 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 | Amount Recognized |
|---------------------------|------------------------------|
| 2021 | \$ (33,499) |
| 2022 | (435,102) |
| 2023 | (241,519) |
| 2024 | (662) |
| 2025 | (19,236) |
| | \$ (730,018) |

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Actuarial Assumptions

The total pension liability as of June 30, 2020 and 2019, was determined based on an actuarial valuation prepared as of June 30, 2019 and 2018, respectively, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50 percent
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases – Composed of 3.25 percent inflation, including 2.50 percent price inflation, plus a service-related component ranging from 0.00 percent to 8 percent based on years of service.
- Investment Rate of Return – 7.50 percent
- 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 percent. 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 percent and female rates multiplied by 50 percent.

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, 2020 and 2019, 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 U.S. Direct Real Estate (unlevered) and U.S. Value added Real Estate (unlevered)

Oklahoma Panhandle State University
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Discount Rate

A single discount rate of 7.50 percent was used to measure the total pension liability as of June 30, 2020, and June 30, 2019. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50 percent. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employers calculated using the discount rate of 7.50 percent for 2020 and 2019, as well as what the University'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:

| | June 30, 2020 | | |
|---|-----------------------------------|---|-----------------------------------|
| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
| University's proportionate share of the net pension liability | \$ 12,592,938 | \$ 8,936,808 | \$ 5,878,273 |
| | | | |
| | June 30, 2019 | | |
| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
| University's proportionate share of the net pension liability | \$ 12,808,666 | \$ 9,007,882 | \$ 5,825,984 |

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.

Oklahoma Panhandle State University
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Note 8: Other Postemployment Benefits

Currently, the University provides postemployment benefits to retirees under two postemployment benefit (OPEB) plans:

1. OTRS Supplemental Health Insurance Program (SHIP) – a cost-sharing multiple-employer defined benefit plan administered by OTRS
2. OPSU Retiree Benefits Plan – a single employer defined benefit health insurance and death benefit plan

A summary of the amounts recorded in the University’s financial statements for the plans is as follows:

| | June 30, 2020 | | | | |
|-------------------------------|---------------------------|---------------------------------|---|--|---------------------------------------|
| | Net OPEB Asset | Total OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB (Benefit) Expense |
| Health and Death Benefit Plan | \$ - | \$ 764,049 | \$ 124,905 | \$ 560,993 | \$ (11,766) |
| OTRS OPEB Plan | (83,476) | - | 10,643 | 42,488 | (11,035) |
| Total | \$ (83,476) | \$ 764,049 | \$ 135,548 | \$ 603,481 | \$ (22,801) |
| | June 30, 2019 | | | | |
| | Net OPEB Asset | Total OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB (Benefit) Expense |
| Health and Death Benefit Plan | \$ - | \$ 692,742 | \$ 70,340 | \$ 629,778 | \$ (12,615) |
| OTRS OPEB Plan | (96,320) | - | 9,823 | 66,745 | (12,022) |
| Total | \$ (96,320) | \$ 692,742 | \$ 80,163 | \$ 696,523 | \$ (24,637) |

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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 years of Oklahoma service prior to retirement.

Contributions – Employer and employee contributions are made based upon the OTRS 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 0.13 percent and 0.14 percent of normal cost, as determined by an actuarial valuation as of June 30, 2019 and 2018. Contributions allocated to the OPEB plan from the University were \$1,198 and \$4,297 during 2020 and 2019, respectively.

OPEB Liabilities (Assets), OPEB Expense (Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2020 and 2019, the University reported an asset of \$83,476 and \$96,320, respectively, for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019, and June 30, 2018. 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, 2019, and June 30, 2018. Based upon this information, the University's proportion was 0.1350 percent and 0.1490 percent for June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the University recognized OPEB (benefit) expense of \$(11,035) and \$(12,022), respectively.

