Financial Statements
June 30, 2016

Rogers State University

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Independent Auditor's Report

Board of Regents of the University of Oklahoma
Rogers State University
Norman, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Rogers State University (the University), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2016, 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.

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 an opinion on these financial statements based on our audit. We did not audit the financial statements of Rogers State University Foundation (the Foundation). The Foundation is considered a part of the reporting unit of the University, and accordingly, the Foundation's financial statements are presented with the University's financial statements. The Foundation's financial statements were audited by another auditor, 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 auditor. 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 of material misstatement. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with Government Auditing Standards.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rogers State University, as of June 30, 2016, and the changes in its financial position and its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University's reporting entity are intended to present the financial position, changes in financial position, and cash flows of only the activities of the University and Foundation. 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 accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 Supplementary Information

Report on Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2, *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles*, and *Audit Requirements for Federal Awards*, and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated October 25, 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.

Ede Bailly LLP

Oklahoma City, Oklahoma
October 25, 2016

This discussion and analysis of Rogers State University's (the University) financial statements provides an overview of the University's financial activities as of and for the year ended June 30, 2016, with fiscal year 2015 presented for comparative purposes. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis.

Financial Analysis of the University as a Whole

The basic financial statements of the University are the Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows. The Statement of Net Position presents the financial position of the University at June 30, 2016. The Statement of Revenues, Expenses, and Changes in Net Position summarizes the University's financial activity for the year ended June 30, 2016. The Statement of Cash Flows, presented using the direct method, reflects the effects on cash that result from the University's operating activities, investing activities, and capital and non-capital financing activities for the year ended June 30, 2016. The following schedules are prepared from the University's basic financial statements. With the exception of the Statement of Cash Flows, the statements are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred and assets are capitalized and depreciated.

Statement of Net Position

This statement is presented in categories, namely assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The current assets include cash and cash equivalents, deferred expenses, accounts receivable, and other assets. The noncurrent assets include cash and cash equivalents restricted for long-term purposes, receivables restricted for investment in capital assets, capital assets, and other assets. Capital assets include land, buildings and improvements, infrastructure, equipment, library materials, and construction in progress. Capital assets, with the exception of land and construction in progress, are shown net of depreciation. Deferred outflows of resources are consumptions of net position that are applicable to a future period. It includes costs associated with debt restructure and pensions.

Liabilities are also classified between current and noncurrent. Current liabilities include accounts payable, accrued expenses, unearned revenue, and the portion of noncurrent liabilities expected to be paid in the upcoming fiscal year. These liabilities represent obligations due within one year. Noncurrent liabilities include the portion of accrued compensation absences, capital lease obligation, and net pension liability expected to be paid in fiscal year 2017 or thereafter. Total net position decreased from $11.8 million to $11.5 million in fiscal year 2016.

Deferred inflows of resources are acquisition of net position that are applicable to a future period. It includes costs associated with debt restructure and pensions.

Following is a summarization of assets, deferred outflows, liabilities, deferred inflows and net position of the University at June 30:

Condensed Statements of Net Position (in millions)

	2016	2015
Assets		
Current assets	$ 13.3	$ 15.4
Noncurrent assets	82.0	86.4
Total assets	95.3	101.8
Deferred Outflows of Resources	3.6	2.7
Liabilities		
Current liabilities	5.8	7.3
Noncurrent liabilities	78.0	79.6
Total liabilities	83.8	86.9
Deferred Inflows of Resources	3.6	5.8
Net Position		
Net investment in capital assets	21.7	20.9
Restricted	-	-
Unrestricted	(10.2)	(9.1)
Total net position	$ 11.5	$ 11.8

Total Liabilities decreased $3.1 million in fiscal year 2016 compared to fiscal year 2015 primarily due to change in the universities proportionate share of the net pension liability as described in footnote 6 and the issuance of two new master leases as described in footnote 5.

Deferred Inflows of Resources decreased $2.2 million in fiscal year 2016 compared to fiscal year 2015 primarily due to differences between expected and actual experience and investment earnings related to pensions, as described in footnote 6.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses and changes in net position reports the results of the University's activities and their effect on net position. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's revenues, expenses and changes in net position for the years ended June 30:

Condensed Statements of Revenues, Expenses and Changes in Net Position (in millions)

	2016	2015
Operating Revenues:		
Tuition and fees, net	$ 13.8	$ 12.4
Federal and local grants and contracts	11.7	11.9
Auxiliary	4.2	3.9
Other	0.2	0.1
Total operating revenues	29.9	28.3
Operating Expenses	(44.2)	(42.9)
Operating loss	(14.3)	(14.6)
Nonoperating Revenues (Expenses)		
State appropriations, including OTRS	13.7	15.5
Investment income	0.2	0.2
Other nonoperating expenses	(0.1)	0.1
Interest expense	(2.4)	(2.2)
Net nonoperating revenues	11.4	13.6
Loss before Other Revenues	(2.9)	(1.0)
Other Revenues	2.6	2.2
Net Change in Net Position	(0.3)	1.2
Net Position, Beginning of Year	11.8	36.0
Restatement—Implementation of GASB 68 & 71	-	(25.4)
Net Position, Beginning of Year, as Restated	11.8	10.6
Net Position, End of Year	$ 11.5	$ 11.8

Operating revenues include tuition and fees net of scholarship discounts and allowances, grants and contracts, sales and services, auxiliary operations, and other. Operating revenues increased by $1.6 million in fiscal year 2016 as compared to fiscal year 2015. The combination of student tuition and fee rate increases and enrollment increases resulted in a small increase in tuition and fee revenues as compared to fiscal year 2015. Federal and state student financial aid revenues decreased by $0.2 million.

The predominant source of nonoperating revenues is state appropriations. State appropriations were significantly less than fiscal year 2015. Other revenues of $2.6 million were more than the prior years' $2.2 million primarily due to increases in debt service payments made by the OSRHE on behalf of the University.

The University's operating expenses are listed by natural classification, including employee compensation, scholarships, contractual services, etc. The net increase in operating expenses of $1.3 million in fiscal year 2016 as compared to fiscal year 2015, relates primarily to increases in employee compensation costs and expanded scholarships awarded to students.

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.

Following is a comparison of cash flows for the years ended June 30:

Condensed Statements of Cash Flows (in millions)

	2016	2015
Cash Flows from (used for)		
Operating Activities	$ (11.2)	$ (11.9)
Noncapital financing activities	12.5	14.4
Capital and related financing activities	(4.0)	(4.0)
Investing activities	0.2	0.2
Net Change in Cash	(2.5)	(1.3)
Cash, Beginning of Year	$ 16.6	17.9
Cash, End of Year	$ 14.1	$ 16.6

Economic Outlook

The State of Oklahoma economy began to decline during fiscal year 2015, and the State of Oklahoma declared a series of revenue failures in fiscal year 2016, resulting in significant mid-year reductions in state appropriations. Appropriations for fiscal year 2017 were reduced by an additional 17%.

To offset the reductions in state appropriations, the University implemented a number of cost savings initiatives in 2016, with additional measures implemented in FY 2017, including reductions in faculty and staff positions, elimination of various contractual services, and an employee furlough plan. Additionally, increases in student tuition and fee rates were implemented.

