Oklahoma Panhandle State University

Financial Statements with Independent Auditors' Reports

June 30, 2016

Contents

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma Panhandle State University (the University), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2016 the University adopted new accounting guidance, GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, 68, and 73. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the Regents that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of the Regents as of June 30, 2016, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the University as of June 30, 2015, were audited by other auditors whose report dated November 2, 2015, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 21, 2016, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 21, 2016

Introduction

The discussion and analysis of Oklahoma Panhandle State University's (the University) financial statements provides an overview of the University's financial activities for the year ended June 30, 2016, with fiscal years 2015 and 2014 data presented for comparative purposes. Since this discussion and analysis is designed to focus on current activities resulting in change and current known facts, it should be read in conjunction with the University's basic financial statements and the footnotes.

Financial Highlights

During 2015, the University implemented GASB 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* Due to the fact that complete prior year information was not available, the 2014 column in the basic financial statements and information presented in this MD&A have not been restated for comparative purposes.

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

For the year ended June 30, 2015, the University's net position increased by $1,927,600 from actual operations and decreased by $10,977,617 as a result of the GASB 68 implementation for an overall decrease in net position of $9,050,017. The decrease was in unrestricted net position

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

Total revenues decreased from $23,103,810 for the year ended June 30, 2014 to $22,367,035 for the year ended June 30, 2015. The decrease was due mainly to decreases in tuition, athletics, and other non-operating revenue.

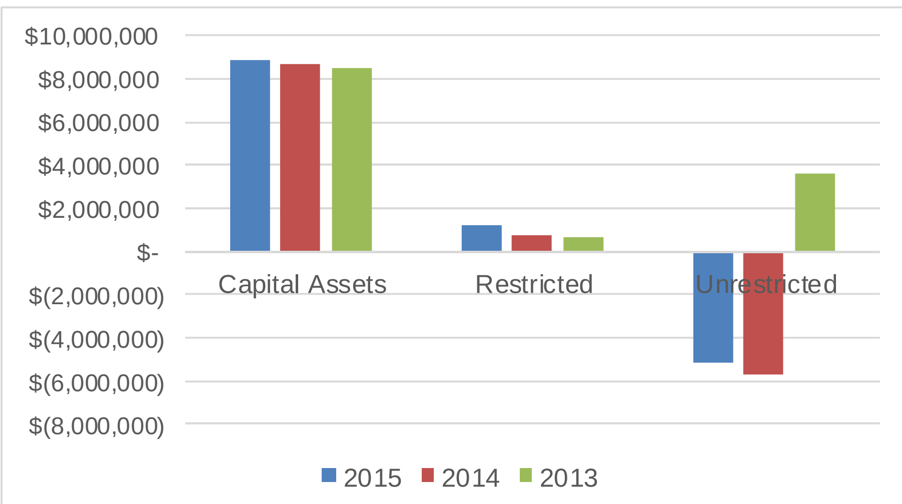
Total Expenses: Total expenses decreased from $20,439,435 for the year ended June 30, 2015 to $20,224,097 for the year ended June 30, 2016. The decrease was a result of lower contractual and utilities costs.

Total expenses decreased from $22,825,625 for the year ended June 30, 2014 to $20,439,435 for the year ended June 30, 2015. The decrease was a result of lower compensation and benefits and utilities costs.

Components of Net Position: At June 30, 2016, the University's net position increased to $4,890,115 from $3,716,717 at June 30, 2015, and decreased from $12,766,734 in 2014. The decrease from 2014 to 2015 is due primarily to the implementation of GASB 68. Graphically displayed, the comparative net position increases/decreases by category for the three fiscal years are shown below:

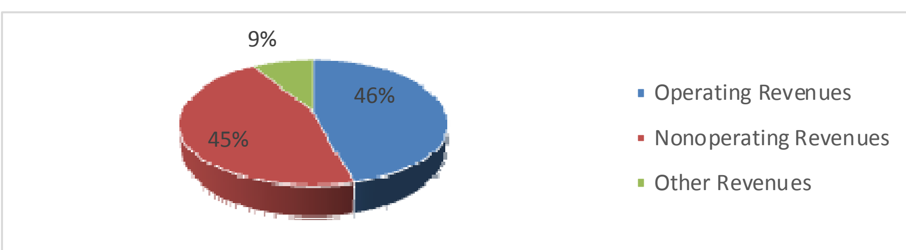
Financial Highlights (continued)

	Net Investment in Capital Assets	Restricted	Unrestricted	Total
FY2016	$ 8,840,261	$ 1,247,661	$(5,197,807)	$ 4,890,115
FY2015	8,667,374	784,461	(5,735,118)	3,716,717
Change in Net Position	$ 172,887	$ 463,200	$ 537,311	$ 1,173,398
FY2015	$ 8,667,374	$ 784,461	$(5,735,118)	$ 3,716,717
FY2014*	8,518,695	615,115	3,632,924	12,766,734
Change in Net Position	$ 148,679	$ 169,346	$(9,368,042)	$ (9,050,017)



Components of Revenues: The following chart provides a graphical breakdown of revenues by category for the fiscal year ending June 30, 2016:

Operating Revenues	Nonoperating Revenues	Other Revenues	Total Revenues
$ 9,821,647	$ 9,661,832	$ 1,914,016	$ 21,397,495



Using This Annual Report

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

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

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

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

Statements of Net Position

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

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

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

For the year ended June 30, 2015, compared to the year ended June 30, 2014, assets and deferred outflows increased as well as liabilities and deferred inflows due to the implementation of GASB Statement No. 68.