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At June 30, 2020, the University reported deferred outflows of resources and 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 | \$ - | \$ 30,511 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 11,977 |
| Changes in University's proportionate share of contributions | 2,876 | - |
| Differences between University contributions and proportionate share of contributions | 6,569 | - |
| University contributions subsequent to the measurement date | <u>1,198</u> | <u>-</u> |
| Total | <u>\$ 10,643</u> | <u>\$ 42,488</u> |

At June 30, 2019, the University reported deferred outflows of resources and 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 | \$ - | \$ 26,840 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 39,905 |
| Changes in University's proportionate share of contributions | 656 | - |
| Differences between University contributions and proportionate share of contributions | 4,870 | - |
| University contributions subsequent to the measurement date | <u>4,297</u> | <u>-</u> |
| Total | <u>\$ 9,823</u> | <u>\$ 66,745</u> |

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The \$1,198 and \$4,297 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date for June 30, 2020 and 2019, respectively, will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2021 and 2020, respectively.

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 | Amount Recognized |
|---------------------------|------------------------------|
| 2021 | \$ (13,081) |
| 2022 | (13,081) |
| 2023 | (4,825) |
| 2024 | (185) |
| 2025 | (1,515) |
| Thereafter | (356) |
| | \$ (33,043) |

Actuarial Assumptions – The total OPEB liability (asset) as of June 30, 2020 and 2019, was determined based on an actuarial valuation prepared as of June 30, 2019 and 2018, respectively, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50 percent
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases - Composed of 3.25 percent inflation, including 2.50 percent price inflation, plus a service-related component ranging from 0.00 percent to 8 percent based on years of service.
- Investment Rate of Return – 7.50 percent
- 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 percent. 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 percent and female rates multiplied by 50 percent.

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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, 2020 and 2019, 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 U.S. Direct Real Estate (unlevered) and U.S. Value added Real Estate (unlevered)

Discount Rate – A single discount rate of 7.50 percent was used to measure the total OPEB liability (asset) as of June 30, 2020 and 2019. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50 percent. 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 (Asset) to Changes in the Discount Rate – The following presents the net OPEB liability (asset) of the University calculated using the discount rate of 7.5 percent, as well as what the University’s net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

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| | 1% Decrease (6.5%) | June 30, 2020 Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------------------|---|-----------------------------------|
| University's proportionate share of the net OPEB asset | \$ (27,972) | \$ (83,476) | \$ (130,900) |
| | | | |
| | 1% Decrease (6.5%) | June 30, 2019 Current Discount Rate (7.5%) | 1% Increase (8.5%) |
| University's proportionate share of the net OPEB asset | \$ (33,829) | \$ (96,320) | \$ (149,717) |

OPEB 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.

Health and Death Benefit Plan

Plan Description - The University’s defined benefit OPEB plan, Health and 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 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. The University also 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. Each retiree is eligible to receive \$10,000 of life insurance coverage.

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Employees Covered by Benefit Terms – At June 30, 2020 and 2019, the following employees were covered by the benefit terms:

| | 2020 | 2019 |
|---------------------------------------|-------------|-------------|
| Active employees (participants) | 116 | 116 |
| Retired participants (death benefits) | 67 | 67 |
| | 183 | 183 |

Total OPEB Liability – The University’s total OPEB liability of \$764,049 and \$692,742 was measured as of June 30, 2020 and 2019, respectively, and was determined by an actuarial valuation as of those dates.

Actuarial Assumptions – The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2020 and 2019, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Discount Rate – 2.66 percent and 3.51 percent for 2020 and 2019, respectively, based on published Bond Buyer Go-20 bond index
- Healthcare Cost Trend Rates – 8.00 percent decreasing 0.5 percent annually to an ultimate rate of 4.5 percent for 2019 and 7.50 percent decreasing 0.5 percent annually to an ultimate rate of 4.5 percent for 2020
- Mortality Rates – SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018
- Pre-Retirement Termination – Oklahoma Teacher’s Retirement System actuarial valuation study as of June 30, 2016

Oklahoma Panhandle State University
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Changes in Total OPEB Liability - The following table reports the components of changes in total OPEB liability:

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Total OPEB liability, beginning of year | \$ 692,742 | \$ 976,255 |
| Changes for the year | | |
| Service cost | 15,511 | 11,527 |
| Interest expense | 24,159 | 37,565 |
| Change of assumptions | 73,917 | 79,132 |
| Difference between actual and expected experience | (2,003) | (372,131) |
| Benefit paid | (40,277) | (39,606) |
| Total OPEB liability, end of year | <u>\$ 764,049</u> | <u>\$ 692,742</u> |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the University calculated using the respective discount rate, 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 or 1-percentage-point higher than the current rate:

| | 1% Decrease (1.66%) | June 30, 2020 Current Discount Rate (2.66%) | 1% Increase (3.66%) |
|-----------------------------------|------------------------------------|--|------------------------------------|
| University's total OPEB liability | \$ 868,458 | \$ 764,049 | \$ 678,279 |

| | 1% Decrease (2.51%) | June 30, 2019 Current Discount Rate (3.51%) | 1% Increase (4.51%) |
|-----------------------------------|------------------------------------|--|------------------------------------|
| University's total OPEB liability | \$ 781,261 | \$ 692,742 | \$ 619,347 |

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Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rate – The total OPEB liability of the University has been calculated using health care cost trend rates of 7.50 percent to 4.50 percent for 2020 and 8.00 percent to 4.50 percent for 2019. The following presented the total OPEB liability using health care cost trend rates 1-percent higher and 1-percent lower than the current health care cost trend rates:

| | June 30, 2020 | | |
|-----------------------------------|----------------------|-----------------------|-----------------|
| | 1% | Current Health | 1% |
| | Decrease | Care Cost | Increase |
| | | Trend Rate | |
| University's total OPEB liability | \$ 747,928 | \$ 764,049 | \$ 783,585 |
| | | | |
| | June 30, 2019 | | |
| | 1% | Current Health | 1% |
| | Decrease | Care Cost | Increase |
| | | Trend Rate | |
| University's total OPEB liability | \$ 679,264 | \$ 692,742 | \$ 708,966 |

OPEB Expense - For the years ended June 30, 2020 and 2019, the University recognized OPEB (benefit) expense of (\$11,766) and (\$12,615), respectively.

At June 30, 2020, the University also reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred | Deferred |
|--|--------------------|-------------------|
| | Outflows of | Inflows of |
| | Resources | Resources |
| Differences between expected and actual experience | \$ - | \$ 495,145 |
| Changes of assumptions | 124,905 | 65,848 |
| Total | \$ 124,905 | \$ 560,993 |

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At June 30, 2019, the University also reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 556,775 |
| Changes of assumptions | <u>70,340</u> | <u>73,003</u> |
| Total | <u>\$ 70,340</u> | <u>\$ 629,778</u> |

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

| Year Ended June 30 | Amount Recognized |
|---------------------------|------------------------------|
| 2021 | \$ (51,436) |
| 2022 | (51,436) |
| 2023 | (51,436) |
| 2024 | (51,436) |
| 2025 | (51,436) |
| Thereafter | <u>(178,908)</u> |
| | <u>\$ (436,088)</u> |

Note 9: Funds Held in Trust 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 percent of the distributions of income produced by Section Thirteen Fund State Educational Institutions assets and New University Fund.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

The University received approximately \$1,029,000 and \$1,093,000 from these funds during the years ended June 30, 2020 and 2019, 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 \$19,000,000 and \$20,700,000 at June 30, 2020 and 2019, 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:

| | 2020 | 2019 |
|---|-------------|-------------|
| Direct support from the Foundation to the University | \$ 220,000 | \$ 220,000 |
| Scholarships paid directly by the Foundation to University students | 265,362 | 221,066 |

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.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

The following is a summary of financial assets measured at fair value on a recurring basis as of December 31, 2019 and 2018:

| | Fair Value Hierarchy | 2019 | 2018 |
|--------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Common stocks | Level 1 | \$ 6,330,556 | \$ 5,556,564 |
| Mutual funds | Level 1 | 8,466,010 | 4,842,986 |
| Corporate bonds | Level 1 | 1,218,894 | 1,239,734 |
| Asset and mortgage-backed securities | Level 1 | 707,157 | 781,307 |
| Publicly traded limited partnerships | Level 1 | 226,139 | 207,565 |
| Exchange traded and closed end funds | Level 1 | 65,583 | 49,887 |
| Interest in perpetual trust | Level 3 | 803,483 | 739,611 |
| Certificate of deposits | Level 2 | 190,000 | 190,000 |
| Mineral interests | Level 3 | 25,722 | 25,722 |
| Investment in land | Level 3 | <u>5,000</u> | <u>5,000</u> |
| Total investments | | <u><u>\$ 18,038,544</u></u> | <u><u>\$ 13,638,376</u></u> |