Despite these negative economic forces, RSU's financial position remains strong. Conservative management of fiscal resources has ensured cash reserves are sufficient to maintain quality academic programs, offset cost increases, and counter pressures to keep tuition and fee rates low. The university will continue to expand the energy management program in order to reduce energy costs and explore opportunities to reduce operating cost while continuing to provide quality services.

As a regional university, we are committed to the preservation, transmission, and advancement of knowledge. We are committed to our mission to ensure our students develop the skills and knowledge required to achieve professional and personal goals in dynamic local and global communities.

	University June 30, 2016	Foundation June 30, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 10,807,276	$ 695,361
Restricted cash and cash equivalents	666,750	-
Accounts receivable, net	1,619,844	-
Receivable from OSRHE	224,251	-
Pledges receivable	-	280,162
Other current assets	12,139	38,794
Total current assets	13,330,260	1,014,317
Noncurrent Assets		
Restricted cash and cash equivalents	2,604,009	-
Investments	-	14,985,394
Pledges receivable	-	1,248,446
Other noncurrent assets	-	64,026
Capital assets, net	79,378,652	1,247,855
Total noncurrent assets	81,982,661	17,545,721
Total assets	95,312,921	18,560,038
Deferred Outflows of Resources		
Deferred outflows for pensions	3,628,027	-
Total assets and deferred outflows of resources	$ 98,940,948	$ 18,560,038

	University June 30, 2016	Foundation June 30, 2016
Current Liabilities		
Accounts payable and accrued expenses	$ 845,137	$ 3,836
Unearned revenues	712,041	-
Funds held in custody for others	169,810	-
Note payable	-	223,747
Accrued compensated absences, current portion	492,513	-
Bonds payable, current portion	556,667	-
Capital lease obligations, current portion	3,054,959	
Total current liabilities	5,831,127	227,583
Noncurrent Liabilities, net of current portion		
Unearned revenues	71,429	-
Other post-employment benefit obligation	784,948	-
Accrued compensated absences	443,693	-
Net pension liability	22,386,841	-
Bonds payable, net of premium and discount	10,310,006	-
Capital lease obligations, net of premium and discount	44,035,097	-
Total noncurrent liabilities	78,032,014	-
Total liabilities	83,863,141	227,583
Deferred Inflows of Resources		
Deferred credit on OCIA lease restructure	410,158	-
Deferred inflows for pensions	3,210,148	-
Total deferred inflows of resources	3,620,306	-
Net Position		
Net investment in capital assets	21,671,303	-
Restricted for		
Nonexpendable		
Scholarships and fellowships	-	13,107,395
Expendable		
Educational programs	-	4,655,463
Unrestricted	(10,213,802)	569,597
Total net position	$ 11,457,501	$ 18,332,455

See Notes to Financial Statements.

	University 2016	Foundation 2016
Operating Revenues		
Tuition and fees, net of scholarship discounts and allowances of $8,159,169 at June 30, 2016 (revenues of $950,900 for 2016 are used as security for the 2007A & B Student Facility Revenue Bonds)	$ 13,784,732	$ -
Federal grants and contracts	8,560,298	-
State and private grants and contracts	3,193,786	-
Auxiliary enterprises (revenues of $442,000 for 2016 are used as security for the 2013 Revenue Bonds)	4,190,189	-
Gifts and contributions	-	3,361,228
Other	218,206	628,152
Total operating revenues	29,947,211	3,989,380
Operating Expenses		
Employee compensation and benefits	23,599,236	-
Contractual services	3,546,609	-
Supplies and other operating expenses	4,230,623	-
Utilities	1,274,705	-
Communications	262,280	-
Other operating expenses	998,768	1,555,649
Depreciation expense	3,506,204	-
Scholarships	6,828,194	599,746
Total operating expenses	44,246,619	2,155,395
Operating Income (Loss)	(14,299,408)	1,833,985
Nonoperating Revenues (Expenses)		
State appropriations	12,539,927	-
OTRS on-behalf contributions	1,142,092	-
Investment income	151,985	143,819
OSRHE Endowment Income	84,250	-
Other nonoperating expenses	(221,183)	-
Interest expense	(2,387,324)	-
Net nonoperating revenues	11,309,747	143,819
Income before other revenues, expenses, gains or losses	(2,989,661)	1,977,804
Other Revenues, Expenses, Gains and Losses		
State appropriations restricted for capital purposes	380,144	-
Capital grants and gifts	234,965	-
On-behalf state appropriations restricted for debt service	1,967,012	-
Net Change in Net Position	(407,540)	1,977,804
Net Position, Beginning of Year	11,865,041	16,354,651
Net Position, End of Year	$ 11,457,501	$ 18,332,455

Operating Activities	
Tuition and fees	$ 13,756,410
Federal grants and contracts	11,575,123
Auxiliary enterprises	4,227,204
Other operating receipts	218,206
Payments to employees for salaries and benefits	(23,442,530)
Payments to suppliers	(17,559,088)
Net Cash used for Operating Activities	(11,224,675)
Noncapital Financing Activities	
State appropriations	12,539,927
Other	(1,362)
Direct loans received	12,377,944
Direct loans disbursed	(12,377,944)
Net Cash from Noncapital Financing Activities	12,538,565
Capital and Related Financing Activities	
Capital appropriations received	380,144
Purchase of capital assets	(3,512,157)
Interest paid on capital debt and leases	(1,962,320)
Proceeds from master leases	2,783,674
Principal paid on capital-related debt	(1,951,244)
Donations, grants and contracts for capital projects	234,965
Net cash used for Capital and Related Financing Activities	(4,026,938)
Investing Activities	
Interest income received	188,709
Net Cash from Investing Activities	188,709
Net Change in Cash and Cash Equivalents	(2,524,339)
Cash and Cash Equivalents, Beginning of Year	16,602,374
Cash and Cash Equivalents, End of Year	$ 14,078,035

Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities	
Operating loss	$ (14,299,408)
Adjustments to reconcile operating loss to net cash used in operating activities	
OTRS on-behalf contributions	1,142,092
Depreciation expense	3,506,204
Net loss on disposal of assets	36,057
Changes in assets and liabilities	
Accounts receivable	(126,210)
Deferred outflows for pensions	(855,508)
Unearned revenues	(44,058)
Accounts payable and accrued expenses	(485,461)
Funds held in custody	(38,978)
Accrued expenses - OPEB	365,956
Accrued compensated absences	15,439
Net pension liability	1,672,353
Deferred inflows for pensions	(2,113,153)
Net Cash from (used for) Operating Activities	$ (11,224,675)
Noncash Capital and Related Financing Items	
Principal and interest paid by OCIA	$ 1,967,011
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position	
Current assets	
Current cash and cash equivalents	$ 10,807,276
Restricted cash and cash equivalents	666,750
Noncurrent assets	
Restricted cash and cash equivalents	2,604,009
	$ 14,078,035

Note 1 - Nature of Operations and Significant Accounting Policies

Nature of Operations

Rogers State University (the University) is a regional University operating under the jurisdiction of the Board of Regents of the University of Oklahoma (the Board of Regents) and the Oklahoma State Regents for Higher Education.

Reporting Entity

The University is one of four institutions of higher education in Oklahoma that comprise the Regents of the University of Oklahoma, which in turn is part of the Higher Education Component Unit of the State of Oklahoma.

