University Center at Ponca City

(A Component Unit of the State of Oklahoma)

Financial Statements

June 30, 2018
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

FINANCIAL STATEMENTS

Table of Contents

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
University Center at Ponca City
Ponca City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the University Center at Ponca City (the "Center"), collectively, a component unit of the State of Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Center'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; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We have also audited the financial statements of the discretely presented component unit, University Center at Ponca City Foundation, Inc. (the "Foundation"), a not-for-profit Oklahoma corporation organized to support the Center, as of and for the year ended December 31, 2017. We conducted our audits in accordance with auditing standards generally accepted in the United States 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Center'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 Center'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 opinion.

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Center as of June 30, 2018, 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.

Emphasis of Matter

Adoption of New Accounting Pronouncement and Restatement of Previously Reported Balances

As discussed in Note 1 to the financial statements, the beginning net position as of July 1, 2017, has been restated to reflect the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). Accordingly, adjustments have been made to the beginning balance of net position as of July 1, 2017. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages i through vii and the schedule of the Center's proportionate share of the net pension liability (Oklahoma Teachers' Retirement System), the schedule of the Center's contributions (Oklahoma Teachers' Retirement System), the schedule of the Center's proportionate share of the net OPEB asset (Supplemental Health Insurance Plan), the schedule of the Center's contributions (Supplemental Health Insurance Plan), and the schedule of changes in the total OPEB liability and related ratios (Postemployment Health Insurance Implicit Rate Subsidy Plan) on pages 40 through 44 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 supplemental information in accordance with auditing standards generally accepted in the United States, 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2018, on our consideration of the Center's internal control over financial reporting and 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 the 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 Center's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 8, 2018

University Center at Ponca City
Management's Discussion and Analysis
Year Ended June 30, 2018

Management's Discussion and Analysis

The discussion and analysis of University Center at Ponca City (the "Center") financial statements provides an overview of the Center's financial activities for the year ending June 30, 2018. Since this management's discussion and analysis is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the Center's financial statements and footnotes.

Using This Report

In June 1999, the Governmental Accounting Standards Board (GASB) released statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Changes in statement No. 34 require a comprehensive one-column look at the entity as a whole and capitalization of assets and depreciation. In November 1999, GASB issued statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies these standards to public colleges and universities.

Financial Highlights

Statement of Net Position and
Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report the Center's net position and how they have changed. Net position is one way to measure the Center's health. Over time, increases or decreases in the Center's net position are an indicator of whether or not its financial health is improving. Non-financial factors are also important to consider, including student enrollment and condition of the building.

These statements include all assets, deferred outflows and liabilities using the accrual basis of accounting, which is consistent with the accounting used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Table 1 is prepared from the Center's Statement of Net Position, and summarizes the Center's assets, liabilities, and net position at June 30, 2018.

Financial Highlights, Continued

Statement of Net Position and
Statement of Revenues, Expenses, and Changes in Net Position, Continued

Table 1: Net Position

	June 30, 2018	June 30, 2017*	Increase (Decrease)	% Change
Current and other assets	$ 241,788	236,537	5,251	2%
Capital assets, net of depreciation	40,123	74,958	(34,835)	(46)%
Total assets	281,911	311,495	(29,584)	(9)%
Deferred outflows of resources	150,480	217,765	(67,285)	(31)%
Current liabilities	32,579	37,758	(5,179)	(14)%
Noncurrent liabilities	511,203	600,597	(89,394)	(15)%
Total liabilities	543,782	638,355	(94,573)	(15)%
Deferred inflows of resources	113,342	75,373	37,969	50%
Net position:				
Net investment in capital assets	40,123	74,958	(34,835)	(46)%
Restricted	613	-	613	613%
Unrestricted (deficit)	(265,469)	(259,426)	(6,043)	2%
Total net position	$ (224,733)	(184,468)	(40,265)	22%

*Prior year amounts not restated for MD&A purposes.

Significant balances for the Center were cash balances, capital assets, and noncurrent liabilities.

As of June 30, 2018, the Center had cash balances of $236,470, and capital assets recorded net of accumulated depreciation of $40,123. The reduction of 46% of capital assets for the fiscal year is related to the associated depreciation of the capital assets.

The Center also incurred $21,334 of accounts payable and accrued expenses as of June 30, 2018. Accounts payable and accrued expenses along with the current portion of compensated absences are a significant portion of the total liabilities of the Center.

Financial Highlights, Continued

Statement of Net Position and
Statement of Revenues, Expenses, and Changes in Net Position, Continued

Noncurrent liabilities had a decrease of approximately $89,000 related to the decrease of approximately $98,000 of net pension liability in the current year. This decrease is primarily a result of the overall performance and reduction of the net pension liability by Oklahoma Teachers' Retirement System (OTRS).

During fiscal year 2018 the Center implemented GASB Statement No. 75 which resulted in the recognition of other postemployment benefits related to the Center's share of the net OPEB asset at OTRS of $3,348, and the total OPEB liability of $2,944 related to the implicit rate subsidy provided to employees by the continuance of participation in health insurance provided by the Center.

Table 2 is prepared from the Center's Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2018.