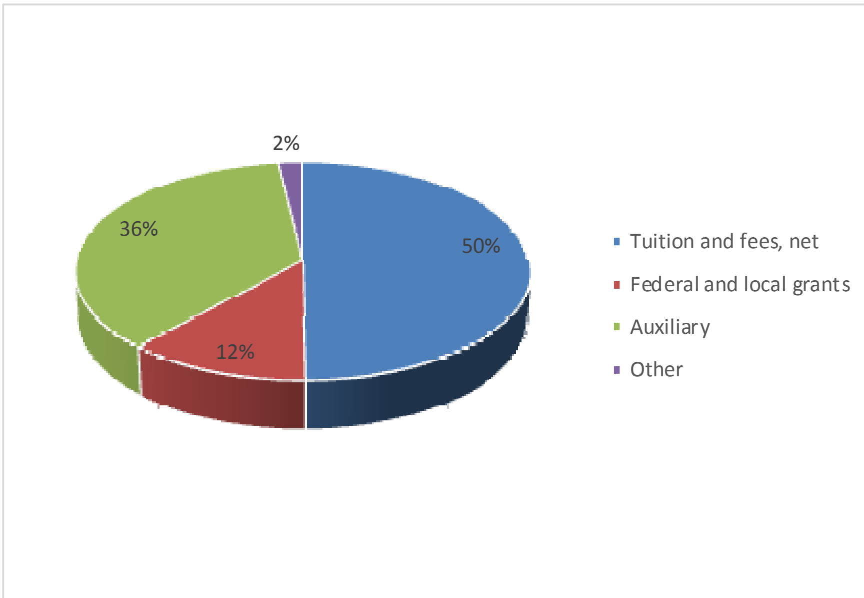
	June 30 restated 2015	June 30 2014 *	Increase (Decrease)	Percent Change
Assets				
Current assets	$ 6,106,358	$ 5,196,528	$ 909,830	17.51%
Noncurrent assets:				
Restricted cash and cash equivalents	442,267	287,978	154,289	53.58%
Capital assets, net of depreciation	23,915,070	24,893,561	(978,491)	-3.93%
Other	253,177	241,283	11,894	4.93%
Total assets	$ 30,716,872	$ 30,619,350	$ 97,522	0.32%
Deferred outflows	$ 710,790	$ 140,477	$ 570,313	405.98%
Liabilities				
Current liabilities	$ 2,468,392	$ 2,579,786	$ (111,394)	-4.32%
Noncurrent liabilities	22,777,599	15,203,938	7,573,661	49.81%
Total liabilities	$ 25,245,991	$ 17,783,724	$ 7,462,267	41.96%
Deferred inflows	$ 2,464,954	$ 209,369	$ 2,255,585	1077.33%
Net Position				
Net investment in capital assets	$ 8,667,374	$ 8,518,695	$ 148,679	1.75%
Restricted for expendable purposes	784,461	615,115	169,346	27.53%
Unrestricted	(5,735,118)	3,632,924	(9,368,042)	-257.87%
Total net position	$ 3,716,717	$ 12,766,734	$ (9,050,017)	-70.89%

* prior year not restated for GASB Statements No. 68, 71, and 82

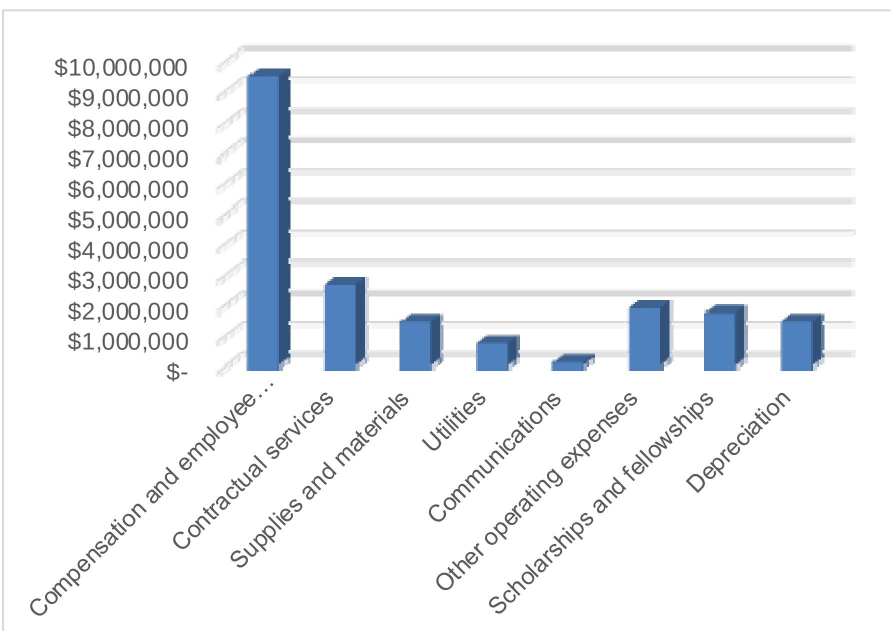
Statements of Revenues, Expenses and Changes In Net Position

Operating revenues and expenses for the fiscal year ended June 30, 2016, were as follows:

Operating Revenues



Operating Expenses



Oklahoma Panhandle State University
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Management's Discussion and Analysis
Years Ended June 30, 2016, 2015, and 2014

	2016	restated 2015	2016 vs. 2015 Increase (Decrease)	2016 vs. 2015 Percentage Change	2014 *	2015 vs. 2014 Increase (Decrease)	2015 vs. 2014 Percentage Change
Operating revenues:							
Tuition and fees, net	$ 4,890,058	$ 5,117,181	$ (227,123)	(4.44%)	$ 5,228,456	$ (111,275)	(2.13%)
Federal and local grants	1,169,219	1,147,613	21,606	1.88%	1,206,837	(59,224)	(4.91%)
Auxiliary	3,581,978	3,423,818	158,160	4.62%	3,581,383	(157,565)	(4.40%)
Other	180,392	324,985	(144,593)	(44.49%)	265,044	59,941	22.62%
Total operating revenue	9,821,647	10,013,597	(191,950)	(1.92%)	10,281,720	(268,123)	(2.61%)
Less operating expenses	19,637,644	19,939,755	(302,111)	(1.52%)	21,952,734	(2,012,979)	(9.17%)
Net operating loss	(9,815,997)	(9,926,158)	110,161	(1.11%)	(11,671,014)	1,744,856	(14.95%)
Nonoperating revenue:							
State appropriation	6,444,629	7,344,045	(899,416)	(12.25%)	7,313,359	30,686	0.42%
On-behalf appropriations for OTRS	478,969	480,975	(2,006)	(0.42%)	559,000	(78,025)	(13.96%)
Federal and state grants	2,638,265	2,650,898	(12,633)	(0.48%)	2,900,693	(249,795)	(8.61%)
Other nonoperating revenue	-	26,677	(26,677)	(100.00%)	512,986	(486,309)	(94.80%)
Investment income	99,969	89,838	10,131	11.28%	72,200	17,638	24.43%
Interest expense	(586,453)	(499,680)	(86,773)	17.37%	(872,891)	373,211	(42.76%)
Net nonoperating revenue	9,075,379	10,092,753	(1,017,374)	(10.08%)	10,485,347	(392,594)	(3.74%)
Other revenues, expenses, gains and losses:							
State appropriations restricted for capital purposes	1,051,848	1,097,904	(46,056)	(4.19%)	1,020,974	76,930	7.53%
On-behalf appropriations for OCIA capital leases	862,168	663,101	199,067	30.02%	442,878	220,223	49.73%
Total other gains, losses, revenues and expenses	1,914,016	1,761,005	153,011	8.69%	1,463,852	297,153	20.30%
Change in net position	1,173,398	1,927,600	(754,202)	(39.13%)	278,185	1,649,415	592.92%
Net position, beginning as previously reported	3,716,717	12,766,734	(9,050,017)	(70.89%)	12,488,549	(55,447)	(0.44%)
Cummulative effect of implementing GASB No. 68, 71 and 82	-	(10,977,617)	10,977,617	100.00%	-	-	- %
Net position, beginning (restated)	3,716,717	1,789,117	1,927,600	107.74%	12,488,549	(55,447)	(0.44%)
Net position, ending	$ 4,890,115	$ 3,716,717	$ 3,100,998	83.43%	$ 12,766,734	$ 1,538,521	12.05%