The Board of Regents has constitutional authority to govern, control and manage the Regents of the University of Oklahoma, which consists of Rogers State University, Cameron University, University of Oklahoma-Norman Campus, and University of Oklahoma Health Sciences Center. 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 Regents of the University of Oklahoma 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.

In years prior to 2015, the University reported itself as a component unit of the State of Oklahoma. Based on an evaluation performed by management during the year ended June 30, 2015, it was determined the University is not a legally separate entity, and therefore is not a component unit of the State. The University is an organizational unit with the Board of Regents as stated above.

Rogers State University Foundation

Rogers State University Foundation (the Foundation), is a legally separate, Oklahoma not-for-profit corporation organized for the purpose of receiving and administering gifts intended for the University. Because the restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the University's management believes that presenting the Foundation's financial statements as part of the University's reporting entity provides users relevant and timely information about resources available to the University. The Foundation 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, stand-alone audited financial statements that may be obtained by contacting the Foundation's management. The University has elected to exclude disclosures related to the Foundation, as such disclosures are included in the Foundation's separate financial statements.

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

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. GAAP. 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 statement 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 OK Invest cash management investment policy 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 auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Oklahoma. Accounts receivable also include amounts due from the federal, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. 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.

Restricted Cash and Investments

Cash and investments that are externally restricted for debt service payments, maintain sinking or reserve funds, long-term student loans, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the statement 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. The University's capitalization policy is 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. The University capitalizes interest as a component of capital assets constructed for its own use. 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 40 years for buildings, 30 years for infrastructure, 20 years for land improvements and building renovations, and five years for library materials and equipment.

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 expenses in the statement of net position and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net position.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year, (2) amounts for accrued compensated absences; (3) net pension liability; and other liabilities that will not be paid within the next fiscal year. Bond discounts and premiums are amortized over the life of the bonds using the straight line method, which is not significantly different from the effective interest method. Bond issuance costs are expensed as incurred regardless of whether they are included in bond proceeds.

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 Teacher's Retirement System (OTRS) and additions to/deductions from OTRS's fiduciary net position have been determined on the same basis as 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 held by OTRS are reported at fair value.

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 expendable net position includes resources in which the University is legally or contractually obligated to spend said resources in accordance with restrictions imposed by external third parties or through enabling legislation.

Restricted Net Position, Nonexpendable

Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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.

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 educational departments and of auxiliary enterprises; and (3) federal, state, and nongovernmental grants and contracts that relate specifically to revenues used for student financial assistance.

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, such as state appropriations, certain governmental grants, 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 statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference 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, state, 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, the University's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure and deferred outflows related to pensions.

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, the University's deferred inflows of resources were comprised of credits realized on an OCIA lease restructure and deferred inflows related to pensions.

Income Taxes

As a state institution of higher education the income of the University is generally exempt from 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). Such amounts have historically been insignificant.

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.

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) was issued February 2015 is effective June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. As the University maintains limited investments, which are considered cash and cash equivalents, this pronouncement had limited effect to the financial reporting and disclosure of fair value measurement of certain of the University's assets and liabilities at June 30, 2016.
>
> Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain provisions of GASB Statements 67 and 68 (GASB No. 73) was issued June 2015 and is effective for the fiscal year ending June 30, 2016 and did not impact the University as it maintains a plan within the scope of GASB Nos. 67 and 68.

New Accounting Pronouncements Issued but Not Yet Adopted:

The GASB has also issued several new accounting pronouncements which will be effective for 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:

> Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans (GASB No. 74) was issued in June 2015 and replaces Statements No. 43 Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The provisions of Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.
>
> Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions: (GASB No. 75) was issued in June 2015, 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.

The University is currently evaluating the impact that these new standards will have 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 government'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, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the University's name.

At June 30, 2016, the carrying amount of the University's deposits with the State Treasurer and other financial institutions was $14,078,035. This amount consisted of deposits with the State Treasurer ($14,073,935), U.S. financial institutions ($500), and change funds ($3,700), as of June 30, 2016.

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool, OK INVEST. OK INVEST pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participate in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; (d) investments related to tri-party repurchase agreements which are collateralized at 102 percent and, whereby, the collateral is held by a third party in the name of the State Treasurer; (e) collateralized certificates of deposits; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

Of funds on deposit with the State Treasurer, amounts invested in OK INVEST total $7,573,355 at June 30, 2016.For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents.

At June 30, 2016, the distribution of deposits in OK INVEST is as follows:

OK INVEST Portfolio	Cost	Fair Value
U.S. Agency securities	$ 3,121,438	$ 3,123,846
Certificates of deposit	273,980	273,980
Money market mutual funds	835,510	835,510
Mortgage backed agency securities	3,046,150	3,122,755
Municipal bonds	131,469	139,215
Foreign bonds	66,162	66,165
Commercial paper	-	-
U.S. Treasury Obligations	98,646	117,737
	$ 7,573,355	$ 7,679,208

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 which 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 and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements and diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at http://www.treasurer.state.ok.us.

The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. OK INVEST maintains an overall weighted average maturity of no more than four years.

Participants in OK INVEST maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.

Liquidity risk is the risk that OK INVEST will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons.

U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in OK INVEST is not insured or guaranteed by the State, the FDIC, or any other government agency.

Note 3 - Accounts Receivable

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying balance sheet. Accounts receivable consisted of the following at June 30, 2016:

Student tuition and fees	$ 1,293,944
Auxiliary enterprise and other operating activities	279,084
Federal, state and private grants and contracts	391,736
	1,964,764
Less allowance for doubtful accounts	(344,920)
Net accounts receivable	$ 1,619,844

Note 4 - Capital Assets, Net

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

	Balance June 30, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Capital assets not being depreciated					
Land	$ 776,133	$ -	$ -	$ -	$ 776,133
Construction in progress	11,069,202	1,455,703	(11,649,341)	-	875,564
Total capital assets not being depreciated	$ 11,845,335	$ 1,455,703	$(11,649,341)	$ -	$ 1,651,697
Capital assets being depreciated					
Land improvements	$ 11,976,115	$ -	$ -	$ -	$ 11,976,115
Infrastructure	2,538,589	-	-	-	2,538,589
Buildings	73,716,154	-	11,649,341	-	85,365,495
Furniture, fixtures and equipment	8,274,730	790,749	-	(379,393)	8,686,086
Library materials	3,272,046	67,990	-	(10,056)	3,329,980
Total capital assets being depreciated	99,777,634	858,739	11,649,341	(389,449)	111,896,265
Less accumulated depreciation for					
Land improvements	(4,526,603)	(568,784)	-	-	(5,095,387)
Infrastructure	(1,061,038)	(84,620)	-	-	(1,145,658)
Buildings	(15,242,936)	(2,099,771)	-	-	(17,342,707)
Furniture, fixtures and equipment	(7,068,957)	(671,128)	-	336,871	(7,403,214)
Library materials	(3,109,826)	(81,901)	-	9,383	(3,182,344)
Total accumulated depreciation	(31,009,360)	(3,506,204)	-	346,254	(34,169,310)
Capital assets being depreciated, net	$ 68,768,274	$ (2,647,465)	$ 11,649,341	$ (43,195)	$ 77,726,955
Capital assets summary					
Capital assets not being depreciated	$ 11,845,335	$ 1,455,703	$(11,649,341)	$ -	$ 1,651,697
Capital assets being depreciated	99,777,634	858,739	11,649,341	(389,449)	111,896,265
Total cost of capital assets	111,622,969	2,314,442	-	(389,449)	113,547,962
Less accumulated depreciation	(31,009,360)	(3,506,204)	-	346,254	(34,169,310)
Capital assets, net	$ 80,613,609	$ (1,191,762)	$ -	$ (43,195)	$ 79,378,652

