

Oklahoma Panhandle State University

As of and for the Years Ended
JUNE 30, 2014 AND 2013

Financial Statements and Schedule of Expenditures of Federal Awards
WITH REPORTS OF INDEPENDENT AUDITORS



OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma Panhandle State University (the "University"), a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University's discretely presented component unit, Panhandle State Foundation (the "Foundation"). We also did not audit OPSU Student Housing, L.L.C (the "LLC") the University's blended component unit, which represents 0% and 13%, of the University's total assets as of June 30, 2014 and 2013, respectively, and 2% of the University's total revenues each year for the years ended June 30, 2014 and 2013. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and LLC, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation and the LLC 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, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oklahoma Panhandle State University and its discretely presented component unit, Panhandle State Foundation, as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Oklahoma Panhandle State University's. The accompanying Combining Statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Combining Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits and the procedures performed as described above, the accompanying Combining Statements are fairly stated, in all material respects, in relation to the basic 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 27, 2014 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKLAHOMA PANHANDLE STATE UNIVERSITY

For the Years Ended June 30, 2014, 2013, and 2012

INTRODUCTION

The discussion and analysis of Oklahoma Panhandle State University's (the "University") financial statements provides an overview of the University's financial activities for the year ended June 30, 2014, with fiscal years 2013 and 2012 data presented for comparative purposes. Since this discussion and analysis is designed to focus on current activities resulting in change and current known facts, it should be read in conjunction with the University's basic financial statements and the footnotes.

FINANCIAL HIGHLIGHTS

The University ended the year with sufficient unrestricted reserves to meet unforeseen contingencies should they arise with an increase of 2.2% in net position for the year ended June 30, 2014, compared to a decrease of 0.4% for the year ended June 30, 2013. Some of the financial highlights of the year were:

Net Position: For the year ended June 30, 2014, the University's net position increased from \$12,488,549 in 2013 to \$12,766,734 in 2014. The majority of the increase was in net investment in capital assets.

For the year ended June 30, 2013, the University's net position decreased from \$12,543,996 in 2012 to \$12,488,549 in 2013. The majority of the decrease was in net investment in capital assets.

Total Revenues: Total revenues increased from \$22,794,338 for the year ended June 30, 2013, to \$23,103,810 for the year ended June 30, 2014. The increase was due mainly to increases in housing, athletics, other auxiliary revenue, and other non-operating revenue.

Total revenues increased from \$22,698,993 for the year ended June 30, 2012, to \$22,794,338 for the year ended June 30, 2013. The increase was due mainly to increases in both enrollment and tuition and fees.

Total Expenses: Total expenses decreased from \$22,849,785 for the year ended June 30, 2013, to \$22,825,625 for the year ended June 30, 2014. The decrease was a result of lower supplies and material costs.

Total expenses decreased from \$22,917,002 for the year ended June 30, 2012, to \$22,849,785 for the year ended June 30, 2013. The decrease was a result of lower supplies and materials, other operating expenses, and scholarships.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

For the Years Ended June 30, 2014, 2013, and 2012

FINANCIAL HIGHLIGHTS--Continued

Components of Net Position: At June 30, 2014, the University's net position had increased to \$12,766,734 from \$12,488,549 at June 30, 2013, and \$12,543,996 in 2012. Graphically displayed, the comparative net position increases/decreases by category for the three fiscal years are shown below:

	<u>Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
FY2014	\$ 8,518,695	\$ 615,115	\$ 3,632,924	\$ 12,766,734
FY2013	8,317,439	830,932	3,340,178	12,488,549
Change in Net Position	<u>\$ 201,256</u>	<u>\$ (215,817)</u>	<u>\$ 292,746</u>	<u>\$ 278,185</u>
FY2013	\$ 8,317,439	\$ 830,932	\$ 3,340,178	\$ 12,488,549
FY2012 (<i>restated</i>)	7,701,043	1,664,740	3,178,213	12,543,996
Change in Net Position	<u>\$ 616,396</u>	<u>\$ (833,808)</u>	<u>\$ 161,965</u>	<u>\$ (55,447)</u>



MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

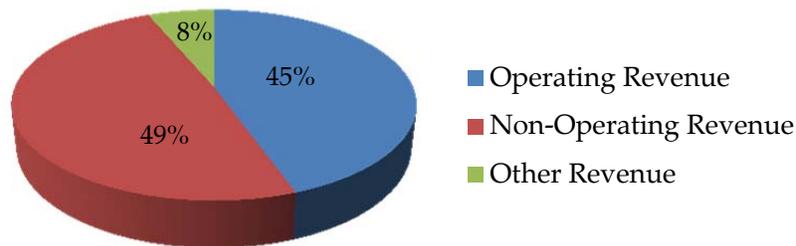
OKLAHOMA PANHANDLE STATE UNIVERSITY

For the Years Ended June 30, 2014, 2013, and 2012

FINANCIAL HIGHLIGHTS--Continued

Components of Revenues: The following chart provides a graphical breakdown of revenues by category for the fiscal year ending June 30, 2014:

<u>Operating Revenues</u>	<u>Non-operating Revenues</u>	<u>Other Revenues</u>	<u>Total Revenues</u>
\$ 10,281,720	\$ 11,358,238	\$ 1,463,852	\$ 23,103,810



USING THIS ANNUAL REPORT

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

For the Years Ended June 30, 2014, 2013, and 2012

STATEMENTS OF NET POSITION

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

For the year ended June 30, 2014, compared to the year ended June 30, 2013, both assets and liabilities decreased due to a decrease in other investments held for debt service and a decrease in long-term debt.

	June 30		Increase	Percent
	2014	2013	(Decrease)	Change
ASSETS				
Current assets	\$ 5,196,528	\$ 5,159,559	\$ 36,969	0.72%
Noncurrent assets:				
Restricted cash and cash equivalents	287,978	254,817	33,161	13.01%
Capital assets, net of depreciation	24,893,561	25,930,655	(1,037,094)	-4.00%
Other	241,283	595,382	(354,099)	-59.47%
TOTAL ASSETS	<u>\$ 30,619,350</u>	<u>\$ 31,940,413</u>	<u>\$ (1,321,063)</u>	<u>-4.14%</u>
DEFERRED OUTFLOWS	<u>\$ 140,477</u>	<u>\$ 210,715</u>	<u>\$ (70,238)</u>	<u>-33.33%</u>
LIABILITIES				
Current liabilities	\$ 2,579,786	\$ 2,901,620	\$ (321,834)	-11.09%
Noncurrent liabilities	15,203,938	16,760,959	(1,557,021)	-9.29%
TOTAL LIABILITIES	<u>\$ 17,783,724</u>	<u>\$ 19,662,579</u>	<u>\$ (1,878,855)</u>	<u>-9.56%</u>
DEFERRED INFLOWS	<u>\$ 209,369</u>	<u>\$ -</u>	<u>\$ 209,369</u>	<u>100.00%</u>
NET POSITION				
Net investment in capital assets	\$ 8,518,695	\$ 8,317,439	\$ 201,256	2.42%
Restricted for expendable purposes	615,115	830,932	(215,817)	-25.97%
Unrestricted	3,632,924	3,340,178	292,746	8.76%
TOTAL NET POSITION	<u>\$ 12,766,734</u>	<u>\$ 12,488,549</u>	<u>\$ 278,185</u>	<u>2.23%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

For the Years Ended June 30, 2014, 2013, and 2012

STATEMENTS OF NET POSITION--Continued

For the year ended June 30, 2013, compared to the year ended June 30, 2012, both assets and liabilities decreased due to a decrease in receivables from the state and a decrease in long-term debt.