* prior year not restated for GASB Statements No. 68, 71, and 82

Statements of Cash Flows

Another way to assess the financial health of an institution is to look at the Statement 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 Statement of Cash Flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

	Years Ended June 30		
	2016	2015	2014
Cash Provided by (Used in):			
Operating activities	$ (8,604,196)	$ (8,632,729)	$ (9,555,294)
Non-capital financing activities	9,049,873	10,021,724	10,720,122
Investing activities	91,825	87,179	1,066,223
Capital and related financing activities	(352,592)	(498,091)	(1,472,673)
Net increase (decrease) in cash	184,910	978,083	758,378
Cash and cash equivalents:			
Beginning	5,681,787	4,703,704	3,945,326
Ending	$ 5,866,697	$ 5,681,787	$ 4,703,704

Summary of Net Position

Although the statements of revenues, expenses, and changes in net position show an increase in net position of $1,173,398 during fiscal year 2016 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.

	2016	2015	2016 vs. 2015 Increase (Decrease)	2016 vs. 2015 Percentage Change	2014 *	2015 vs. 2014 Increase (Decrease)	2015 vs. 2014 Percentage Change
Educational and general	$ 2,868,577	$ 2,995,417	$ (126,840)	(4.23%)	$ 2,393,277	$ 602,140	25.16%
Auxiliary operations	1,639,813	1,637,778	2,035	0.12%	1,239,647	398,131	32.12%
Pension Obligation	(9,706,197)	(10,368,313)	662,116	100.00%	-	(10,368,313)	- %
Restricted net position	222,169	263,844	(41,675)	(15.80%)	239,252	24,592	10.28%
Net positon restricted for capital projects	1,025,492	520,617	504,875	96.98%	375,863	144,754	38.51%
Capital assets	8,840,261	8,667,374	172,887	1.99%	8,518,695	148,679	1.75%
	$ 4,890,115	$ 3,716,717	$ 1,173,398	31.57%	$ 12,766,734	$ (9,050,017)	(70.89%)

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

Capital Assets

At June 30, 2016, the University has approximately $22.9 million invested in capital assets, net of accumulated depreciation of $29.1 million. Depreciation charges totaled $1,484,144 for the year ended June 30, 2016, compared to $1,609,571 for the year ended June 30, 2015, and $1,778,015 for the year ended June 30, 2014. Details of these assets for the three years are shown below.

	Year Ended June 30		
	2016	2015	2014
Capital assets:			
Land	$ 361,163	$ 361,163	$ 361,163
Construction in progress	21,517	273,263	-
Non-major infrastructure	9,976,218	9,583,369	9,583,369
Land improvements	1,535,403	1,535,403	1,535,403
Buildings	31,694,949	31,672,802	31,535,606
Furniture, fixtures, and equipment	6,437,997	6,594,226	6,502,211
Library materials	2,057,565	1,832,324	1,823,543
Total caital assets	52,084,812	51,852,550	51,341,295
Less accumulated depreciation	29,163,214	27,937,480	26,447,734
Net capital assets	$ 22,921,598	$ 23,915,070	$ 24,893,561

Outstanding Debt

For the year ended June 30, 2016, the University had $13,697,066 in debt outstanding, compared to $14,891,820 at June 30, 2015, and $16,056,567 at June 30, 2014. The table below summarizes these amounts by type.

	Year Ended June 30		
	2016	2015	2014
OCIA-Series 1999A/2004A	$ -	$ -	$ 99,158
ODFA-Series 2004C	-	-	46,000
OCIA-Series 2005F	-	207,862	406,851
ODFA-Series 2009 20yr	1,283,500	1,360,667	1,434,917
ODFA-Series 2009 15yr	186,834	206,917	226,917
OCIA-Series 2010A	1,376,150	1,772,613	1,871,244
OCIA-Series 2010B	-	-	231,459
ODFA-Series 2011	815,000	836,000	855,000
OCIA-Series 2014A	3,831,646	3,831,646	3,831,646
ODFA-Series 2014A-2002	1,178,833	1,355,333	1,533,000
ODFA-Series 2014A-2004A	945,250	1,046,583	1,160,000
ODFA-Series 2014B	4,005,417	4,183,917	4,360,375
OCIA-Series 2014B	74,436	90,282	-
Total capital leases	$ 13,697,066	$ 14,891,820	$ 16,056,567

Component Unit

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

Summary

The University's Educational & General Fund ended the year with a decrease of $126,840 in net position or 4.23%. The University's Educational & General Fund ended the year with net reserves of 22.9% of Educational & General Fund expenditures.

The University ended fiscal year 2016 with an overall increase of $1,173,398 in total net position. This is a 31.7% increase in overall net position.

In FY15 the University implemented GASB 68 Accounting and Reporting for Pensions. This resulted in significant changes to the Statement of Net Position as well as a restatement to beginning net position on the Statement of Revenues, Expenses, and Changes in Net Position.

The fall 2016 enrollment for the University was a head count of 1,224, which is a 1.7% decrease from the fall 2015 of 1,245. This follows a decrease of 5.1% in headcount for the fall 2015 headcount of 1,245 over the fall 2014 headcount of 1,308. Credit hours are down for the fall of 2016 from the fall of 2015 by 3.1% and were down by 5.8% for the fall of 2015 over the fall of 2014.

Contacting the University's Financial Management

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

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

	University		Foundation	
	June 30		December 31	
Assets	2016	restated 2015	2015	restated 2014
Current Assets:				
Cash and cash equivalents	$ 4,651,409	$ 4,908,403	$ 247,353	$ 433,754
Restricted cash and cash equivalents	282,811	331,117		
Certificates of deposit	-	-	160,000	160,000
Accounts receivable, net	298,688	462,782	-	-
Interest receivable	7,585	7,022	946	792
Inventories	474,519	397,034	-	-
Total current assets	5,715,012	6,106,358	408,299	594,546
Noncurrent Assets:				
Restricted cash and cash equivalents	932,477	442,267	-	-
Investments	153,980	146,399	10,145,361	10,839,827
Student loans receivable, net	80,792	72,692	-	-
Net pension asset	39,577	34,086	-	-
Other assets	-	-	45,500	45,500
Capital assets, net	22,921,598	23,915,070	1,243	2,215
Total noncurrent assets	24,128,424	24,610,514	10,192,104	10,887,542
Total assets	$ 29,843,436	$ 30,716,872	$ 10,600,403	$ 11,482,088
Defferred Outflows of Resources				
Deferred charge on OCIA lease restructure	$ -	$ 70,238	$ -	$ -
Deferred outlfows related to pensions	1,081,919	640,552	-	-
Total deferred outflows	$ 1,081,919	$ 710,790	$ -	$ -