Note 11: Asset Retirement Obligation

The University has incurred certain asset retirement obligations related to the operation of its wastewater lagoon system. The estimated liability of the legally required closure costs for the wastewater lagoon system cannot be reasonably estimated as of June 30, 2020 and 2019, due to the lack of guidance from the Oklahoma Department of Environmental Quality on what legally required costs of retirement include. The University is currently pursuing clarification of specific legally required retirement costs.

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.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2020 and 2019

Note 13: Current Economic Conditions

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position results of operations and cash flows of the University. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Oklahoma Panhandle State University
Schedule of the University's Proportionate Share of the Net Pension Liability
Oklahoma Teachers Retirement System
Last 10 Fiscal Years*

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|---------------|---------------|--------------|--------------|
| University's proportion of the net pension liability | 0.1350% | 0.1490% | 0.1586% | 0.1496% | 0.1535% | 0.1626% |
| University's proportionate share of the net pension liability | \$ 8,936,808 | \$ 9,007,882 | \$ 10,501,352 | \$ 12,482,485 | \$ 9,324,270 | \$ 8,747,608 |
| University's covered-employee payroll | \$ 7,220,135 | \$ 7,244,059 | \$ 7,517,236 | \$ 7,434,386 | \$ 7,469,774 | \$ 7,655,532 |
| University's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 124% | 124% | 140% | 168% | 125% | 114% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.56% | 72.74% | 69.32% | 62.24% | 70.31% | 72.43% |

*The amounts presented for each fiscal year were determined as of June 30.

Notes to Schedule:

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

Oklahoma Panhandle State University
Schedule of the University's Contributions
Oklahoma Teachers Retirement System
Last 10 Fiscal Years

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 636,051 | \$ 637,053 | \$ 637,971 | \$ 650,374 | \$ 635,443 | \$ 640,552 |
| Contributions in relation to the contractually required contribution | <u>636,051</u> | <u>637,053</u> | <u>637,971</u> | <u>650,374</u> | <u>635,443</u> | <u>640,552</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered-employee payroll | \$ 7,172,428 | \$ 7,220,135 | \$ 7,244,059 | \$ 7,517,236 | \$ 7,434,386 | \$ 7,469,774 |
| Contributions as a percentage of covered-employee payroll | 9% | 9% | 9% | 9% | 9% | 9% |

Notes to Schedule:

This schedule presents the information available to the University and will include ten-year trend information once available.

Benefit Changes

There were no changes to benefit terms for OTRS for the years presented.

Changes of Assumptions

There were no changes to assumptions in valuation reports for the years ended June 30, 2020, 2019, or 2018.

Actuarial assumptions used in the June 30, 2017, valuation were changed as follows:

Salary increases were composed of 3.25 percent inflation, including 2.50 percent, plus a service-related component ranging from 0.00 percent to 8.00 percent based on years of service.

Actuarial assumptions used in the June 30, 2016, valuation were changed as follows:

Inflation was increased to 2.50 percent.

Investment rate of return was decreased to 7.50 percent.

There were no changes to assumptions in valuation report for the year ended June 30, 2015.

Oklahoma Panhandle State University
Schedule of the University's Proportionate Share of the Net OPEB Liability (Asset)
Oklahoma Teachers Retirement System Supplemental Health Insurance Program
Last 10 Fiscal Years*

| | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|
| University's proportion of the net OPEB liability (asset) | 0.1350% | 0.1490% | 0.1586% |
| University's proportionate share of the net OPEB liability (asset) | \$ (83,476) | \$ (96,320) | \$ (70,727) |
| University's covered payroll | \$ 7,220,135 | \$ 7,244,059 | \$ 7,517,236 |
| University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | -1.16% | -1.33% | -0.94% |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 115.07% | 115.41% | 110.40% |

*The amounts presented for each fiscal year were determined as of June 30.