Table 2: Changes in Net Position

	Years Ended June 30, 2018	2017*	Increase (Decrease)	% Change
Operating revenues and expenses:				
Tuition and fees	$ 138,050	135,921	2,129	2%
Less operating expenses	(695,210)	(723,601)	28,391	(4)%
Net operating loss	(557,160)	(587,680)	30,520	(5)%
Non-operating revenues (expenses):				
State appropriations	498,549	537,373	(38,824)	(7)%
OTRS on-behalf contributions	20,934	20,675	259	1%
Total non-operating revenues	519,483	558,048	(38,565)	(7)%
Changes in net position	$ (37,677)	(29,632)	(8,045)	27%

*Prior year amounts not restated for MD&A purposes.

Financial Highlights, Continued

Statement of Net Position and
Statement of Revenues, Expenses, and Changes in Net Position, Continued

Revenues

The most significant revenue source of the Center is State appropriations comprising 96% of nonoperating revenues and 76% of total revenues for fiscal year 2018.

Nonoperating revenues decreased by 7% primarily as a result from a reduction of approximately $39,000 of State appropriations received by the Center compared to prior fiscal year.

Expenses

Table 3 summarizes the Center's operating expenses for the years ended June 30.

Table 3: Operating Expenses

	Years Ended June 30, 2018	Years Ended June 30, 2017	Increase (Decrease)	% Change
Compensation and benefits	$ 419,718	449,577	(29,859)	(7)%
Contractual services	157,632	157,101	531	0%
Supplies and materials	30,890	13,997	16,893	121%
Utilities	24,299	31,348	(7,049)	(22)%
Communications	11,044	11,770	(726)	(6)%
Depreciation	34,835	42,334	(7,499)	(18)%
Other	16,792	17,474	(682)	(4)%
	$ 695,210	723,601	(28,391)	(4)%

The most significant expenses of the Center, for fiscal year 2018, are compensation and contractual services.

Compensation expenses comprised 60% of operating expenses; with contractual services comprising 23% of operating expenses for the year.

Compensation expenses decreased by approximately $30,000 which primarily relates to a position becoming open and the Center electing not fill the position during the fiscal year.

Financial Highlights, Continued

Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

Table 4 is prepared from the Center's Statement of Cash Flows and summarizes the Center's cash flows for the year ended June 30.

Table 4: Cash Flows

	Years Ended June 30, 2018	2017	Increase (Decrease)	% Change
Cash provided by (used in):				
Operating activities	$ (492,862)	(507,510)	14,648	(3)%
Noncapital financing activities	498,549	537,373	(38,824)	(7)%
Increase in cash and cash equivalents	5,687	29,863	(24,176)	(81)%
Cash and cash equivalents at beginning of year	230,783	200,920	29,863	15%
Cash and cash equivalents at end of year	$ 236,470	230,783	5,687	2%

Financial Highlights, Continued

Capital Assets and Debt Administration

For 2018, the Center recorded a total of $311,484 in capital assets and $271,361 in accumulated depreciation. During the year ended June 30, 2018, the Center recognized $34,835 of depreciation expense.

At June 30, 2018, the Center had an obligation of $22,087 for accrued compensated absences accrued by employees.

Table 5: Capital Assets, Net

	June 30, 2018
Equipment	$ 311,484
Less accumulated depreciation	(271,361)
Capital assets, net	$ 40,123

Further detailed information can be obtained in the notes to the financial statements (Notes 1 and 4).

Table 6: Long-Term Liabilities

	June 30, 2018
Accrued compensated absences	$ 22,087
Total long-term liabilities	$ 22,087

Further detailed information can be obtained in the notes to the financial statements (Notes 1 and 5).

Other Financial Information

Economic Outlook

The Center is primarily funded by state appropriations. During fiscal year 2018, state appropriations were reduced 6.08%. In fiscal year 2019, the Center will be held harmless with state appropriations. Continued cuts and no revenue increases coming from the state forced the Center to eliminate one full time position and reduce operating hours from seven days a week to five days. The Center is seeking new ways in which to increase student enrollment and participation. Retention of currently enrolled students remains a focus for the Center. Currently the Center is partnering with OSU's Center for Executive Professional Development in the aims of delivering intense one day seminars aimed at attracting current practicing professionals. The Center continues to explore new revenue sources to ensure the fiscal viability of a thriving education center in Ponca City. The Center offered LEGO STEM Summer Academies this summer for area youth. The academies will become part of the Center's mission of educational outreach. In addition, the Center is exploring the creation of an ACT workshop and other community outreach programs.

The Center's management is not aware of any other matters that could significantly affect its financial position at this time.