Note 5 - Long-term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds, Notes and Capital Leases					
Student Facility Series, 2007A	$ 7,800,000	$ -	$ -	$ 7,800,000	$ -
Student Facility Series, 2007B	660,000	-	(320,000)	340,000	340,000
ODFA Revenue Bonds 2013	2,925,000	-	(135,000)	2,790,000	216,667
Bond premium	2,790	-	(2,087)	703	-
Bond discount	(70,373)	-	6,343	(64,030)	-
ODFA Master lease payable	38,500,732	3,172,000	(4,791,244)	36,881,488	1,562,333
OCIA Capital lease payable	11,501,650	-	(1,416,887)	10,084,763	1,492,626
Lease payable premium	253,447	161,663	(60,361)	354,749	-
Lease payable discount	(246,304)	(769)	16,129	(230,944)	-
Total bonds, notes and capital leases	61,326,942	3,332,894	(6,703,107)	57,956,729	3,611,626
Other Noncurrent Liabilities					
Accrued expense—OPEB	418,991	478,805	(112,848)	784,948	-
Net pension liability—OTRS	20,593,041	1,640,488	-	22,233,529	-
Net pension liability-SRP	121,447	31,865	-	153,312	-
Accrued compensated absences	920,767	676,277	(660,838)	936,206	492,513
Total noncurrent liabilities	$ 83,381,188	$ 6,160,329	$ (7,476,793)	$ 82,064,724	$ 4,104,139

Student Facility Revenue Bonds

In August 2007, the University issued $7,800,000 Student Facility Revenue Bonds Series 2007A and $2,200,000 Federally Taxable Series 2007B. The proceeds received from the sale of these bonds and other funds available to the University were used to construct, renovate, equip, and furnish various facilities on the Claremore campus, including the Student Services Center and other student usage facilities.

The bonds are secured by student facility fees assessed on a credit-hour basis. Total pledged revenues in fiscal year 2016 were $950,900. Debt service payments of $699,081 were 73.5 percent of pledged revenues in fiscal year 2016.

The 2007A Student Facility Revenue bonds were issued at a discount of $92,178. During 2016, the University recognized $4,974 of amortization, leaving a balance of the unamortized bond discount of $49,470. The 2007B Student Facility Revenue bonds were issued at a premium of $54,323. During 2016, the University recognized $2,087 of amortization, leaving a balance of the unamortized bond premium of $703.

In May 2013, the University issued $3,000,000 Federally Taxable Series 2013 revenue bonds. The net proceeds of $2,854,000 were used to design, construct, and equip a new 17,300 square foot student dining facility on the Claremore campus.

The bonds are primarily secured by bookstore revenues of $337,734 and dining facility revenues of $104,696. Debt service payments of $220,465 were 49.8 percent of pledged revenues in fiscal year 2016.

The Federally Taxable Series 2013 revenue bonds were issued at a discount of $18,754. During 2016, the University recognized $1,369 of amortization, leaving a balance of the unamortized bond discount of $14,560.

The scheduled maturities of the bonds are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	$ 556,667	$ 439,752	$ 996,419
2018	485,000	419,500	904,500
2019	500,000	401,230	901,230
2020	517,917	382,962	900,879
2021	535,000	363,373	898,373
2022-2026	3,019,583	1,481,459	4,501,042
2027-2031	3,717,500	788,807	4,506,307
2032-2033	1,598,333	74,521	1,672,854
	$ 10,930,000	$ 4,351,604	$ 15,281,604

Oklahoma Capital Improvement Authority lease obligations

The Oklahoma Capital Improvement Authority (OCIA) periodically issues bonds, which are allocated to the State Regents for Higher Education (the State Regents), to be used for specific projects at Oklahoma higher education institutions. The University has participated in these projects as discussed below. In each of the transactions, OCIA and the University have entered into a lease agreement with terms characteristic of a capital lease. As a result, the University recognizes its share of the liability and the related assets in connection with the projects being constructed or acquired, in its financial statements. Annually, the State Legislature appropriates funds to the State Regents to make the monthly lease principal and interest payments on-behalf of the University.

In November 2005, the OCIA issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents allocated $13,922,702 to the University. Concurrent with the allocation, the University entered into a lease agreement with OCIA, representing the seven projects being funded by the OCIA bonds.

Through June 30, 2016, the University had drawn its entire allotment for expenditures incurred in connection with the projects. Expenditures have been capitalized as investments in capital assets and/or recorded as construction in progress in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment less repayments made.

In 2011, the OCIA Series 2005F lease agreement was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The University has recorded a deferred charge of $1,284,522 on restructuring as a deferred outflow of resources that has been fully amortized as of June 30, 2016. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $445,026, which also approximates the economic cost of the lease restructuring. Even though this restructuring resulted in a cost to the University, it is anticipated that the on-behalf payments provided to cover the original lease agreement will also cover the deferred lease restructuring charge.

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. The University has recorded a deferred inflow of resources of $387,424, which is the difference between the reacquisition price and the net carrying amount of the old debt, that is being amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. As of June 30, 2016, the remaining deferred inflow of resources totaled $334,055. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $941,650, which approximates the economic savings of the transaction.

During fiscal year 2015, the University's 1999 lease agreement with OCIA was restructured through a refunding of the Series 2004A bonds. 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 payments. The University has recorded a deferred inflow of resources of $126,840, which is the difference between the reacquisition price and the net carrying amount of the old debt that is being amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. As of June 30, 2016, the remaining deferred inflows of resources totaled $76,103. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $109,644, which approximates the economic savings of the transaction.

During the year ended June 30, 2016, the State Regents made lease principal and interest payments totaling $1,967,011 on behalf of the University. These on-behalf payments have been recorded as on-behalf state appropriations restricted for debt service in the University's statement of revenues, expenses, and changes in net position. As stated above, the on-behalf payments are subject to annual appropriations by the State Legislature.

Future minimum lease payments under the University's obligations to OCIA are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	$ 1,492,626	$ 459,993	$ 1,952,619
2018	1,541,787	396,237	1,938,024
2019	278,161	327,787	605,948
2020	281,009	315,663	596,672
2021	-	309,164	309,164
2022-2026	3,286,108	1,247,735	4,533,843
2027-2030	3,205,072	399,696	3,604,768
	$ 10,084,763	$ 3,456,275	$ 13,541,038

Oklahoma Development Finance Authority Master Lease Program:

In March 2005, the University entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (the ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2005A. The University received a net amount of $138,000 of the proceeds for the installation of a geothermal mechanical system. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

In May 2006, the University entered into a 20-year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2006A. The University received a net amount of $4,414,000 of the proceeds for the installation of a geothermal mechanical system. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

During fiscal year 2016, the 2006 lease agreement with ODFA was restructured through a refunding of the Series 2006A bonds. ODFA issued new bonds, Series 2016A to accomplish the refunding. The refinancing resulted in an aggregate difference in principle and interest between the original lease agreement and the refinanced lease agreement of $388,833 which approximates the economic savings of the transaction.