Notes to Schedule:

This schedule presents the information available to the University and will include ten-year trend information once available.

Oklahoma Panhandle State University
Schedule of the University's Contributions
Oklahoma Teachers Retirement System Supplemental Health Insurance Program
Last 10 Fiscal Years*

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|---------------|
| Contractually required contribution | \$ 1,198 | \$ 4,297 | \$ 10,130 |
| Contributions in relation to the contractually required contribution | <u>1,198</u> | <u>4,297</u> | <u>10,130</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 7,172,428 | \$ 7,220,135 | \$ 7,244,059 |
| Contributions as a percentage of covered payroll | 0.02% | 0.06% | 0.14% |

*The amounts presented for each fiscal year were determined as of June 30.

Notes to Schedule:

This schedule presents the information available to the University and will include ten-year trend information once available.

Benefit Changes

There were no changes to benefit terms of OTRS for the years presented.

Changes of Assumptions

There were no changes in assumptions in valuation reports for the years presented.

Oklahoma Panhandle State University
Schedule of Changes in the University's Total OPEB Liability and Related Ratios
Health and Death Benefit Plan
Last 10 Fiscal Years

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|-------------------|
| Total OPEB Liability | | | |
| Service cost | \$ 15,511 | \$ 11,527 | \$ 129,317 |
| Interest | 24,159 | 37,565 | 35,642 |
| Change in assumptions | 73,917 | 79,132 | (87,313) |
| Differences between expected and actual experience | (2,003) | (372,131) | (269,990) |
| Contributions | <u>(40,277)</u> | <u>(39,606)</u> | <u>-</u> |
| Net Change in Total OPEB Liability | 71,307 | (283,513) | (192,344) |
| Total OPEB Liability - Beginning | <u>692,742</u> | <u>976,255</u> | <u>1,168,599</u> |
| Total OPEB Liability - Ending | <u>\$ 764,049</u> | <u>\$ 692,742</u> | <u>\$ 976,255</u> |
| Covered Employee Payroll | \$ 5,441,835 | \$ 4,847,356 | \$ 7,244,059 |
| Total OPEB Liability as a Percentage of Covered- Employee Payroll | 14.04% | 14.29% | 13.48% |
| Discount Rate Used | 2.66% | 3.51% | 3.88% |

Notes to Schedule:

This schedule presents the information available to the University and will include ten-year trend information once available.

Benefit Changes

There were no changes to benefit terms for the years presented.

Changes of Assumptions

The discount rate was 2.66 percent for the year ended June 30, 2020.

The discount rate was 3.51 percent for the year ended June 30, 2019.

The discount rate was 3.88 percent for the year ended June 30, 2018.

In 2019, the mortality table to the SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 from P-2000 Combined Mortality Table projected to 2020.

In 2019, the health care rate was changed from a flat 5 percent to an initial rate of 8.0 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent.

The assumed rates of employee turnover have been changed from the T-3 Table to the rates used in the OTRS Actuarial Valuation as of June 30, 2016. The assumed rates of retirement have been changed from 100 percent at age 65 (healthcare) and 63 (life insurance) to the rates used in the OTRS actuarial valuation as of June 30, 2016.