Contacting the Program's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the University Center at Ponca City, 2800 N. 14th Street, Ponca City, OK 74601.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

STATEMENTS OF NET POSITION

	June 30, 2018	*December 31, 2017*
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
Assets		
Current assets:		
Cash and cash equivalents	$ 236,470	427,829
Accounts receivable	1,970	-
Prepaid expenses	-	4,160
Education account	-	15,501
Investments	-	79,494
Total current assets	238,440	526,984
Noncurrent assets:		
Restricted cash—education account	-	142,942
Net OPEB asset	3,348	-
Capital assets, net	40,123	1,334,341
Total noncurrent assets	43,471	1,477,283
Total assets	281,911	2,004,267
Deferred Outflows of Resources		
Deferred amounts related to pensions	150,033	-
Deferred amounts related to OPEB	447	-
Total deferred outflows of resources	150,480	-

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

STATEMENTS OF NET POSITION, CONTINUED

	June 30, 2018	*December 31, 2017*
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 21,334	-
Unearned revenue	472	-
Current portion of compensated absences	10,773	-
Total current liabilities	32,579	-
Noncurrent liabilities:		
Compensated absences	11,314	-
Total OPEB liability	2,944	-
Net pension liability	496,945	-
Total noncurrent liabilities	511,203	-
Total liabilities	543,782	-
Deferred Inflows of Resources		
Deferred amounts related to pensions	110,607	-
Deferred amounts related to OPEB	2,735	-
Total deferred inflows of resources	113,342	-
Net Position		
Net investment in capital assets	40,123	-
Restricted for:		
Donor restrictions	-	156,734
OPEB	613	-
Unrestricted (deficit)	(265,469)	1,847,533
Total net position	$ (224,733)	2,004,267

See Independent Auditors' Report.
See accompanying notes to financial statements.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended	*June 30, 2018*	*December 31, 2017*
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
Operating revenues:		
Student tuition and fees	$ 114,606	-
Other operating revenues	23,444	98,326
Total operating revenues	138,050	98,326
Operating expenses:		
Compensation and employee benefits	419,718	-
Contractual services	157,632	-
Supplies and materials	30,890	-
Utilities	24,299	-
Communications	11,044	-
Depreciation	34,835	42,200
Other operating expenses	16,792	42,714
General and administrative	-	10,522
Scholarships awarded	-	28,818
Total operating expenses	695,210	124,254
Operating loss	(557,160)	(25,928)
Non-operating revenues (expenses):		
State appropriations	498,549	-
OTRS on-behalf	20,934	-
Investment income	-	961
Net unrealized loss on investments	-	(102)
Contributions and other non-operating income	-	86,962
Total non-operating revenues	519,483	87,821
Changes in net position	(37,677)	61,893
Net position at beginning of year, restated	(187,056)	1,942,374
Net position at end of year	$ (224,733)	2,004,267

See Independent Auditors' Report.
See accompanying notes to financial statements.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

STATEMENTS OF CASH FLOWS

Years Ended	*June 30, 2018*	*December 31, 2017*
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
Cash flows from operating activities:		
Tuition and fees	$ 108,585	-
Compensation and benefits	(393,217)	-
Cash paid to suppliers	(239,912)	(61,587)
Cash paid for scholarships	-	(28,818)
Other operating receipts	31,682	98,326
Net cash (used in) provided by operating activities	(492,862)	7,921
Cash flows from noncapital financing activities:		
State appropriations and contributions	498,549	86,962
Net cash provided by noncapital financing activities	498,549	86,962
Cash flows from capital and related financing activities:		
Purchases of capital assets	-	(30,267)
Net cash used in capital and related financing activities	-	(30,267)
Cash flows from investing activities:		
Purchases of investments	-	(10,218)
Proceeds from sales and maturities of investments	-	15,359
Increase in education funds		1,661
Interest income received	-	961
Net cash provided by investing activities	-	7,763
Increase in cash and cash equivalents	5,687	72,379
Cash and cash equivalents at beginning of year	230,783	355,450
Cash and cash equivalents at end of year	$ 236,470	427,829

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

STATEMENTS OF CASH FLOWS, CONTINUED

Years Ended		*June 30, 2018*	*December 31, 2017*
		University Center at Ponca City	University Center at Ponca City Foundation, Inc.
Reconciliation of operating loss to net cash (used in) provided by operating activities:			
Operating loss	$	(557,160)	(25,928)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:			
Depreciation expense		34,835	42,200
OTRS on-behalf		20,934	-
Changes in net assets and liabilities:			
Accounts receivable		3,784	-
Accounts payable and accrued expenses		(1,790)	(10,480)
Unearned revenue		(1,567)	-
Prepaid expenses		-	2,129
Net pension asset		(3,348)	-
Net pension liability		(98,260)	-
Total OPEB liability		356	-
Deferred amounts related to pensions		102,966	-
Deferred amounts related to OPEB		2,288	-
Accrued compensated absences		4,100	-
Net cash (used in) provided by operating activities	$	(492,862)	7,921

See Independent Auditors' Report.
See accompanying notes to financial statements.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The University Center at Ponca City (the "Center") is located in Ponca City, Oklahoma, and was established in accordance with Title 70, Section 3213.1 et seq. of the Oklahoma Statutes as the University Center at Ponca City. Pursuant to this statute, the Oklahoma State Regents for Higher Education (the "State Regents") has made educational program resources in the Oklahoma State System of Higher Education (the "State System") available to people in the Ponca City area by drawing upon the educational programs of institutions best suited to provide the kinds of educational programs needed.

The primary purpose of the Center is to provide higher education opportunities to the citizens in northern Oklahoma and the Ponca City community. Students who enroll in higher education courses and programs in the Center can earn residence credit applicable toward academic degrees and certificates at participating institutions in the State System. The Center partners with Oklahoma colleges and universities to bring quality academic programs to Northern Oklahoma. Primarily, the majority of classes are offered through Northern Oklahoma College, and Northwestern Oklahoma State University.