	June 30		Increase	Percent
	2013	2012	(Decrease)	Change
ASSETS				
Current assets	\$ 5,159,559	\$ 5,062,797	\$ 96,762	1.91%
Noncurrent assets:				
Restricted cash and cash equivalents	254,817	811,420	(556,603)	-68.60%
Capital assets, net of depreciation	25,930,655	25,264,826	665,829	2.64%
Other	595,382	1,427,528	(832,146)	-58.29%
TOTAL ASSETS	<u>\$ 31,940,413</u>	<u>\$ 32,566,571</u>	<u>\$ (626,158)</u>	<u>-1.92%</u>
DEFERRED OUTFLOWS	<u>\$ 210,715</u>	<u>\$ 280,953</u>	<u>\$ (70,238)</u>	<u>-25.00%</u>
LIABILITIES				
Current liabilities	\$ 2,901,620	\$ 2,391,560	\$ 510,060	21.33%
Noncurrent liabilities	16,760,959	17,911,968	(1,151,009)	-6.43%
TOTAL LIABILITIES	<u>\$ 19,662,579</u>	<u>\$ 20,303,528</u>	<u>\$ (640,949)</u>	<u>-3.16%</u>
NET POSITION				
Net investment in capital assets	\$ 8,317,439	\$ 7,701,043	\$ 616,396	8.00%
Restricted for expendable purposes	830,932	1,664,740	(833,808)	-50.09%
Unrestricted	3,340,178	3,178,213	161,965	5.10%
TOTAL NET POSITION	<u>\$ 12,488,549</u>	<u>\$ 12,543,996</u>	<u>\$ (55,447)</u>	<u>-0.44%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

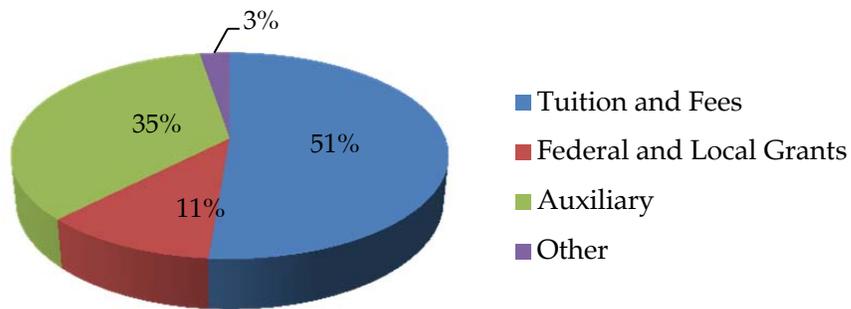
OKLAHOMA PANHANDLE STATE UNIVERSITY

For the Years Ended June 30, 2014, 2013, and 2012

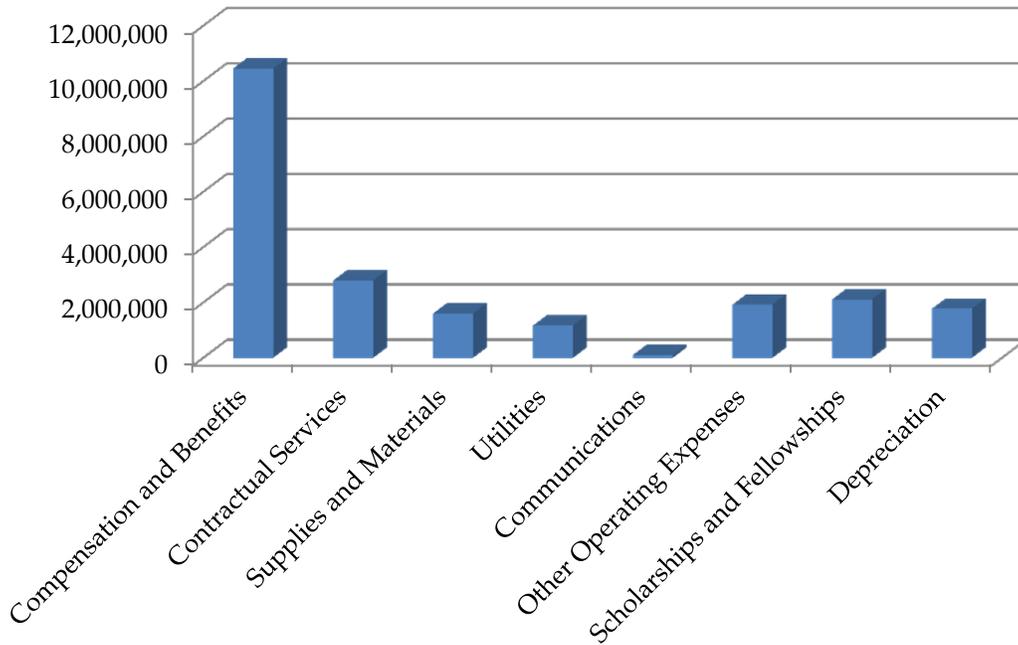
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues and expenses for the fiscal year ended June 30, 2014, were as follows:

OPERATING REVENUES



OPERATING EXPENSES



MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

For the Years Ended June 30, 2014, 2013, and 2012

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION--Continued

	2014	2013	Increase (Decrease)	Percentage Change	2012	Increase (Decrease)	Percentage Change
OPERATING REVENUE							
Tuition and fees, net	\$ 5,228,456	\$ 5,359,579	\$ (131,123)	-2.45%	\$ 5,322,063	\$ 37,516	0.70%
Federal and local grants	1,206,837	998,293	208,544	20.89%	1,031,790	(33,497)	-3.25%
Auxiliary	3,581,383	3,350,740	230,643	6.88%	3,377,461	(26,721)	-0.79%
Other	265,044	377,031	(111,987)	-29.70%	368,352	8,679	2.36%
TOTAL OPERATING REVENUE	10,281,720	10,085,643	196,077	1.94%	10,099,666	(14,023)	-0.14%
Less: operating expenses	21,952,734	21,953,229	(495)	0.00%	22,177,448	(224,219)	-1.01%
NET OPERATING LOSS	(11,671,014)	(11,867,586)	196,572	-1.66%	(12,077,782)	210,196	-1.74%
NONOPERATING REVENUE							
State appropriation	7,313,359	7,231,781	81,578	1.13%	7,184,655	47,126	0.66%
On-behalf appropriations for OTRS	559,000	581,000	(22,000)	-3.79%	560,000	21,000	3.75%
Federal and state grants	2,900,693	2,910,029	(9,336)	-0.32%	3,056,972	(146,943)	-4.81%
Capital gifts and grants	-	-	-	0.00%	53,119	(53,119)	100.00%
Other nonoperating revenue	512,986	116,931	396,055	338.71%	162,618	(45,687)	-39.07%
Investment income	72,200	71,256	944	1.32%	101,084	(29,828)	-29.51%
Interest expense	(872,891)	(896,556)	23,665	-2.64%	(739,554)	(157,002)	21.23%
NET NONOPERATING REVENUE	10,485,347	10,014,441	470,906	4.70%	10,378,894	(364,453)	-3.51%
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES							
State appropriations restricted for capital purposes	1,020,974	1,290,175	(269,201)	-20.87%	1,247,228	42,947	3.44%
On-behalf appropriations for OCIA capital leases	442,878	507,523	(64,645)	-12.74%	233,651	273,872	117.21%
TOTAL OTHER GAINS, AND LOSSES REVENUES, EXPENSES,	1,463,852	1,797,698	(333,846)	-18.57%	1,480,879	316,819	21.39%
CHANGE IN NET POSITION	278,185	(55,447)	333,632	-601.71%	(218,009)	162,562	-74.57%
NET POSITION AT BEGINNING OF YEAR	12,488,549	12,543,996	(55,447)	-0.44%	12,762,005	(218,009)	-1.71%
NET POSITION AT END OF YEAR	\$ 12,766,734	\$ 12,488,549	\$ 278,185	2.23%	\$ 12,543,996	\$ (55,447)	-0.44%

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

For the Years Ended June 30, 2014, 2013, and 2012

STATEMENTS OF CASH FLOWS

Another way to assess the financial health of an institution is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

	Years Ended June 30		
	2014	2013	2012
CASH PROVIDED BY (USED IN):			
Operating activities	\$ (9,555,294)	\$ (9,393,068)	\$ (9,353,610)
Non-capital financing activities	10,720,122	10,233,841	10,404,245
Investing activities	1,066,223	18,682	44,319
Capital and related financing activities	(1,472,673)	(1,366,767)	(776,801)
NET INCREASE (DECREASE) IN CASH	758,378	(507,312)	318,153
CASH AT BEGINNING OF YEAR	3,945,326	4,452,638	4,134,485
CASH AT END OF YEAR	\$ 4,703,704	\$ 3,945,326	\$ 4,452,638

SUMMARY OF NET POSITION

Although the statements of revenues, expenses, and changes in net position show an increase in net position of \$278,185, this is representative of all activities combined. Management believes that it is important to point out the net change in net position for each major area of the University. This is displayed below.