(Continued)

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

	University		Foundation	
	June 30		December 31	
		restated		restated
Liabilities and Net Position	2016	2015	2015	2014
Current Liabilities:				
Accounts payable	$ 245,874	$ 367,856	$ -	$ -
Accrued liabilities	280,771	347,280	-	-
Unearned revenues	158,262	156,923	-	-
Student and other deposits	134,161	153,590	182,063	183,986
Accrued compensated absences	266,329	247,989	7,520	9,519
Current portion of noncurrent liabilities	1,570,563	1,194,754	-	-
Total current liabilities	2,655,960	2,468,392	189,583	193,505
Noncurrent Liabilities, net of current portion:				
Accrued OPEB obligation	40,710	37,806	-	-
Federal loan program contributions refundable	34,521	67,542	-	-
Net pension obligation	9,324,270	8,747,608	-	-
Premium on capital lease obligation	173,599	227,577	-	-
Capital lease obligations	12,153,492	13,697,066	-	-
Total noncurrent liabilities	21,726,592	22,777,599	-	-
Total liabilities	$ 24,382,552	$ 25,245,991	$ 189,583	$ 193,505
Deferred Inflows of Resources,				
Deferred credit on OCIA lease restructure	$ 188,842	$ 203,697	$ -	$ -
Deferred inflows related to pensions	1,463,846	2,261,257	-	-
Total deferred inflows	$ 1,652,688	$ 2,464,954	$ -	$ -
Net Position:				
Net investment in capital assets	$ 8,840,261	$ 8,667,374	$ -	$ -
Restricted:				
Nonexpendable - scholarships and other	-	-	4,480,902	4,450,774
Expendable:				
Scholarships, research, instruction and other	35,467	58,920	333,095	314,722
Loans	186,702	204,924	-	-
Capital projects	1,025,492	520,617	-	-
Debt service				
Unrestricted	(5,197,807)	(5,735,118)	5,596,823	6,523,087
Total net position	$ 4,890,115	$ 3,716,717	$ 10,410,820	$ 11,288,583

See notes to financial statements.

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

	University		Foundation	
	Year Ended June 30,		Year Ended December 31,	
	2016	restated 2015	2015	restated 2014
Operating revenues:				
Student tuition and fees, net of scholarship discounts and allowances of $6,206,000 and $6,189,000 in 2016 and 2015, respectively	$ 4,890,058	$ 5,117,181	$ -	$ -
Federal grants and contracts	240,424	278,703	-	-
State and local grants and contracts	22,988	14,003	-	-
Non-governmental grants and contracts	905,807	854,907	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances of $261,000 and $260,000 in 2016 and 2015, respectively	1,106,685	1,037,723	-	-
Food service, net of scholarship discounts and allowances of $65,000 and $65,000 in 2016 and 2015, respectively	850,624	845,665	-	-
Bookstore	564,239	574,479	-	-
Athletics	145,561	60,079	-	-
All other	914,869	905,872	-	-
Gifts and contributions	-	-	672,635	495,142
Other operating revenues	180,392	324,985	-	-
Total operating revenues	9,821,647	10,013,597	672,635	495,142
Operating expenses:				
Compensation and employee benefits	9,499,045	9,496,980	93,370	94,634
Contractual services	2,669,151	2,772,423	11,035	12,689
Supplies and materials	1,479,305	1,478,169	3,074	2,799
Utilities	750,684	845,967	-	-
Communications	113,680	112,959	-	-
Other operating expenses	1,895,043	1,880,798	18,900	16,284
Scholarships and fellowships	1,746,592	1,742,888	680,264	710,957
Depreciation	1,484,144	1,609,571	971	971
Total operating expenses	19,637,644	19,939,755	807,614	838,334
Operating loss	(9,815,997)	(9,926,158)	(134,979)	(343,192)
Nonoperating revenues (expenses):				
State appropriations	6,444,629	7,344,045	-	-
On-behalf contributions to OTRS	478,969	480,975	-	-
Federal grants	2,265,311	2,315,480	-	-
State grants	372,954	335,418	-	-
Contributions and other nonoperating revenues	-	26,677	-	-
Net realized and unrealized gains and losses on investments	-	-	(1,271,883)	426,065
Investment income	99,969	89,838	529,099	537,176
Interest expense	(586,453)	(499,680)	-	-
Net nonoperating revenues (expenses)	9,075,379	10,092,753	(742,784)	963,241
Gains (loss) before other revenues, expenses, gains and losses	(740,618)	166,595	(877,763)	620,049
State appropriations restricted for capital purposes	1,051,848	1,097,904	-	-
On-behalf payments for OCIA capital leases	862,168	663,101	-	-
Change in net position	1,173,398	1,927,600	(877,763)	620,049
Net position, beginning (restated)	3,716,717	1,789,117	11,288,583	10,668,534
Net position, ending	$ 4,890,115	$ 3,716,717	$ 10,410,820	$ 11,288,583

See notes to financial statements.

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

	Year Ended June 30, 2016	Year Ended June 30, 2015
Cash Flows from Operating Activities:		
Student tuition and fees	$ 4,920,000	$ 4,969,116
Grants and contracts	1,169,219	1,147,613
Auxiliary enterprise charges	3,594,023	3,552,027
Other operating receipts	172,292	320,482
Payments to employees for salaries and benefits	(9,732,948)	(9,936,493)
Payments to suppliers	(8,726,782)	(8,685,474)
Net cash (used in) operating activities	(8,604,196)	(8,632,729)
Cash Flows from Noncapital Financing Activities:		
State appropriations	6,444,629	7,344,045
Federal and state grants	2,605,244	2,651,002
Miscellaneous revenue	-	26,677
Federal direct student loans receipts	3,799,657	3,899,087
Federal direct student loans disbursements	(3,799,657)	(3,899,087)
Net cash provided by noncapital financing activities	9,049,873	10,021,724
Cash Flows from Capital and Related Financing Activities:		
Cash paid for capital assets	(513,795)	(632,247)
Capital grants and gifts received	1,051,848	1,097,904
Interest paid on capital debt and leases	(316,062)	(336,956)
Principal payments on capital debt	(574,583)	(626,792)
Net cash (used in) capital and related financing activities	(352,592)	(498,091)
Cash Flows from Investing Activities:		
Sale (purchase) of investments	(7,581)	(1,580)
Interest received on investments	99,406	88,759
Net cash provided by investing activities	91,825	87,179
Net increase (decrease) in cash and cash equivalents	184,910	978,083
Cash and cash equivalents:		
Beginning	5,681,787	4,703,704
Ending	$ 5,866,697	$ 5,681,787

(Continued)