The Center is administered by a Board of Trustees whose responsibilities include administering funds allocated by the State Regents, negotiating agreements with institutions to offer courses and programs and providing the necessary educational facilities.

Financial Statement Presentation

As a component unit of the State, the Center has prepared its financial statements in accordance with the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* (GASB 34) and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* (GASB 35). The financial statement presentation required by GASB 34 and GASB 35 provides a comprehensive, entity-wide perspective of the Center's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Reporting Entity

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The accompanying financial statements include the accounts and funds of the Center. The Center is a state agency and a non-institution member of the State System, which is under the governance of the State Regents. The Center is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State as part of the higher education component unit.

University Center at Ponca City Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the Center. The Foundation's operating year is from January 1 to December 31. Its financial statements are prepared on a calendar year end. The Foundation is organized for the purpose of receiving and administering gifts intended for the Center. Although the Center 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 of the Center by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Center, the Foundation is considered a component unit of the Center and is discretely presented in the Center's financial statements. Separate financial statements of the Foundation can be requested from the Foundation's executive director.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board ("FASB") standards over accounting for Not-for-Profit Organizations. 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 in the Center's financial reporting entity for these differences.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting

For financial reporting purposes, the Center is considered a special-purpose government engaged only in business-type activities. Accordingly, the Center's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The cash equivalents are required to be fully collateralized by obligations of the United States government or its agencies at 102% or insured by federal deposit insurance. For year ended June 30, 2018 the Center did not have any qualifying cash equivalents.

Investments

The Center accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of return on investments in the statements of revenues, expenses, and changes in net position. For year ended June 30, 2018, the Center did not have any qualifying investments.

Accounts Receivable

The Center's accounts receivable primarily consists of amounts due from other state agencies. These amounts consist of a per credit hour charge to the participating colleges and universities for classes taken at the Center. Current agreements, by the Center with participating colleges and universities, only allow collection by the Center for actual collections made by the participating colleges and universities. Based on current agreements, there are no indications of un-collectability for those amounts collected by the participating colleges and universities.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets

Capital assets are recorded at cost on the date of the acquisition or acquisition value if acquired by gift. For equipment, the Center'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; any renovations that are leasehold improvements useful life will be the shorter of the remaining term of the lease or estimated useful life. 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 life of each asset. The following estimated useful lives are being used by the Center:

Land improvements	5–20 years
Buildings and improvements	up to 40 years
Furniture, fixtures, and equipment	5–10 years
Infrastructure	5–20 years

Noncurrent Liabilities

Noncurrent liabilities include estimated amounts for accrued compensated absences that will not be paid or used within the next fiscal year, the total OPEB liability, and the net pension liability.

Compensated Absences

Employees' compensated absences are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded as accrued compensated absences in the statements of net positions, and as an expense in the statements of revenues, expenses, and changes in net position. Full-time employees shall accrue annual leave at the rates prescribed by *74 O.S. 1999, § 840-2.20* as shown in the following tables. Annual leave is intended to be used for vacations, personal business, and any other time an employee is absent from work during his or her assigned work schedule unless otherwise provided in the policy. Annual leave may not be taken before it is earned. Any unused, annual leave will be reimbursed upon termination of employment up to 60 days.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences, Continued

Years of Service	Accrual Rate	Accumulation Limits
Less than 5 years of service	15 days per year	30 days
5 but less than 10 years of service	18 days per year	60 days
10 but less than 20 years of service	20 days per year	60 days
20 years and over	25 days per year	60 days

Net Position

The Center's net position is classified as follows:

Net investment in capital assets—This represents the Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets, if any. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investments in capital assets.

Restricted for OPEB—This represents the amount of net OPEB assets that exceeds the associated amount of deferred inflows of resources that are related to the net OPEB asset.

Unrestricted—Unrestricted net position represents resources derived from student tuition and fees and state appropriations. These resources are used for transactions relating to the educational and general operations of the Center, and may be used at the discretion of the governing board to meet current expenses for any purpose.

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

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Classifications of Revenues

The Center 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 student tuition and fees.

Nonoperating revenues—Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, 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 state appropriations and investment income as defined by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Tax Status

The Center, as a political subdivision of the State of Oklahoma, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code. The Internal Revenue Service has determined that the Foundation qualifies as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Deferred Outflows of Resources and Deferred Inflow of Resources

Deferred outflows are the consumption of net position by the Center that are applicable to a future reporting period. Deferred inflows are the acquisition of net position by the Center that are applicable to a future reporting period. At June 30, 2018, the Center's deferred outflows and deferred inflows of resources were related to pension and OPEB sources.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Pension and Other Postemployment Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of Oklahoma (OTRS) and additions to/deductions from OTRS' 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.