Supplementary Information

Oklahoma Panhandle State University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass- Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---------------------------|---|---------------------------------------|----------------------------------|
| Student Financial Assistance Cluster | | | | |
| U.S. Department of Education | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | NA | \$ - | \$ 42,149 |
| Federal Work-Study Program | 84.033 | NA | - | 31,596 |
| Federal Perkins Loan Program | 84.038 | NA | - | 35,958 |
| Federal Pell Grant Program | 84.063 | NA | - | 2,188,786 |
| Federal Direct Student Loans | 84.268 | NA | - | 3,298,212 |
| | | | <u>-</u> | <u>5,596,701</u> |
| TRIO Cluster | | | | |
| U.S. Department of Education | | | | |
| TRIO Upward Bound | 84.047 | NA | - | 288,777 |
| | | | <u>-</u> | <u>288,777</u> |
| COVID-19 - Higher Education Emergency Relief Fund | | | | |
| U.S. Department of Education | | | | |
| Student Aid Portion | 84.425E | NA | - | 284,475 |
| Institutional Portion | 84.425F | NA | - | 194,992 |
| | | | <u>-</u> | <u>479,467</u> |
| Fish and Wildlife Cluster | | | | |
| U.S. Department of the Interior/Oklahoma Department of Wildlife Conservation | | | | |
| Wildlife Restoration and Basic Hunter Education Program - Shooting Range Complex | 15.611 | F17AF00041 (W-186-P-1) | - | 1,281,089 |
| | | | <u>-</u> | <u>1,281,089</u> |
| U.S. Department of Education/Oklahoma Department of Career and Technical Education | | | | |
| Adult Education | 84.002 | V002A180037 | - | 24,604 |
| | | | <u>-</u> | <u>24,604</u> |
| U.S. Department of Justice | | | | |
| Passed through Oklahoma State University | | | | |
| Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus | 16.525 | 2019-WA-AX- 0027 | - | 25,809 |
| | | | <u>-</u> | <u>25,809</u> |
| | | | <u>\$ -</u> | <u>\$ 7,696,447</u> |

Oklahoma Panhandle State University
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Notes to Schedule

1. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes all federal award activity of Oklahoma Panhandle State University under programs of the federal government for the year ended June 30, 2020. The information in this 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.
2. 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. Oklahoma Panhandle State University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Federal Direct Student Loan balances are not included in the University’s financial statements. Loans disbursed during the year are included in federal expenditures presented in the Schedule. The Federal Perkins Loan Program is administered directly by Oklahoma Panhandle State University and balances and transactions relating to this program are included in the University’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of Federal Perkins Loans outstanding at June 30, 2020, was \$35,958.

**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**

Independent Auditor's Report

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

We have audited, 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, the financial statements of the business-type activities and the discretely presented component unit of Oklahoma Panhandle State University (the "University") as of and for the year ended June 30, 2020, 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 28, 2020, which contained a reference to the report of other auditors. The financial statements of Panhandle State Foundation, which are included in the University's financial statements as a discretely presented component unit, 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 Panhandle State 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges
Oklahoma Panhandle State University

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BKD, LLP

Springfield, Missouri
October 28, 2020

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Regents for the
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") 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, 2020. 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.

Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges
Oklahoma Panhandle State University

Opinion on Each 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, 2020.

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 a 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.

BKD, LLP

Springfield, Missouri
February 11, 2021

Oklahoma Panhandle State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
 Significant deficiency(ies)? Yes None reported
 Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
 Significant deficiency(ies)? Yes None reported
 Material weakness(es)? Yes No

5. The opinions expressed in the independent auditor's report on compliance for major federal awards were:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

Oklahoma Panhandle State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

7. The University's major programs were:

| Cluster/Program | CFDA Number |
|---|--------------------|
| Student Financial Assistance Cluster | |
| Federal Pell Grant Program | 84.063 |
| Federal Work-Study Program | 84.033 |
| Federal Direct Student Loans | 84.268 |
| Federal Perkins Loan Program | 84.038 |
| Federal Supplemental Educational Opportunity Grants | 84.007 |
| Fish and Wildlife Cluster | |
| Wildlife Restoration and Basic Hunter Education Program | 15.611 |

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The University qualified as a low-risk auditee? Yes No

Oklahoma Panhandle State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Findings Required to be Reported by *Government Auditing Standards*

| Reference Number | Finding |
|-----------------------------|----------------|
|-----------------------------|----------------|

No matters are reportable.