In August 2007, the University entered into a 20-year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2006B. The University received a net amount of $950,000 of proceeds for the installation of a geothermal system, lighting retrofit, HVAC monitoring system, water conservation enhancements, and other energy conservation projects. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

During fiscal year 2016, the 2006 lease agreement with ODFA was restructured through a refunding of the Series 2006B bonds. ODFA issued new bonds, Series 2016B, to accomplish the refunding. The refinancing resulted in an aggregate difference in principle and interest between the original lease agreement and the refinanced lease agreement of $52,232 which approximates the economic savings of the transaction.

In May 2010, the University entered into a 4 year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease

Revenue Bonds, Series 2010A. The net proceeds of $578,000 was used for the purchase of equipment. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.
In September 2010, the University entered into a 15 year Master Lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010A. The University received a net amount of $3,500,000 of the proceeds for the completion of the Baird Hall expansion project. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

In September 2010, the University entered into a 30 year Master Lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010A. The University received a net amount of $10,500,000 of the proceeds for the construction of student apartments. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

In November 2010, the University entered into a 24 year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010C. The University received a net amount of $6,989,212 of the proceeds for the purchase of student apartments from the Foundation. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

In December 2010, the University entered into a 15 year Master lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010B. The University received a net amount of $720,000 of the proceeds for the installation of a geothermal mechanical system. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

In July 2011, the University entered into a 25-year Master lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2011A. The net proceeds of $4,000,000 was used for the construction of athletic facilities. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

In July 2014, the University entered into a 30-year Master lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2014D. The net proceeds of $11,500,000 was used for the construction of student apartments. Through June 30, 2016, the University had drawn its entire allotment for expenditures incurred in connection with the project. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

In April 2015, the University entered into a 5 year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2015A. The net proceeds of $750,000 will be used for the purchase of equipment and software. Through June 30, 2016, the University had drawn its entire allotment for expenditures incurred in connection with the project. The University makes lease payments to the State Regents, who then forwards the payments to the trustee bank.

The scheduled maturities of the obligations under the ODFA Master Lease Program are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	$ 1,562,333	$ 1,369,981	$ 2,932,314
2018	1,607,833	1,324,364	2,932,197
2019	1,649,167	1,278,792	2,927,959
2020	1,685,833	1,230,529	2,916,362
2021	1,594,083	1,175,308	2,769,391
2022-2026	8,476,750	4,990,169	13,466,919
2027-2031	6,582,333	3,621,365	10,203,698
2032-2035	7,029,667	2,182,102	9,211,769
2036-2040	4,932,000	897,294	5,829,294
2041-2044	1,761,489	136,174	1,897,663
	$ 36,881,488	$ 18,206,078	$ 55,087,566

Note 6 - Retirement Plans

The University's academic and nonacademic personnel are covered by various retirement plans depending on job classification. The plans available to University personnel include:

Name of Plan/System	Type of Plan
Oklahoma Teachers' Retirement System (OTRS)	Cost Sharing Multiple Employer Defined Benefit Plan
Rogers State University Defined Contribution Plan	Defined Contribution Plan
Fidelity Investments Plan	Defined Contribution Plan
Supplemental Retirement Annuity	Defined Benefit Plan

The University does not maintain the accounting records, hold the investments for, or administer these plans.

Oklahoma Teachers' Retirement System

Plan description - The University participates in the OTRS, a cost-sharing multiple-employer public employee retirement system that is self-administered. OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma State Statutes assigns the authority for management and operation of OTRS to the Board of Trustees of the System. OTRS issues a publicly available annual financial report that can be obtained at www.ok.gov/TRS/.

Benefits provided - OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Benefit provisions - Members become 100 percent vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined OTRS on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining OTRS after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90.

Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2 percent of final compensation for each year of credited service.

Final compensation for members who joined OTRS prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS 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 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

Upon the death of a retired member, OTRS 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 2.0 percent of final average compensation for the applicable years of credited service.

Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code (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 contribution requirements of OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 7 percent of their annual compensation. The University pays the employee contributions as a pre-tax benefit for the employees. The University's contribution rate is 8.55 percent for the years ended June 30, 2016 and 2015. The University's contributions to OTRS in 2016 was approximately $1,457,000, equal to the required contributions. In addition, the State of Oklahoma also contributes 5 percent of State revenues from sales, use and individual income taxes to OTRS. The amounts contributed on-behalf of the University and recognized in the University's Statement of Revenues, Expenses and Changes in Net Position as both revenues and compensation and employee benefit expense in 2016 was $1,142,092. These on-behalf payments do not meet the definition 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, the University reported a liability of $22,233,529 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015.

The University's proportion of the net pension liability was based on the University's contributions to OTRS relative to total contributions to OTRS by all participating employers for the year ended June 30, 2015. Based upon this information, the University's proportion was .366 percent.

For the year ended June 30, 2016, the University recognized pension expense of $1,132,196. 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	$ -	$ 755,186
Changes of assumptions	1,064,612	946,667
Net difference between projected and actual investment earnings on pension plan investments	-	1,508,295
University contributions made subsequent to the measurement date	2,563,415	-
Total	$ 3,628,027	$ 3,210,148

Deferred pension outflows totaling $2,563,415 resulting from the University's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The deferred inflows totaling $2,263,481 resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense over five years. The deferred outflows totaling $1,064,612 resulting from changes in assumptions and deferred inflows totaling $946,667 resulting from the changes of assumptions will be recognized in pension expense using the average expected remaining service life of the plan participants. The average expected remaining life of the plan participants is determined by taking the calculated total future service future service years of the plan divided by the number of people in the plan including retirees. The total future service years of the plan are estimated at 6.22 years at June 30, 2015 and are determined using the mortality, termination, retirement and disability assumptions associated with the plan.

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2017	$ 2,808,420	$ (998,487)
2018	245,005	(998,487)
2019	245,005	(998,487)
2020	245,005	(115,046)
2021	69,336	(84,283)
Thereafter	15,256	(15,358)
	$ 3,628,027	$ (3,210,148)

Actuarial Assumptions

The total pension liability was determined based on an actuarial valuation prepared as of July 1, 2015 using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Inflation—3.0 percent
- Salary Increases—Composed of 3.75 percent wage inflation, including 3.00 percent price inflation, plus a service related component ranging from 0.00 percent to 8.00 percent based on years of service.
- Investment Rate of Return—8.0 percent
- Retirement Age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the 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 Employee Mortality tables multiplied by 60% for males and 50% for females

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

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

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

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

Discount rate: A single discount rate of 8.00 percent was used to measure the total pension liability as of June 30, 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00 percent. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. 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 table presents the net pension liability of the University calculated using the discount rate of 8.0 percent, as well as what the University's net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1-percentage point lower (7.0 percent) or 1-percentage point higher (9.0 percent) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net pension liability	$ 30,735,540	$ 22,233,529	$ 15,087,203

Defined Contribution Plan

Plan description - The plan is a Section 401(a) defined contribution plan that became effective January 1, 2015 for certain FLSA nonexempt employees. The purpose of the plan is to provide retirement benefits for the participants and to distribute the funds accumulated to the participants or the eligible beneficiaries. All nonexempt employees hired after the effective date are allowed a one-time election between participation in OTRS or the defined contribution plan.