For purposes of measure, the total OPEB liability and OPEB expense for the single employer health incurrence substantive plan. The measurement has been based on use of the alternative measurement method in accordance with GASB Statement No. 75, *Other Postemployment Benefits* (GASB 75).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restatement

For purposes of implementation of GASB 75, the Center must restate for any net OPEB asset, net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense that impact beginning net position. The following prior period adjustment was made due to the implementation of the standard:

	Fiscal Year 2018
Beginning net position, as previously reported	$ (184,468)
Implementation of GASB Statement No. 75	(2,588)
Beginning net position, restated	$ (187,056)

See Independent Auditors' Report.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements

New Accounting Pronouncement Adopted

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 addresses employer and governmental non-employer contributing entities' accounting and financial reporting when participating in an other postemployment benefit (OPEB) plan. This statement requires proper recognition of OPEB liabilities by employers and requires a more comprehensive measure of OPEB expense. More robust disclosures will also improve transparency and accountability. GASB 75 is effective for financial statements for the periods beginning after June 15, 2017. The Center adopted GASB 75 effective July 1, 2017, for the June 30, 2018, reporting year. The adoption had significant impact on the financial statements.

New Accounting Pronouncements Not Yet Adopted

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 provides accounting and reporting requirements for certain asset retirement obligations (ARO) that arise from legally enforceable liabilities associated with the retirement of certain tangible capital assets. ARO's require an internal and external obligating event and the costs to be reasonable estimable for the incurrence of such a liability. The Center will adopt GASB 83 effective July 1, 2018, for the June 30, 2019, reporting year. The Center does not expect GASB 83 to have a significant impact on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. The Center will adopt GASB 84 effective July 1, 2019, for the June 30, 2020, reporting year. The Center does not expect GASB 84 to have a significant impact on the financial statements.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements, Continued

New Accounting Pronouncements Not Yet Adopted, Continued

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Center has not determined the impact of GASB 87 on the financial statements.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 provides certain clarifications regarding debt as a liability and identifies additional required disclosures related to debt, including direct borrowings and direct placements of debt. The Center will adopt GASB 88 on July 1, 2019, for the June 30, 2020, reporting year. The Center does not expect GASB 88 to have a significant impact on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changes previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. The Center will adopt GASB 89 on July 1, 2020, for the June 30, 2021, reporting year. The Center does not expect GASB 89 to significantly impact the financial statements.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through October 8, 2018, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

(2) CASH AND CASH EQUIVALENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Center's deposits may not be returned or the Center will not be able to recover collateral securities in the possession of an outside party. Generally, the Center deposits its funds with the Office of the State Treasurer (OST). Oklahoma Statutes require OST 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 Center'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 Treasurer may determine, in the State's name. The Center has not adopted a separate policy addressing custodial credit risk.

At June 30, 2018, the carrying amount of the Center's deposits with the State Treasurer were $236,470. The Foundation had deposits at several financial institutions with carrying amounts totaling $586,272 as of December 31, 2017.

(3) INVESTMENTS

As of June 30, 2018, the Center had no investments. The Foundation had investments consisting of common stock, mutual funds, and certificate of deposits with maturities greater than 3 months when purchased. All of the Foundation's investments are reported at fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In estimating fair value, the Foundation utilizes valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset. Fair values may not represent actual values of assets that could have been realized on the measurement date or that will be realized in the future. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(3) INVESTMENTS, CONTINUED

Accounting Standards Codification Topic 820, "Fair Value Measurement," 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 market participants would use in pricing the assets or liabilities.

The Foundation uses appropriate valuation methods based on the available inputs to measure the fair value of its assets and liabilities.

Fair Value Measured on a Recurring Basis

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Certificates of Deposit

The carrying amounts approximate fair value due to their short maturities.

Common Stock and Mutual Funds

The fair values of common stock and mutual funds are based on quoted market prices for identical assets in active markets utilizing Level 1 inputs.

(3) INVESTMENTS, CONTINUED

Fair Value Measured on a Recurring Basis, Continued

The following table presents the fair value measurements of assets recognized in the accompanying statements of net position at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017, for the Foundation:

		Fair Value Measurements at Reporting Date Using		
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2017				
Certificates of deposit	$ 74,506	-	74,506	-
Common stock	4,988	4,988	-	-
	$ 79,494	4,988	74,506	-

See Independent Auditors' Report.

(4) CAPITAL ASSETS

The following is a summary of the changes in capital assets for the Center for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets depreciable:				
Equipment	$ 311,484	-	-	311,484
Total capital assets depreciable	311,484	-	-	311,484
Less accumulated depreciation:				
Equipment	(236,526)	(34,835)	-	(271,361)
Total accumulated depreciation	(236,526)	(34,835)	-	(271,361)
Capital assets, net	$ 74,958	(34,835)	-	40,123
Capital asset summary:				
Total cost of capital assets	$ 311,484	-	-	311,484
Less accumulated depreciation	(236,526)	(34,835)	-	(271,361)
Capital assets, net	$ 74,958	(34,835)	-	40,123

See Independent Auditors' Report.

(4) CAPITAL ASSETS, CONTINUED

The following is a summary of changes in capital assets for the Foundation for the year ended December 31, 2017:

	Balance Dec. 31, 2016	Additions	Retirements	Balance Dec. 31, 2017
Capital assets, depreciable:				
Buildings and improvements	$ 1,571,082	30,267	(1,578)	1,599,771
Less accumulated depreciation	(224,808)	(42,200)	1,578	(265,430)
Capital assets, net	$ 1,346,274	(11,933)	-	1,334,341

(5) NONCURRENT LIABILITIES

The following is a summary of noncurrent liability transactions for accrued compensated absences of the Center for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Current Portion June 30, 2018
Accrued compensated absences	$ 17,987	14,873	(10,773)	22,087	10,773

See Notes 6 and 7 for noncurrent liability for net pension liability and total OPEB liability.