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

	Year Ended June 30, 2016	2015
Reconciliation of Operating Loss to Net Cash (Used in) Operating Activities:		
Operating loss	$ (9,815,997)	$ (9,926,158)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,484,144	1,609,571
Net loss on disposal of fixed assets	23,123	1,167
On-behalf contributions to teachers' retirement system	478,969	480,975
Changes in operating assets and liabilities:		
Accounts and other receivables	32,548	(24,365)
Inventories	(77,485)	58,351
Other assets	(5,491)	(5,811)
Deferred outflows related to pensions	(441,367)	19,653
Accounts payable and accrued liabilities	(62,141)	(223,107)
Net pension obligation	576,662	(2,890,214)
Deferred inflows related to pensions	(797,411)	2,261,257
Unearned revenue	1,339	6
Compensated absences	(19,429)	(8,993)
Student and other deposits	18,340	14,939
Net cash (used in) operating activities	$ (8,604,196)	$ (8,632,729)
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities:		
Interest on capital debt paid by state agency on behalf of the University	$ 241,997	$ 134,021
Principal on capital debt paid by state agency on behalf of the University	620,171	529,079
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Current assets:		
Cash and cash equivalents	$ 4,651,409	$ 4,908,403
Restricted cash and cash equivalents	282,811	331,117
Noncurrent assets:		
Restricted cash and cash equivalents	932,477	442,267
Total cash and cash equivalents	$ 5,866,697	$ 5,681,787

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Investments: The University accounts for its investments at fair value based on quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

Income taxes: The University, as a political subdivision of the State of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the University may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511(a)(2)(B).

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Scholarship discounts and allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the differences between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal or state government or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Deferred outflows of resources: Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2016 and 2015, the University's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure and contributions to pensions applicable to a future reporting period.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2016 and 2015, the University's deferred inflows of resources were comprised of credits realized on an OCIA lease restructure and deferred inflows related to net pension obligation.

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

Note 1. Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments:
Beginning net position for fiscal year 2015 was restated as follows:

	Fiscal Year 2015
Beginning net position, as previously reported	$ 2,298,915
Early implementation of GASB Statement No. 82	(509,798)
Beginning net positions, restated	$ 1,789,117

The early implementation of GASB Statement 82 required the removal of the employee's share of OTRS contributions paid by the employer (i.e., the University) from Deferred Outflows of Resources, as was reported in the prior year.

New accounting pronouncements adopted in fiscal year 2016: The University adopted the following new accounting pronouncement during the year ended June 30, 2016:

Statement No. 72, Fair Value Measurement and Application

GASB No. 72 requires investments to be measured at fair value. Investments are defined as any security or other asset that (a) the government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. The statement requires measurement at acquisition value for donated capital assets, donated works of art, historical treasures and similar assets and capital assets received in a service concession arrangement.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73

GASB No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Note 1. Summary of Significant Accounting Policies (Continued)

New accounting pronouncements issued not yet adopted: The GASB has also issued several new accounting pronouncements which will be effective to the University in future fiscal years. A description of the new accounting pronouncements and the University's consideration of the impact of these pronouncements are described below:

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

GASB No. 73 was issued June 2015, and will be effective for the University beginning with its fiscal year ending June 30, 2016, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the University beginning with its fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

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

GASB No. 74 was issued in June 2015, and will be effective for the University beginning with its fiscal year ending June 30, 2017. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position but requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The Statement also sets forth note disclosure requirements for defined contribution OPEB plans.

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

GASB No. 75 was issued in June 2015, and will be effective for the University beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 77, Tax Abatement Disclosures

GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The University has not yet determined the impact that implementation of GASB 77 will have on its net position.

GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans

GASB 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The statement does not affect the University's financial statements.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants

GASB 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the University is unknown.

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 80, Blending Requirements for Certain Component Units

An Amendment of GASB Statement No. 14 – GASB 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the University is unknown.

GASB Statement No. 81, Irrevocable Split-Interest Agreements

GASB 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The University does not believe that GASB No. 81 will have significant impact on its financial statements.

Note 2. Deposits and Investments

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

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

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

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

	2016	2015
Deposits with the State Treasurer	$ 5,831,783	$ 5,646,587
U.S. financial institutions	14,914	15,200
Change funds	20,000	20,000
TOTAL DEPOSITS	$ 5,866,697	$ 5,681,787

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.

Note 2. Deposits and Investments (Continued)

Of the $5,744,795 and $5,646,587 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2016 and June 30, 2015, respectively, $4,947,940 and $4,974,538, 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/*. The University considers amounts on deposit with *OK INVEST* to be demand accounts and they are reported as cash equivalents.

At June 30, 2016, and 2015, the University also held nonnegotiable certificates of deposit totaling $54,701 and $7,648, respectively. These deposits are either fully insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank. These certificates of deposit are maintained through an investment brokerage firm. For financial reporting purposes, these deposits have been classified as investments.

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

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

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

Types of Investment	Fair Value Heirarchy	Credit Rating	Maturities	2016	2015
Municipal bonds	Level 2	AA	More than 10 years	$ 22,480	$ 19,187
US Agency mortgage-backed securities	Level 2	Aaa	More than 10 years	49,488	55,830
Certificates of deposit	N/A	N/A	Less than One	54,701	7,648
Money market funds	N/A	N/A	Less than One	27,311	63,734
Total investments				$ 153,980	$ 146,399

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.

Note 2. Deposits and Investments (Continued)

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

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

Note 3. Accounts Receivable

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

	2016	2015
Student tuition and fees	$ 402,390	$ 294,786
Auxiliary enterprises and other student activities	349,266	434,884
Federal and state agencies	45	45
	751,701	729,715
Less: allowance for doubtful accounts	(453,013)	(266,933)
Accounts receivable, net	$ 298,688	$ 462,782

Note 4. Loans Receivable

The University makes loans to students through the Federal Perkins Loan Program (the Program). Under the Program, the federal government provides funds for approximately 75% of the total contribution for student loans with the University providing the balance. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993, under the program. No reimbursements are provided for loans originated after this date. Amounts refundable to the U.S. government upon cessation of the Program of $34,521 and $67,542 at June 30, 2016 and 2015, respectively, are reflected in the accompanying statements of net position as noncurrent liabilities.