Oklahoma Panhandle State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Findings Required to be Reported by the Uniform Guidance

| Reference Number | Finding |
|-----------------------------|----------------------------|
| | No matters are reportable. |

Oklahoma Panhandle State University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

| Reference Number | Finding | Status |
|-------------------------|--|---------------|
| 2019-001 | <p style="text-align: center;">Student Financial Assistance Cluster, CFDA Number 84.268 Federal Direct Student Loans, U.S. Department of Education Program Year 2018 - 2019</p> <p style="text-align: center;">Criteria or Specific Requirement – Special Tests: Disbursements to or on Behalf of Students, 34 CFR Section 668.165</p> <p>Condition – The University does not have a process in place to notify the student, or parent, in writing of:</p> <ol style="list-style-type: none"> 1) The date and amount of loan disbursements. 2) The student's right, or parent's right, to cancel all or a portion of the loan or loan disbursement. 3) The procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan. <p>Questioned costs – None</p> <p>Context – Out of a population of 905 students receiving Student Financial Assistance, a sample of 40 students was selected for testing of disbursements. Our sample was not and was not intended to be statistically valid. Written notification meeting the requirements of 34 CFR Section 668.165 was not made to students receiving Federal Direct Student Loans.</p> <p>Effect – Students receiving Federal Direct Student Loans were not properly notified of loan disbursements, right to cancel, and cancellation procedures.</p> <p>Cause – The Office of Financial Aid has not historically had a practice in place of making written notifications of loan disbursements, right to cancel, and cancellation procedures to students receiving Federal Direct Student Loans.</p> <p>Identification as a repeat finding – N/A</p> | Resolved |

Oklahoma Panhandle State University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

| Reference Number | Finding | Status |
|-------------------------|--|---------------|
| 2019-001 (Continued) | <p>Recommendation – The Office of Financial Aid should establish a practice of loan disbursement notifications consistent with 34 CFR Section 668.165.</p> <p>Views of Responsible Officials and Planned Corrective Actions – In adherence with Code of Federal Regulations (CFR) 668.165 to notify students of a disbursement of a loan to their student account, financial aid has put in place a process in Banner which generates an email to notify the student of their or their parent's rights upon disbursement of a Federal Direct Student Loan.</p> | |

Oklahoma Panhandle State University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

| Reference Number | Finding | Status |
|------------------|--|----------|
| 2019-002 | <p>Student Financial Assistance Cluster, CFDA Number 84.268 Federal Direct Student Loans, CFDA Number 84.063 Federal Pell Grant Program, CFDA Number 84.007 Federal Supplemental Educational Opportunity Grants, CFDA Number 84.038 Federal Perkins Loan Program</p> <p style="text-align: center;">U.S. Department of Education Program Year 2018-2019</p> <p>Criteria or Specific Requirement – Special Tests: Return of Title IV Funds 34 CFR Sections 668.22</p> <p>Condition – Three Return of Title IV calculations were not processed correctly.</p> <p>Questioned costs – Additional returns to the U.S. Department of Education for CFDA Number 84.268 Federal Direct Student Loans should have been made totalling \$6,338 for the year ended June 30, 2019.</p> <p>Context – Out of a population of 56 official and unofficial withdrawals of students receiving Student Financial Assistance, a sample of 6 student withdrawals was selected for testing. Our sample was not and was not intended to be statistically valid. Return of Title IV calculations were not completed as required for 2 unofficial student withdrawals. One Return of Title IV calculation was completed correctly, but subsequent to the return an additional disbursement of unsubsidized direct loans was made. The post-withdrawal disbursement was in excess of the amount of aid earned by the student.</p> <p>Effect – Three Return of Title IV calculations were not processed correctly resulting in \$6,338 of Federal Direct Student Loan funds being retained by the University rather than being returned to the U.S. Department of Education.</p> <p>Cause – The University's Office of Financial Aid has not historically considered unofficial withdrawals when calculating Returns of Title IV Funds. A post-withdrawal disbursement was made inconsistent with a student's Return of Title IV calculation.</p> <p>Identification as a repeat finding – N/A</p> | Resolved |

Oklahoma Panhandle State University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

| Reference Number | Finding | Status |
|-----------------------------|--|---------------|
| 2019-002 (Continued) | <p>Recommendation – The University's Office of Financial Aid should begin a process of identifying students who received Student Financial Assistance and unofficially withdrew from the University at the end of each semester. Return of Title IV calculations should be completed for students who unofficially withdrew during the semester based on the midpoint of the term or the last date of academic activity.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The financial aid office will implement a policy to process unofficial withdrawals at the end of each term for students receiving federal aid in order to process Return of Title IV calculations.</p> | |