(6) EMPLOYEE RETIREMENT BENEFITS

The Center's academic and professional personnel who work at least half-time are required to participate in OTRS; classified personnel participation is voluntary. OTRS was established by the state Oklahoma and is a component of the State's financial reporting entity, reported as pension trust fund. The Center does not maintain the accounting records, hold the investments for, or administer OTRS.

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma Teachers' Retirement System (OTRS)

Plan Description—The Center as the employer, participates in the Oklahoma Teachers Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by 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 5 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 5 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.

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma Teachers' Retirement System (OTRS), Continued

Benefits Provided, Continued—

- Upon the death of a retired member, the System will pay $5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions—The contributions requirements of the Plan are at an established rate 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 9.5% of the employees' annual pay and an additional 7.70% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance Plan; see Note 7. Contributions to the pension plan from the Center were $28,173. The State of Oklahoma also made on-behalf contributions to OTRS, of which $20,934 was recognized by the Center; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2018, the Center reported a liability of $496,945 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The Center's proportion of the net pension liability was based on the Center's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the Center's proportion was 0.0075% percent.

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma Teachers' Retirement System (OTRS), Continued

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

For the year ended June 30, 2018, the Center recognized pension expense of $53,324. At June 30, 2018, the Center 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	$ -	33,928
Changes in assumptions	58,974	29,706
Net difference between projected and actual earnings on pension plan investments	7,064	-
Change in the Center's proportionate share of contributions	55,822	46,834
Difference between the Center's contributions and proportionate share of contributions	-	139
Center contributions subsequent to the measurement date	28,173	-
	$ 150,033	110,607

See Independent Auditors' Report.

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma Teachers' Retirement System (OTRS), Continued

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

The $28,173 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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 Ending June 30,		
2019	$	(4,898)
2020		19,532
2021		9,790
2022		(8,974)
2023		(4,197)
	$	11,253

See Independent Auditors' Report.

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma Teachers' Retirement System (OTRS), Continued

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

- Actuarial Cost Method—Entry Age Normal

- Inflation—2.50%

- Future Ad Hoc Cost-of-living Increases—None

- Salary Increases—Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.

- Investment Rate of Return—7.50%

- Retirement Age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the 5-year experience study for the period ending June 30, 2014.

- Mortality Rates After Retirement—Males: RP-2000 Combined Healthy 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%.

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma Teachers' Retirement System (OTRS), Continued

Actuarial Assumptions, Continued—

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2017, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.5%	7.5%
International equity	19.0%	8.5%
Fixed income	23.5%	2.5%
Real estate*	9.0%	4.5%
Alternative assets	10.0%	6.1%
	100.0%	

*The real estate total expected return is a combination of U.S. Direct Real Estate (unleveraged) and U.S. Value Added Real Estate (unleveraged).

Discount Rate—A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma Teachers' Retirement System (OTRS), Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the net pension liability of the Center calculated using the discount rate of 7.50%, as well as what the Center's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Center's net pension liability	$ 709,479	496,945	341,764

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.

(7) OTHER POST-EMPLOYMENT BENEFIT PLANS

The Center participates in two employee OPEB plans as follows:

Name of Plan/System	Type of Plan
Supplemental Health Insurance Plan (OTRS)	Cost Sharing Multiple Employer—Defined Benefit Plan
Implicit Rate Subsidy Plan	Single Employer—Defined Benefit Plan

(7) OTHER POST EMPLOYMENT BENEFIT PLANS, CONTINUED

A summary of all the amounts recorded in the Center's financial statements for the plans is as follows:

	Plan Totals
Net OPEB asset:	
Supplemental health insurance	$ 3,348
Total OPEB liability:	
Implicit rate subsidy	$ 2,944
Deferred outflows of resources:	
Supplemental health insurance	$ 447
Deferred inflows of resources:	
Supplemental health insurance	$ 2,735
OPEB expense (benefit):	
Supplemental health insurance	$ (124)
Implicit rate subsidy	356
	$ 232

Supplemental Health Insurance Plan

Plan Description—The Center as the employer, participates in the Supplemental Health Insurance Plan —a cost-sharing multiple-employer defined benefit OPEB plan administered by OTRS. Title 74 O. S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS.

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

(7) OTHER POST EMPLOYMENT BENEFIT PLANS, CONTINUED

Supplemental Health Insurance Plan, Continued

Contributions—Employer and employee contributions are made based upon the OTRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 6; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance plan. The cost of the supplemental health insurance plan averages 0.15% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the Center were $447.

Net OPEB Assets, OPEB Benefit, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—At June 30, 2018, the Center reported an asset of $3,348 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017. The Center's proportion of the net OPEB asset was based on the Center's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, the Center's proportion was 0.0075% percent.