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

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

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:

Note 4. Loans Receivable (Continued)

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

	2015		
	Program	Loan Fund	Total
Loans receivable	$ 42,269	$ 300,018	$ 342,287
Less: allowance for uncollectible loans	(11,294)	(258,301)	(269,595)
Loans receivable, net	$ 30,975	$ 41,717	$ 72,692

Note 5. Capital Assets

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

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

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

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

Note 5. Capital Assets (Continued)

Capital asset activity was as follows for the year ended June 30, 2015:

	Balance at June 30, 2014	Additions	Transfers	Retirements	Balance at June 30, 2015
Capital assets not being depreciated:					
Land	$ 361,163	$ -	$ -	$ -	$ 361,163
Construction in-progress	-	273,263	-	-	273,263
Total capital assets not being depreciated	361,163	273,263	-	-	634,426
Other capital assets:					
Non-major infrastructure networks	9,583,369	-	-	-	9,583,369
Non-structural improvements	1,535,403	-	-	-	1,535,403
Buildings and improvements	31,535,606	140,865	-	(3,669)	31,672,802
Equipment	6,502,211	148,478	-	(56,463)	6,594,226
Library materials	1,823,543	69,641	-	(60,860)	1,832,324
Total other capital assets	50,980,132	358,984	-	(120,992)	51,218,124
Accumulated depreciation:					
Non-major infrastructure networks	3,870,026	482,284	-	-	4,352,310
Non-structural improvements	713,245	74,731	-	-	787,976
Buildings and improvements	14,612,438	654,737	-	(3,669)	15,263,506
Equipment	5,759,577	336,327	-	(55,296)	6,040,608
Library materials	1,492,448	61,492	-	(60,860)	1,493,080
Total accumulated depreciation	26,447,734	1,609,571	-	(119,825)	27,937,480
Capital assets, net	$ 24,893,561	$ (977,324)	$ -	$ (1,167)	$ 23,915,070

At June 30, 2015, the cost and related accumulated depreciation of assets held under capital lease obligations were as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	$ 11,618,853	$ 4,806,061	$ 2,852,795	$ 19,277,709
Less: accumulated depreciation	(2,151,334)	(1,299,353)	(2,852,795)	(6,303,482)
	$ 9,467,519	$ 3,506,708	$ -	$ 12,974,227

Note 6. Noncurrent Liabilities

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

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

Note 6. Noncurrent Liabilities (Continued)

Noncurrent liability activity for the year ended June 30, 2015, was as follows:

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Current Portion
Capital lease obligations:					
OCIA - Series 1999A/2004A	$ 99,158	$ -	$ (99,158)	$ -	$ -
ODFA - Series 2004C	46,000	-	(46,000)	-	-
OCIA - Series 2005F	406,851	-	(198,989)	207,862	207,862
ODFA - Series 2009B 20yr	1,434,917	-	(74,250)	1,360,667	77,167
ODFA - Series 2009B 15yr	226,917	-	(20,000)	206,917	20,083
OCIA-Series 2010A	1,871,244	-	(98,631)	1,772,613	396,463
OCIA-Series 2010B	231,459	-	(231,459)	-	-
ODFA-Series 2011	855,000	-	(19,000)	836,000	21,000
OCIA-Series 2014A	3,831,646	-	-	3,831,646	-
ODFA-Series 2014A - 2002	1,533,000	-	(177,667)	1,355,333	176,500
ODFA-Series 2014A - 2004	1,160,000	-	(113,417)	1,046,583	101,333
ODFA-Series 2014B	4,360,375	-	(176,458)	4,183,917	178,500
OCIA-Series 2014B	-	90,282	-	90,282	15,846
Total capital lease obligations	16,056,567	90,282	(1,255,029)	14,891,820	1,194,754
Other liabilities:					
Premium	254,566	-	(26,989)	227,577	-
Federal loan program contributions	67,438	104	-	67,542	-
Total other liabilities	322,004	104	(26,989)	295,119	-
Total noncurrent liabilities	$ 16,378,571	$ 90,386	$ (1,282,018)	$ 15,186,939	$ 1,194,754

Oklahoma Capital Improvement Authority lease obligations: In September 1999, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the State Regents for Higher Education (the OSRHE) allocated $700,000 to the University. Concurrently with the allocation, the University entered into a lease agreement with OCIA for the project being funded by the OCIA bonds. The lease agreement provides for the University to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the University.

The University has drawn down 100% of its total allotment for expenditures incurred in connection with specific projects. These expenditures have been capitalized as investments in capital assets, in accordance with the University's policy.

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. Concurrently 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.

Note 6. Noncurrent Liabilities (Continued)

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

During fiscal year 2011, the University's 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued two new bonds, Series 2010A and 2010B, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. OCIA issued the new Series 2010A and 2010B bonds to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service requirements. Consequently, the University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring extended certain principal payments into the future, resulting in a cost on the restructuring. The University has recorded a charge of $623,401 on restructuring as a deferred outflow of resources that will be amortized over a period of six years. As of June 30, 2016 and 2015, the unamortized cost totaled $0 and $70,238, respectively. 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.

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, 2016 and 2015 the unamortized gain totaled $183,333 and $196,351, 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, totaling $843,593 and $661,833 during the years ended June 30, 2016, and 2015, 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, 2016 and 2015 the unamortized gain totaled $5,510 and $7,346, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $14,560, which approximates the economic savings of the transaction.

Note 6. Noncurrent Liabilities (Continued)

Lease principal and interest payments to OCIA, totaling $18,575 and $1,267 during the years ended June 30, 2016, and 2015, respectively, were made by the State of Oklahoma on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

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

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

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

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

Future minimum lease payments under the University's capital lease obligations are as follows at June 30, 2016:

Years Ending June 30:	Principal	Interest	Total
2017	$ 1,543,574	$ 542,194	$ 2,085,768
2018	1,318,392	489,033	1,807,425
2019	649,339	438,653	1,087,992
2020	668,994	414,378	1,083,372
2021	666,334	536,534	1,202,868
2022-2026	3,788,990	1,557,653	5,346,643
2027-2031	3,921,440	769,773	4,691,213
2032-2036	895,003	138,499	1,033,502
2037-2041	245,000	37,050	282,050
	$ 13,697,066	$ 4,923,767	$ 18,620,833

Note 7. Retirement Plans

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

Oklahoma Teachers' Retirement System

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

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

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

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

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

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

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

Note 7. Retirement Plans (continued)

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

At the election of each eligible member initiating receipt of retirement benefits, the System remits between $100 and $105 per month per eligible retiree to the Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2016.

Contributions: The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 8.55% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the University were $635,443 and $640,552 for June 30, 2016 and 2015, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, of which $478,969 and $480,975 during 2016 and 2015, respectively, was recognized by the University; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: - At June 30, 2016 and 2015, the University reported a liability of $9,324,270 and $8,747,608, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and June 30, 2014. 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, 2015 and June 30, 2014. Based upon this information, the University's proportion was 0.1535426 percent and 0.1626 percent for June 30, 2016 and 2015, respectively.

For the year ended June 30, 2016 and 2015, the University recognized pension expense of $452,295 and $512,223, respectively.