Funding policy - The required contribution rate is 9.0 percent of pensionable compensation. The University contributes the required amounts for participating members. The University's contributions for the year ended June 30, 2016 were approximately $90,000.

Defined Contribution Plan—Fidelity Investments

Plan description - For all eligible full-time employees, the University contributes to a defined contribution pension plan (the Plan) administered by the University's Board of Regents. Pension expense is recorded for the amount of the University's required contributions determined in accordance with the terms of the Plan. Eligible employees are not required to make contributions to the Plan. The Plan provides retirement benefits to eligible employees or their beneficiaries. Benefit provisions and contribution requirements are contained in the Plan document and were established and can be amended by action of the University's Board of Regents.

Funding policy - Prior to December 1, 2011, the University contributed 15 percent of the base salary above $9,000 for certain employees who were employed prior to January 1, 1999 and 4.0 percent of the annual base salary for all other employees in the Plan. Effective December 1, 2011, the University contributed 4.0 percent of the annual base salary for all employees in the Plan. Effective July 1, 2013, contributions made by the University were temporarily suspended.

Supplemental Retirement Annuity

Plan description - The University's Supplemental Retirement Annuity (the SRA) plan is a single-employer, defined-benefit pension plan administered by the University's Board of Regents. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to certain eligible University employees, or to those eligible employees' beneficiaries. The SRA plan is restricted to certain retirees of the University. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA does not issue a stand-alone financial report nor is it included in the financial report of another entity.

Benefits provided - The SRA will provide a supplemental monthly annuity, based upon the participant's average monthly salary (three highest monthly salary amounts), and taking into consideration OTRS benefits, years of service and other factors.

Contributions - The University shall make contributions to the annuity contract in such amounts and at such times as it shall deem advisable to provide the benefits as set forth in the SRA. Participants are not permitted nor required to make contributions to the SRA.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2016, the University reported a liability of $153,312 related to the SRA. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. For the year ended June 30, 2016, the University recognized pension expense of $31,865. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions were not recognized for the SRA as such amounts are not material.

Actuarial assumptions:

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

- Actuarial Cost Method—Entry Age Normal
- Asset Method—Market Value of Assets
- Inflation—0 percent
- Salary Increases—Not applicable.
- Discount Rate and Long-Term Expected Rate of Return—6.0 percent
- Mortality—RP-2000 Healthy Annuitant Mortality Table, for Males and Females projected 2016 with Scale AA

Discount rate - The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the major asset classes included in the pension plan's target asset allocation as of June 30, 2016 are 6.0 percent.

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the net pension liability of the University calculated using the discount rate of 6.0 percent, as well as what the University's net pension liability would be using a discount rate that is 1-percentage point lower (5.0 percent) or 1-percentage point higher (7.0 percent) than the current rate:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net pension liability	$ 259,699	$ 153,312	$ 61,777

Note 7 - Other Post-Employment Health and Life Insurance Benefits

Plan description – The University sponsors health care and life insurance coverage to qualifying retirees and their dependents. All employees hire prior to July 1, 2009 and eligible to retire under the provisions of OTRS are eligible to participate. All coverage is provided through fully insured contracts. Medical coverage for active employees and retirees under the age of 65 is offered through Oklahoma Employee Group Insurance Division (EGID). Retirees receive fully paid coverage to Medicare eligibility (age 65). OTRS pays a portion of the carrier premium with the balance paid by the University. The carrier premium applicable to retiree dependents is the responsibility of the participants. The University also pays for retiree life insurance coverage to age 65. Through a separate fully insured contact, the University sponsors Medicare supplement coverage for former employees eligible for Medicare. Medicare-eligible retirees must pay full carrier rates to maintain coverage.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan are required on a biennial basis and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive benefits, as understood by the University and its employees, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the employee and the employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the actuarial valuations the projected unit actuarial cost method was used. The actuarial assumptions include a 1.5 percent investment rate of return and an annual health care cost trend rate of 6.5 percent.

Annual OPEB cost and net OPEB obligation: Annual OPEB cost and net OPEB obligation for 2016 is as follows:

Annual required contribution	$ 191,040
Interest in OPEB obligation (asset)	10,885
Adjustment to annual required contribution	(29,768)
Annual OPEB cost	172,157
Contributions made	(112,848)
Other adjustments	306,648
Increase in net OPEB Obligation	365,957
OPEB obligation at beginning of year	418,991
OPEB obligation at end of year	$ 784,948

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

Actuarial accrued liability (AAL)	$ 2,200,683
Actuarial value of plan assets	615,267
Unfunded actuarial accrued liability (UAAL)	$ 1,585,416
Funded ratio (actuarial value of plan assets/AAL)	28.00%
Annual covered payroll (active plan members)	$ 6,272,808
UAAL as a percentage of annual covered payroll	25.30%

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

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2014	$ 115,313	50.0%	$ 700,015
2015	76,786	66.6%	418,991
2016	172,157	65.5%	784,948

Note 8 - Funds Held in Trust by Others

Oklahoma State Regents Endowment Trust Fund: In connection with the Oklahoma State Regents' Endowment Program (the Endowment Program), the State of Oklahoma has matched contributions received under the Endowment Program. The state match amounts, plus retained accumulated earnings, totaled approximately $1,589,000 at June 30, 2016, and is invested by the Oklahoma State Regents for Higher Education on behalf of the University. The University is entitled to receive an annual distribution of earnings of 4.5 percent of the market value at year end on these funds. Legal title of these endowment funds is retained by the Oklahoma State Regents of Higher Education; only the funds available for distribution, or approximately $224,000 at June 30, 2016, have been reflected as assets in the statement of net position.

Note 9 - Related Party Transactions

The University is the beneficiary of a foundation that provides support for the University by way of scholarships and other direct resources. The University contracts with the Foundation to provide limited services and office space in exchange for the support the University receives. Administrative services provided by the University for the benefit of the Foundation were approximately $368,732 for the year ended June 30, 2016. Scholarships awarded by the Foundation are remitted to the University after the University pays the award recipient. Such amounts were approximately $699,000 during the year ended June 30, 2016.

Note 10 - Commitments and Contingencies

The University conducts certain programs pursuant to various grants and contracts, which are subject to audit by federal and state agencies. Costs questioned as a result of these audits, if any, may result in refunds to these governmental agencies from various sources of the University.

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2016, will not have a material adverse impact to the University.

Note 11 - Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. 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 CompSource Oklahoma (formerly, the State Insurance Fund), public entity risk pools currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pools for its tort, property, and liability insurance coverage. The pool's governing agreement specifies that the pool 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
June 30, 2016

Rogers State University

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)
6/30/2006	$ -	$ 1,712,128	$ 1,712,128	0.00%	$ 13,120,359	13.00%
6/30/2008	-	2,142,292	2,142,292	0.00%	13,013,546	16.50%
6/30/2010	-	1,754,405	1,574,405	0.00%	10,970,013	16.00%
6/30/2012	600,000	1,310,311	710,311	54.20%	9,164,569	7.80%
6/30/2014	601,545	1,020,537	418,992	58.90%	8,644,828	4.80%
6/30/2015	615,267	2,200,683	1,585,416	28.00%	6,272,808	25.30%

The actuarial liability is based on the projected unit credit cost method. The University obtains actuarial valuations biannually in accordance with the provisions of GASB No. 45.