For the year ended June 30, 2018, the Center recognized OPEB benefit of $124. At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	899
Net difference between projected and actual earnings on OPEB plan investments	-	1,836
Center contributions subsequent to the measurement date	447	-
	$ 447	2,735

See Independent Auditors' Report.

(7) OTHER POST EMPLOYMENT BENEFIT PLANS, CONTINUED

Supplemental Health Insurance Plan, Continued

Net OPEB Assets, OPEB Benefit, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued—

The $447 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB benefit as follows:

Year Ending June 30,		
2019	$	(626)
2020		(626)
2021		(626)
2022		(626)
2023		(166)
Thereafter		(65)
	$	(2,735)

See Independent Auditors' Report.

(7) OTHER POST EMPLOYMENT BENEFIT PLANS, CONTINUED

Supplemental Health Insurance Plan, Continued

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

- Actuarial Cost Method—Entry Age Normal
- Inflation—2.50%
- Future Ad Hoc Cost-of-living Increases—None
- Salary Increases—Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment Rate of Return—7.50%
- Retirement Age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the 5-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement—Males: RP-2000 Combined Healthy 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%.

(7) OTHER POST EMPLOYMENT BENEFIT PLANS, CONTINUED

Supplemental Health Insurance Plan, Continued

Actuarial Assumptions, Continued—

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2017, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.5%	7.5%
International equity	19.0%	8.5%
Fixed income	23.5%	2.5%
Real estate*	9.0%	4.5%
Alternative assets	10.0%	6.1%
	100.0%	

*The real estate total expected return is a combination of U.S. Direct Real Estate (unleveraged) and U.S. Value Added Real Estate (unleveraged).

Discount Rate—A single discount rate of 7.50% was used to measure the net OPEB asset as of June 30, 2017. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the net OPEB asset. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past 5 years of actual contributions.

(7) OTHER POST EMPLOYMENT BENEFIT PLANS, CONTINUED

Supplemental Health Insurance Plan, Continued

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate—The following presents the net OPEB liability (asset) of the Center calculated using the discount rate of 7.50%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Center's net OPEB asset	$ (140)	(3,348)	(6,091)

OPEB Plan Fiduciary Net Position—Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report of OTRS which can be obtained at www.ok.gov/OTRS.

Postemployment Health Insurance Implicit Rate Subsidy Plan

Plan Description—The Center offers postemployment benefit other than pensions (OPEB) options for health and dental benefits for retired employees under the age of 65 and their dependents who elect to make required benefit payments on a monthly basis. The plan is a single-employer defined benefit OPEB plan. The benefits are provided through a substantive plan in which retired employees and dependents may continue on their medical plan through the State of Oklahoma and the Employees Group Insurance Division (EGID). A substantive plan is one in which the plan terms are understood by the employer and the plan members. This understanding is based on communications between the employer and plan member and the historical pattern of practice with regard to the sharing of benefit costs. All of the Center's employees may become eligible for those post-retirement benefits if they are retired members under the age of 65 of OTRS. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

(7) OTHER POST EMPLOYMENT BENEFIT PLANS, CONTINUED

Postemployment Health Insurance Implicit Rate Subsidy Plan, Continued

Benefits Provided—The Plan covers all current retirees of the Center under the age of 65 who elected postretirement medical coverage through EGID and future retired employees under the age of 65 of the State of Oklahoma fully insured health plan. In accordance with Title 74 § 1316.3 the benefit levels are the same as those afforded to active employees; this creates an implicit rate subsidy. The benefits offered by the Center to retirees include health and dental benefits. The retiree retains coverage with EGID, by making an election within 30 days of termination of service and have at least 10 years of creditable service in OTRS.

The amount of benefit payments during fiscal year June 30, 2018, were $0.

Employees Covered by Benefit Terms—

Active employees	5
Inactive or not yet receiving benefits	0
Inactive or beneficiaries receiving benefits	0
Total	5

Total OPEB Liability—The total OPEB liability was determined based on an alternative measurement method valuation performed as of June 30, 2018, which is also the measurement date.

(7) OTHER POST EMPLOYMENT BENEFIT PLANS, CONTINUED

Postemployment Health Insurance Implicit Rate Subsidy Plan, Continued

Actuarial Assumptions—The total OPEB liability in the June 30, 2018, valuation, was determined using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Discount Rate—3.87%; based on Bond Buyer Index
- Retirement Age—Average retirement age of 62
- Healthcare Cost Trend Rates—

Year	Rate
2018	7.10%
2019	6.80%
2020	6.50%
2021	6.40%
2022	6.10%
2023	5.90%
2024+	5.60%

Changes in Total OPEB Liability—

	Total OPEB Liability
Balance at beginning of year, restated	$ 2,588
Changes for the year:	
Service cost	343
Interest expense	13
Benefits paid	-
Net changes for the year	356
Balance at end of year	$ 2,944

See Independent Auditors' Report.

(7) OTHER POST EMPLOYMENT BENEFIT PLANS, CONTINUED

Postemployment Health Insurance Implicit Rate Subsidy Plan, Continued

OPEB Expense—For the year ended June 30, 2018, the Center recognized OPEB expense of $356.