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

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

Note 7. Retirement Plans (continued)

At June 30, 2015, 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	$ -	$ 144,187
Net difference between projected and actual earnings on pension plan investments	-	2,117,070
University contributions subsequent to the measurement date	640,552	-
Total	$ 640,552	$ 2,261,257

The $635,443 and $640,552 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date for June 30, 2016 and 2015, respectively will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 and 2016, 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, 2016	
2017	$ (361,217)
2018	(361,217)
2019	(361,217)
2020	138,572
2021	(60,730)
Thereafter	(11,561)
	$ (1,017,370)

Year ended June 30, 2015	
2016	$ (556,371)
2017	(556,371)
2018	(556,371)
2019	(556,369)
2020	(27,104)
Thereafter	(8,671)
	$ (2,261,257)

Actuarial Assumptions: The total pension liability as of June 30, 2016, was determined based on an actuarial valuation prepared as of June 30, 2015 using the following actuarial assumptions:

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

Note 7. Retirement Plans (continued)

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

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

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

The total pension liability as of June 30, 2015, was determined based on an actuarial valuation prepared as of June 30, 2014 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.00% inflation, plus 1.00% productivity increase, rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality tables, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011.

Note 7. Retirement Plans (continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	8.9%
Domestic Large Cap Equity	10.0%	8.5%
Domestic Mid Cap Equity	13.0%	9.2%
Domestic Small Cap Equity	10.0%	9.2%
International Large Cap Equity	11.5%	9.2%
Internationa Small Cap Equity	6.0%	9.2%
Core Plus Fixed Income	17.5%	4.3%
High-yield Fixed Income	6.0%	6.7%
Private Equity	5.0%	10.1%
Real Estate**	7.0%	7.8%
Master Limited Partnerships	7.0%	10.1%
Total	100%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

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

Discount Rate: A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2014 and June 30, 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. 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 8%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

For June 30, 2016:	1% Decrease to (7%)	Current Discount Rate (8%)	1% Increase to (9%)
Employers' net pension liability	$ 12,889,832	$ 9,324,270	$ 6,327,252

For June 30, 2015	1% Decrease to (7%)	Current Discount Rate (8%)	1% Increase to (9%)
Employers' net pension liability	$ 12,289,242	$ 8,747,608	$ 5,758,348

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

Note 7. Retirement Plans (Continued)

Supplemental Retirement Plan

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

Funding policy: The Plan is not funded and benefits do not vest to the participants until their retirement. The University has been funding the benefits on a "pay as you go" basis. Only certain employees are eligible to participate in the Plan, and the Plan has been discontinued. During the years ended June 30, 2016 and 2015, the University paid approximately $33,000 each year to retirees under the Plan.

Annual pension cost and net pension obligation: The annual required contribution for the current year was determined as part of the June 30, 2015, actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) a discount rate of 3.5% per year to determine the present value of future benefit payments, (b) retirement at age 65, (c) projected salary increases of 3.5% per year, and (d) a 3.5% interest rate for post-retirement individual annuity settlement benefits. The Plan is an unfunded Plan, and accordingly, no assets have been accumulated, and no investment income is earned. The unfunded actuarial accrued liability is being amortized using the level dollar amortization method on a closed basis over five (5) years.

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

	2016	2015
Annual required contribution	$ 27,219	$ 27,219
Adjustment to annual required contribution	673	673
Annual pension cost	27,892	27,892
Contributions made	(33,383)	(32,575)
Increase in net pension obligation	(5,491)	(4,683)
Net pension obligation (asset) at beginning of year	(34,086)	(29,403)
Net pension asset at end of year	$ (39,577)	$ (34,086)

Funded status and funding progress: The funded status of the plan as of June 30, 2015, was as follows:

Actuarial accrued liability (AAL)	$ 139,458
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 139,458
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	$ -
UAAL as a percentage of annual covered payroll	0.00%

Note 7. Retirement Plans (Continued)

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

Trend information: Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation (asset) is as follows:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2014	$ 30,347	107.3%	$ (28,275)
2015	27,892	116.8%	(34,086)
2016	27,892	119.7%	(39,577)

Note 8. Other Postemployment Insurance Benefits

In addition to pension benefits as described in Note 7, the University pays the life insurance premiums for retired employees until death. A retiring employee must have been employed full-time in the Oklahoma State System of Higher Education for not less than ten years immediately preceding the date of retirement, been a member of OTRS during that time, and elected to receive a vested benefit under the provisions of OTRS. The University funds the payments for this benefit out of current operations. Each retiree is eligible to receive $10,000 of life insurance coverage at a cost to the University of $.29 per $1,000 of coverage. As of June 30, 2016, there were approximately 125 active employees and 56 retirees covered under the life insurance program. Authority to establish and amend benefit provisions rests with the Board of Regents. The OPEB Plan does not issue a stand-alone financial report.

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

Annual cost and net obligation: The annual required contribution for the current year was determined as part of the June 30, 2015, actuarial valuation using the projected unit credit method. The actuarial assumption included a 3.5% investment rate of return. The assumption also included postretirement benefit increases, which will be funded by the University when granted.

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

Note 8. Other Postemployment Insurance Benefits (Continued)

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

	2016	2015
Annual required contribution	$ 1,719	$ 1,719
Adjustment to annual required contribution	3,172	10,237
Annual pension cost	4,891	11,956
Contributions made	(1,987)	(1,943)
Increase in net pension obligation	2,904	10,013
Net pension obligation at beginning of year	37,806	27,793
Net OPEB obligation at end of year	$ 40,710	$ 37,806

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

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

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

Trend information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	$ 3,889	41.6%	$ 27,793
2015	11,950	16.3%	37,806
2016	4,891	40.6%	40,710

Note 9. Funds Held in Trusts by Others

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

Note 9. Funds Held in Trusts by Others (Continued)

The University received approximately $1,036,000 and $1,082,000 from these funds during the years ended June 30, 2016 and 2015, 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 $18,325,000 and $18,603,000 at June 30, 2016 and 2015, 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:

	2016	2015
Direct support from the Foundation to the University	$ 217,625	$ 263,523
Scholarships paid directly by the Foundation to University students	219,575	409,425

The following are significant disclosures of the Foundation:

Disclosure about Fair Value of Financial Instruments:

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

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

The following is a summary of financial assets measured at fair value on a recurring basis as of December 31, 2015 and 2014:

	Fair Value Heirarchy	2015	2014
Common stocks	Level 1	$ 3,879,708	$ 3,680,992
Mutual funds	Level 1	2,001,891	2,146,241
Corporate bonds	Level 1	1,419,307	1,553,896
Asset and mortgage backed securities	Level 1	1,324,249	1,740,847
Publicly traded limited partnerships	Level 1	765,548	925,722
Exchange traded and closed end funds	Level 1	6,933	2,968
Interest in perpetual trust	Level 3	747,725	789,159
Total investments		$ 10,145,361	$ 10,839,825

Note 10. Panhandle State Foundation (Continued)

Prior period adjustment: During 2015, the Foundation elected to record the assets of the Wickstrum Trust from which they receive dividends and other distributions. Previously, the assets held by the bank trustee were not listed in the Foundation's statement of financial position. They only recorded the income related to those funds. A prior period adjustment has been made to 2014 in the amount of $301,772 increasing previously reported net position.