Rogers State University

Schedule of the University's Proportionate Share of the Net Pension Liability (Unaudited)
Oklahoma Teacher's Retirement System (OTRS)
Last 10 Fiscal Years*

	2015	2014
University's proportion of the net pension liability	0.366%	0.383%
University's proportionate share of the net pension liability	$ 22,233,529	$ 20,593,041
University's covered-employee payroll	$ 16,512,805	$ 16,570,041
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	134.6%	124.3%
Plan fiduciary net position as a percentage of the total pension liability	70.3%	72.4%

* Only two fiscal years are presented because 10-year data is not yet available

Rogers State University

Schedule of the University's Contributions (Unaudited)
Oklahoma Teacher's Retirement System (OTRS)
Last 10 Fiscal Years*

	2016	2015	2014	2013	2012
Contractually required contribution	$ 1,456,991	$ 1,527,383	$ 1,554,211	$ 1,545,594	$ 1,525,156
Contributions in relation to the contractually required contribution	(1,456,991)	(1,527,383)	(1,554,211)	(1,545,594)	(1,525,156)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 15,945,083	$ 16,512,805	$ 16,570,041	$ 16,344,321	$ 16,482,523
Contributions as a percentage of coverd-employee payroll	9.14%	9.25%	9.38%	9.46%	9.25%

	2011	2010	2009	2008	2007
Contractually required contribution	$ 1,514,647	$ 1,466,117	$ 1,322,938	$ 1,158,470	$ 1,061,275
Contributions in relation to the contractually required contribution	(1,514,647)	(1,466,117)	(1,322,938)	(1,158,470)	(1,061,275)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 15,402,791	$ 14,852,375	$ 14,710,071	$ 13,784,138	$ 12,654,088
Contributions as a percentage of coverd-employee payroll	9.83%	9.87%	8.99%	8.40%	8.39%

Rogers State University

Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)
Supplemental Retirement Plan (SRP)
Last 10 Fiscal Years*

Total Pension Liability	
Service cost	$ -
Interest	65,544
Changes of benefit terms	-
Differences between expected and actual experience	3,028
Changes of assumptions	1,428
Benefit payments	(88,997)
Net change in total pension liability	(18,997)
Total Pension Liability, Beginning	1,136,900
Total Pension Liability, Ending (a)	1,117,903
Plan Fiduciary Net Position	
Contributions, employer	-
Contributions, member	-
Net investment income	38,135
Benefit payments	(88,997)
Administrative expense	-
Net change in plan fiduciary net position	(50,862)
Plan Fiduciary Net Position, Beginning	1,015,453
Plan Fiduciary Net Position, Ending	964,591
Net pension liability, ending (a) - (b)	$ 153,312
Plan fiduciary net position as a percentage of the total pension liability	86.29%
Covered employee payroll	$ -
Net pension liability as a percentage of covered-employee payroll	0.00%

Notes to Schedule

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

Rogers State University

Schedule of Employer Contributions (Unaudited)
Supplemental Retirement Plan (SRP)
Last 10 Fiscal Years*

	2016	2015	2014	2013	2012
Actuarially determined contribution	$ 16,501	$ 25,511	$ 21,208	$ 43,442	$ 38,774
Contributions in relation to the actuarially determined contribution	-	100,000	-	200,000	-
Contribution deficiency (excess)	$ 16,501	$ (74,489)	$ 21,208	$ (156,558)	$ 38,774
University's covered-employee payroll	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of coverd-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 45,456	$ 67,020	$ 111,067	$ 142,797	$ 108,478
Contributions in relation to the actuarially determined contribution	100,000	200,000	400,000	100,000	150,000
Contribution deficiency (excess)	$ (54,544)	$ (132,980)	$ (288,933)	$ 42,797	$ (41,522)
University's covered-employee payroll	$ -	$ -	$ -	$ -	$ 220,000
Contributions as a percentage of coverd-employee payroll	0.00%	0.00%	0.00%	0.00%	68.18%

Required Reports
June 30, 2016

Rogers State University

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 of the University of Oklahoma
Rogers State University
Norman, 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 Rogers State University (the University), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2016, 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, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 25, 2016. Our report includes a reference to other auditors who audited the financial statements of Rogers State University 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 with the Foundation. Our report also includes an emphasis of matter paragraph describing the acknowledgement that the University is an organizational unit of the Regents and these financial statements reflect only the assets, liabilities, and revenues and expenses of the University and not the Regents as a whole.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Tulsa, Oklahoma
October 25, 2016

Independent Auditor's Report on Compliance for Its Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Regents of the University of Oklahoma
Rogers State University
Norman, Oklahoma

Report on Compliance for Each Major Federal Program
We have audited the compliance of Rogers State University (the University) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal programs for the year ended June 30, 2016. The University's major federal program is 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 the 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 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 the major federal program. However, our audit does not provide a legal determination of the University's compliance.

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

Report on Internal Control over Compliance
Management of the University is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 compliance requirement 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002, and 2016-003 that we consider to be significant deficiencies.

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

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

Eide Bailly LLP

Tulsa, Oklahoma
October 25, 2016

Other Supplementary Information
June 30, 2016

Rogers State University

Federal Grantor/Pass-Through Grantor/Program Title	Pass-through Entity Identifying Number	Federal	Expenditures
U.S. Department of Education:			
Student Financial Aid cluster:			
Federal Pell Grant		84.063	$ 7,295,393
Federal Supplemental Education Opportunity Grant		84.007	120,468
Federal Direct Student Loan Program		84.268	12,391,878
Federal Work Study		84.033	118,346
Total Student Financial Aid cluster			19,926,085
TRIO Program Cluster:			
Talent Search Grant		84.044A	309,245
Education Opportunity Centers		84.066A	577,871
Total TRIO program cluster			887,116
Other Programs:			
Passed-through Oklahoma Department of Vocational Technical Education:			
Carl Perkins Vocational and Applied Technology	"Not available"	84.048	84,669
Passed-through Oklahoma State Regents for Higher Education:			
Gear Up Summer (STEM) Academy	"Not available"	84.334S	29,173
Total other programs			113,842
Total U.S. Department of Education			20,927,043
U.S. Department of Commerce:			
Economic Development—Technical Assistance:			
RSU—University Center Award #08-66-04630		11.306	11,510
Total U.S. Department of Commerce			11,510
U.S. Fish and Wildlife Service, Region #2:			
Passed-through the Oklahoma Department of Wildlife Conservation Management and Cave Protection–ID E-22-15	"Not available"	15.615	22,086
Total U.S. Fish and Wildlife Service, Region #2			22,086
National Institute of Health:			
Institutional Development Award (IDeA) program:			
IDeA Network of Biomedical Research Excellence (INBRE):			
Oklahoma—INBRE		93.859	22,747
Total National Institute of Health			22,747
National Science Foundation:			
Mathematical and Physical Science Award #PHY–1314249		47.049	24,293
Total National Science Foundation			24,293
Corp. for National & Community Service:			
Campous Compact - The Univ. of Montana			
Passed-through The Univ. of Wisconsin	"Not available"	94.007	1,793
Total U.S. Small Business Administration			1,793
Total expenditures of federal awards			$ 21,009,472

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal contract and grant activity of Rogers State University (the University) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The University has received federal awards through pass-through entities. Any Federal financial assistance provided to a subrecipient is treated as an expenditure when it is incurred by the recipient.