Sensitivity of the Center's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate—The following presents the Center's proportionate share of the total OPEB liability, as well as what the Center's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Center's total OPEB liability	$ 3,288	2,944	2,717

Sensitivity of the Center's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates—The following presents the Center's proportionate share of the total OPEB liability, as well as what the Center's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.1% decreasing to 4.6%) or 1 percentage point higher (8.1% decreasing to 6.6%) than the current healthcare cost trend rates:

	1% Decrease (6.1% decreasing to 4.6%)	Current Healthcare Cost Trend Rate (7.1% decreasing to 5.6%)	1% Decrease (8.1% decreasing to 6.6%)
Center's total OPEB liability	$ 2,480	2,944	3,518

(8) RELATED-PARTY TRANSACTIONS

The Center and Foundation have a lease agreement for the University Center building. See Note 10 for additional information regarding the lease agreement.

For the year ended June 30, 2018, the Foundation paid the Center's students approximately $19,000 for scholarships and support.

(9) RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, and property loss and general liability insurance coverage. The Center purchases commercial employee life insurance. The Center, as a state agency, participates in the Oklahoma State and Education Employees' Group Insurance Board (the Plan), a public entity risk pool. The Center pays an annual premium to the Plan for its employee health insurance coverage. The Plan is self-insured and self-sustaining through member premiums. The Center carried insurance with the State Insurance Fund for other risks of loss, including workers' compensation and employee accident insurance. Settlement claims resulting from these risks have not exceeded insurance coverage in the past 2 years.

(10) LEASE COMMITMENTS

The Center, as lessee, leases an educational facility from the Foundation. The lease is on a year-to-year basis. Rental expense was approximately $61,000 for fiscal year 2018.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Teachers' Retirement System

*Last 4 Fiscal Years**

		2018	2017	2016	2015
The Center's proportion of the net pension liability		0.00751%	0.00713%	0.00627%	0.00761%
The Center's proportionate share of the net pension liability	$	496,945	595,205	380,947	409,367
The Center's covered-employee payroll	$	329,116	318,947	275,474	299,478
The Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll		151%	187%	138%	137%
Plan fiduciary net position as a percentage of the total pension liability		69.32%	62.24%	70.31%	72.43%

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

Note to Schedule: Only the last 4 fiscal years are presented because 10-year data is not yet available.

See Independent Auditors' Report.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

SCHEDULE OF THE CENTER'S CONTRIBUTIONS
Oklahoma Teachers' Retirement System

Last 4 Fiscal Years

	2018	2017	2016	2015
Contractually required contribution	$ 28,173	31,266	30,300	26,170
Contributions in relation to the contractually required contribution	28,173	31,266	30,300	26,170
Contribution deficiency (excess)	$ -	-	-	-
The Center's covered-employee payroll	$ 301,263	329,116	318,947	275,474
Contributions as a percentage of covered-employee payroll	9.35% *	9.5%	9.5%	9.5%

* The fund implemented GASB 75 for OPEB effective July 1, 2017; therefore, this amount represents the net percentage for the GASB 68 contribution to OTRS. When combined with the supplemental health insurance plan percentage for OPEB contributions to OTRS the total amount contributed to OTRS is 9.50%.

Note to Schedule: Only the last 4 fiscal years are presented because 10-year data is not yet available.

See Independent Auditors' Report.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
Supplemental Health Insurance Plan

*Current Fiscal Year**

		2018
The Center's proportion of the net OPEB asset		0.00751%
The Center's proportionate share of the net OPEB asset	$	(3,348)
The Center's covered-employee payroll	$	329,116
The Center's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll		(1.02)%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)		110.40%

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

Note to Schedule: Only the current fiscal year is presented because 10-year data is not yet available.

See Independent Auditors' Report.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

SCHEDULE OF THE CENTER'S CONTRIBUTIONS
Supplemental Health Insurance Plan

Current Fiscal Year

		2018
Contractually required contribution	$	447
Contributions in relation to the contractually required contribution		447
Contribution deficiency (excess)	$	-
The Center's covered-employee payroll	$	301,263
Contributions as a percentage of covered payroll		0.15%

Note to Schedule: Only the current fiscal year is presented because 10-year data is not yet available.

See Independent Auditors' Report.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
Postemployment Health Insurance Implicit Rate Subsidy Plan

Current Fiscal Year

	2018
Total OPEB liability:	
Service cost	$ 343
Interest	13
Net change in total OPEB liability	356
Total OPEB liability, beginning, restated	2,588
Total OPEB liability, ending	$ 2,944
Covered employee payroll	$ 234,046
Total OPEB liability as a percentage of covered-employee payroll	1.3%

Note to Schedule: Only the current fiscal year is presented because 10-year data is not yet available.

See Independent Auditors' Report.

INFORMATION REQUIRED BY
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' 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 Trustees
University Center at Ponca City
Ponca City, Oklahoma

We have audited the financial statements of the University Center at Ponca City (the "Center"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2018. We conducted our audit in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our report includes a reference to the financial statements of University Center at Ponca City Foundation, Inc. (the "Foundation"), the Center's discretely presented component unit, as described in our report on the Center's financial statements. Our report includes a paragraph disclaiming an opinion on required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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.

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

INDEPENDENT AUDITORS' 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*, CONTINUED

Internal Control Over Financial Reporting, Continued

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 8, 2018