Note 11. Commitments and Contingencies

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. At June 30, 2016 and 2015, there were no pending lawsuits or claims against the University that management believes would result in a material loss to the University in the event of an adverse outcome.

Note 12. Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; employee health, life and accident benefits; and unemployment. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property damage, workers' compensation and unemployment. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The University pays an annual premium to the pools for its torts, property and workers' compensation insurance coverages. The Oklahoma Risk Management Pool's governing agreement specifies that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

Required Supplementary Information

Oklahoma Panhandle State University

Required Supplementary Information (Unaudited)
June 30, 2016

Schedule of Funding Progress for Supplemental Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2014	$ -	$ 146,095	$ 146,095	0.00%	$ -	0.00%
6/30/2015	-	139,458	139,458	0.00%	-	0.00%
6/30/2016	-	139,458	139,458	0.00%	-	0.00%

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

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

Schedule of Funding Progress for
Other Postemployment Life Insurance Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2014	$ -	$ 25,572	$ 25,572	0.00%	$ 6,043,926	0.42%
6/30/2015	-	37,806	37,806	0.00%	6,256,982	0.60%
6/30/2016	-	40,710	40,710	0.00%	7,434,386	0.55%

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

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

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years* (Dollar amounts in thousands)

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

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

Notes to Schedule:

Only the current and prior fiscal year are presented because 10-year data is not yet available.
* Contributions and covered-employee payroll amounts restated for the early implementation of GASB Statement No. 82.

SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years (Dollar amounts in thousands)

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

Notes to Schedule:

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

Reports Required by *Government Auditing Standards* and Uniform Guidance

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oklahoma Panhandle State University (the University), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), a component unit of the State of Oklahoma, that comprise the statement of net position as of June 30, 2016, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 21, 2016. Our report includes paragraphs related to a change in accounting principle, the reporting entity, and a reference to other auditors who audited the financial statements of Panhandle State Foundation (the "Foundation"), the University's discretely presented component unit, as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Arledge & Associates, P.C.

October 21, 2016

a² Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited Oklahoma Panhandle State University's (the University), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), which is a component unit of the State of Oklahoma, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2016. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 21, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates, P.C.

October 21, 2016

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
U.S. DEPARTMENT OF EDUCATION			
Student financial aid cluster			
Federal Pell Grants	84.063	N/A	$ 2,196,555
Federal Supplemental Education Opportunity Grants	84.007	N/A	30,874
Federal Work Study Program	84.033	N/A	29,560
Federal Perkins Loans	84.038	N/A	35,958
Federal Direct Loan Program	84.268	N/A	3,799,657
Total Student Financial Aid Cluster			6,092,604
TRIO program cluster			
TRIO- Upward Bound	84.047	N/A	280,530
Total TRIO program cluster			280,530
TOTAL U.S. DEPARTMENT OF EDUCATION			**6,373,134**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 12,465,738**

See notes to schedule of expenditures of federal awards.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("SEFA") includes the federal award activity of Oklahoma Panhandle State University (the "University") under programs of the federal government for the year ended June 30, 2016. The information in this SEFA 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 SEFA 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 assets, or cash flows of the University.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C --FEDERAL DIRECT STUDENT LOAN PROGRAM

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

NOTE D--FEDERAL PERKINS LOANS

The University has $35,958 in Federal Perkins loans outstanding at June 30, 2016. These loan balances outstanding are included as federal expenditures in the schedule of expenditures of federal awards. During the year ended June 30, 2016, the University issued Perkins loans totaling $0.

NOTE E—SUBRECIPIENTS

During the year ended June 30, 2016, the University did not provide any federal awards to subrecipients.

OKLAHOMA PANHANDLE STATE UNIVERSITY
(An Organizational Unit of the Board of Regents for the
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:	*Unmodified*	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	__X__ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	__X__ none reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	__X__ no

Identification of major programs:

Program	CFDA Number
Student Financial Aid Cluster	*

*Refer to the Schedule of Expenditures of Federal Awards for CFDA numbers related to these programs.

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	__X__ yes	_____ no

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

None to report for the June 30, 2016 period.

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

None to report for the June 30, 2016 period.

OKLAHOMA PANHANDLE STATE UNIVERSITY
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

2015-01

Program CFDA No:
Pell Grant (84.063)
Federal Direct Student Loans (84.268)
Federal Supplemental Educational Opportunity Grants (84.007)
Federal Work-Study (84.033)

Federal Award Year: 2014-2015

Finding: Enrollment statuses of graduated students were not reported to the National Student Loan Data System (NSLDS) within the required time frame.

Criteria Summary: In accordance with 34 CFR 682.610(c)(2)(i), "…an institution shall, upon receipt of a student status confirmation report from the Secretary or a similar student status confirmation report from any guaranty agency, completed and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days if it discovers that a Stafford, LSL, or Plus loan has been made to or on behalf of a student who has ceased to be enrolled on at least a half-time basis."

Condition Summary: In our withdrawal testing three Fall 2014 and one Spring 2015 withdrawn students did not have their enrollment status change reported to the NSLDS via National Student Clearinghouse (NSC) within sixty days from the date of withdrawal determination as required by federal regulations.

Recommendation: We recommend the institution prepare a schedule for transmissions that will include enrollment changes, including withdrawals, changes in enrollment status and graduation, are properly reported to the National Student Loan Data System within the appropriate time frame of sixty days from the date the institution determined the status change. It is recommended to consider increasing the number of NSC transmissions annually and adjusting the schedule of NSC transmissions for each term.

Current year status: This finding has been resolved in the current year.

OKLAHOMA PANHANDLE STATE UNIVERSITY
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

2015-02

Program CFDA No:
Federal Direct Student Loans (84.268)

Federal Award Year: 2014-2015

Finding: Direct loan overaward

Questioned Costs: $619

Criteria Summary: In accordance with 34 CFR 682.604(h), if before the delivery of any Direct loan disbursement, the institution learns that the borrower will receive or has received financial aid for the period of enrollment for which the loan was made that exceeds the amount of assistance for which the student is eligible, the school shall reduce or eliminate the overaward by either (1) using the student's PLUS or unsubsidized Direct loan to cover the expected family contribution, if not already done; (2) returning the entire undelivered disbursement to the lender and providing the lender with a written statement describing the reason for the return of the funds, if any, setting forth the student's revised financial need, and directing the lender to re-disburse a reviewed amount and, if necessary, revise subsequent disbursements to eliminate the overaward; or (3) returning to the lender any portion of the disbursement for which the student is ineligible and providing the lender with a written statement return of funds.

Condition Summary: Within our student file testing, in a sample of forty students, we noted that the institution certified and disbursed a subsidized direct loan to a student in an amount exceeding the financial assistance for which the student was eligible, thus creating an overaward.

Recommendation: We recommend the institution implement a manual or automated review procedure that would identify and correct errors during the federal student aid packaging process.

Current year status: This finding has been resolved in the current year.