Note 2 - Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University's summary of significant accounting policies is presented in Note 1 of the University's basic financial statements.

The University has not elected to use the 10% de minimis cost rate.

Note 3 - Federal Direct Student Loan Program

Under the Federal Direct Student Loan Program (Direct Loan Program), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at the postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University began participation in the Direct Loan Program on July 1, 2010. The University administers the origination and disbursement of the loans to eligible students or parents. The University is not responsible for the collection of these loans.

Note 4 - Subrecipients

The University provided no federal awards to subrecipients.

Part I – Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No
Federal Awards	
Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
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 Uniform Guidance 2 CFR Section .510(s):	Yes

Name of Federal Program or Cluster	CFDA number
Student Financial Aid Cluster	84.063; 84.007; 84.033; 84.268

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000
Auditee qualified as low-risk auditee	Yes

Part II – Financial Statement Findings

None.

Part III – Federal Award Findings and Questioned Costs

2016-001 Direct Program from U.S. Department of Education
Student Financial Aid Cluster (CFDA # 84.268)
Special Test: Disbursements to Students – Direct Student Loans
Significant Deficiency in Internal Control Over Compliance

Criteria: The institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement.

The notification requirement for loan funds applies only if the funds are disbursed by EFT payment or master check (34 CFR section 668.165).

Institutions that implement an affirmative confirmation process (as described in 34 CFR section 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan, FPL funds, or TEACH Grants.

Condition: Current procedures did not allow for a written communication at the time the loan was disbursed of the student's or parent's right to cancel all or a portion of the related loans and the related times and procedures to cancel those loans for all loans.

Cause: Control procedures were not designed to communicate rights to cancel loans and the procedures and required timelines if students and/or parents chose to cancel loans for all students receiving the loan disbursements during the year.

Effect: Without proper notification of rights to cancellation and related deadlines and procedures of those cancelations, students and/or parents may not be aware of such rights and how to proceed with those rights to which they are entitled.

Questioned costs:
None

Context/Sampling:
3 loan disbursements in our sample of 54 students tested did not have this communication occur at the time required by federal regulations. Non-statistical sampling was used.

Repeat Finding from Prior Year:
No

Recommendation:
We recommend that procedures be designed so that the proper and timely communications to students regarding loan cancellation processes occur on a timely basis for all students.

Vies of Responsible Officials:
Management agrees. Previous software did not always recognize a loan disbursement, particularly a second disbursement within the same term of enrollment. This resulted in manual processing of many loans and the manual execution of all loan-related requirements. A procedure is being established for use within the University's new software program which was implemented in July, 2016, and will address this issue.

2016-002 Direct Program from U.S. Department of Education
Student Financial Aid Cluster (CFDA #'s 84.268, 84.038, 84.063, 84.033, 84.007)
Special Tests: Enrollment Reporting
Significant Deficiency in Internal Controls Over Compliance

Criteria: A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days.

Condition: In our sample of students that withdrew during the school year, we noted two instances where the withdrawal date per the institution's records did not agree to the NSLDS records. We noted three instances where the withdrawal date was not reported to NSLDS within 30 of the schools determination of the withdrawal date. Further, we noted on instance where a transfer student had a disbursement before NSLDS's notification of transfer rather than waiting the required 7 days. In such instances, it appears that the National Student Clearinghouse (NSC) did not transmit the data in the required time guidelines.

Cause: It appears that timing delay is largely due to the use of NSC which had some timing discrepancies during the school year.

Effect: Untimely reporting of student enrollment status does not allow the Department of Education to properly track and monitor students, including initiation of the loan repayment process.

Questioned Costs: None

Context/Sampling:
A nonstatistical sample of 40 students were selected. We identified three exceptions – two instances where the institution records did not agree to the NSLDS records and one instance where the student's withdrawal was not timely reported to NSLDS.

Repeat Finding from Prior Year:
Yes, prior year finding 2015-02

Recommendation:
We recommend that the institution continue to monitor the NSC to determine if further delays can be expected and determine if additional procedures should be implemented at the institution to comply with federal standards.

View of Responsible Officials:
Management agrees. We will continue to monitor the NSC for developments and additional procedures to assist us in complying with federal standards.

2016-003 Direct Program from U.S. Department of Education
Student Financial Aid Cluster (CFDA #'s 84.268, 84.038, 84.063, 84.033, 84.007)
Special Tests: Disbursements to Students – Transfer Monitoring
Significant Deficiency in Internal Controls Over Compliance

Criteria: If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the National Student Loan Data System (NSLDS) Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students. NSLDS will "monitor" those students on the school's "inform" list and alert the school of any relevant financial aid history changes. A school must wait 7 days after it "informs" NSLDS about a transfer student before disbursing Title IV aid to that student. However, a school does not have to wait if it receives an alert from NSLDS during the 7-day period or if it obtains the student's financial aid history by accessing the NSLDS Financial Aid Professional website. When a school receives an alert from NSLDS, before making a disbursement of Title IV aid, it must determine if the change to the student's financial aid history affects the student's eligibility (34 CFR section 668.19).

Condition: We noted two instances where a transfer student had a disbursement before NSLDS's notification of transfer rather than waiting the required 7 days. There were 2 applicable transfer students within our nonstatistical sample of 44 students. There were no compliance issues detected from these transfer students.

Cause: It appears that management is either:

- Not waiting the required 7 days of notification to NSLDS before disbursement to the transfer student; or
- Checking the financial aid history on the NSLDS website of the transfer student but is not formally documenting that control in order to ensure that the institution is operating within federal regulations (no apparent audit trail).

Effect: Distributions to transfer students before proper NSLDS checks have been made could lead to a disbursement to a student that owes federal money under different institution(s).

Questioned Costs: None

Context/Sampling:

Both transfer students in our sample of 44 students did not have evidence of the NSLDS check before disbursement to the student. Non statistical sampling was used.

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend that management implement controls and proper documentation of those controls to ensure that transfer students do not receive a disbursement before the student's NSLDS records have been checked.

View of Responsible Officials:

Management agrees. The financial aid office identified this as an issue, and implemented the use of a formal checklist during the summer 2016 term. A formal checklist has been developed for use in subsequent semesters in conjunction with a procedure established within the University's new software program.

2015-001 **Capitalization of Property and Equipment**
Significant Deficiency in Internal Control

Initial Fiscal Year Finding Occurred: 2015

Finding Summary: Computer software was not capitalized in accordance with GAAP.

Status: As of June 30, 2015, the necessary audit entries were made to correct. As of June 30, 2016, this has not reoccurred.

2015-002 **Direct Program from U.S. Department of Education**
Student Financial Aid Cluster (CFDA #'s 84.268, 84.038, 84.063, 84.033, 84.007)
Special Tests: Enrollment Reporting.

Initial Fiscal Year End Finding Occurred: 2015

Finding Summary: Enrollment status of graduated students were not reported to the National Student Loan Data System within the required time frame. Some status changes for others were not reported.

Status: This finding is repeated for the year ended June 30, 2016. See finding 2016-002.