	June 30, 2013, 2012, 2011						
	2014	2013	Increase (Decrease)	Percent Change	2012	Increase (Decrease)	Percent Change
Educational and general	\$ 2,393,277	\$ 2,058,552	\$ 334,725	16.26%	\$ 1,689,865	\$ 368,687	21.82%
Auxiliary operations	1,239,647	1,281,626	(41,979)	-3.28%	1,488,348	(206,722)	-13.89%
Restricted net position	239,252	595,402	(356,150)	-59.82%	615,456	(20,054)	-3.26%
Net position restricted for capital projects	375,863	235,530	140,333	59.58%	1,049,284	(813,754)	-77.55%
Capital assets	8,518,695	8,317,439	201,256	2.42%	7,701,043	616,396	8.00%
	<u>\$12,766,734</u>	<u>\$12,488,549</u>	<u>\$ 278,185</u>	<u>2.23%</u>	<u>\$12,543,996</u>	<u>\$ (55,447)</u>	<u>-0.44%</u>

The restricted net position decreased due to the refinancing of the Housing Revenue Bonds and the use of funds restricted for debt service to pay down the debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

For the Years Ended June 30, 2014, 2013, and 2012

CAPITAL ASSETS

At June 30, 2014, the University has approximately \$25.0 million invested in capital assets, net of accumulated depreciation of \$26.4 million. Depreciation charges totaled \$1,778,015 for the year ended June 30, 2014, compared to \$1,790,916 for the year ended June 30, 2013, and \$1,756,563 for the year ended June 30, 2012. Details of these assets for the three years are shown below.

	Year Ended June 30		
	2014	2013	2012
CAPITAL ASSETS			
Land	\$ 361,163	\$ 361,163	\$ 314,805
Construction in progress	-	22,179	411,398
Non-major infrastructure	9,583,369	9,533,031	8,299,048
Land improvements	1,535,403	1,534,626	1,422,543
Buildings	31,535,606	31,094,757	29,940,599
Furniture, fixtures, and equipment	6,502,211	6,530,484	6,387,891
Library materials	1,823,543	1,751,155	1,668,908
TOTAL CAPITAL ASSETS	<u>51,341,295</u>	<u>50,827,395</u>	<u>48,445,192</u>
Less: accumulated depreciation	<u>26,447,734</u>	<u>24,896,740</u>	<u>23,180,366</u>
NET CAPITAL ASSETS	<u>\$ 24,893,561</u>	<u>\$ 25,930,655</u>	<u>\$ 25,264,826</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

For the Years Ended June 30, 2014, 2013, and 2012

OUTSTANDING DEBT

For the year ended June 30, 2014, the University had \$16,056,567 in debt outstanding, compared to \$17,825,784 at June 30, 2013, and \$18,593,439 at June 30, 2012. The table below summarizes these amounts by type.

	Year Ended June 30		
	2014	2013	2012
Housing LLC Revenue Bonds	\$ -	\$ 4,830,000	\$ 4,950,000
Revenue Bonds Series 2002	-	1,885,000	2,025,000
OCIA-Series 1999A/2004A	99,158	115,704	131,459
ODFA-Series 2003C	-	58,000	114,000
ODFA-Series 2004A	-	1,340,000	1,435,000
ODFA-Series 2004C	46,000	91,000	134,000
OCIA-Series 2005F	406,851	4,451,119	4,641,019
ODFA-Series 2009 20yr	1,434,917	1,508,000	1,579,000
ODFA-Series 2009 15yr	226,917	246,000	265,000
OCIA-Series 2010A	1,871,244	1,871,244	1,871,244
OCIA-Series 2010B	231,459	555,717	555,717
ODFA-Series 2011	855,000	874,000	892,000
OCIA-Series 2014A	3,831,646	-	-
ODFA-Series 2014A-2002	1,533,000	-	-
ODFA-Series 2014A-2004A	1,160,000	-	-
ODFA-Series 2014B	4,360,375	-	-
Total revenue bonds and capital leases	<u>\$ 16,056,567</u>	<u>\$ 17,825,784</u>	<u>\$ 18,593,439</u>

COMPONENT UNIT

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

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

For the Years Ended June 30, 2014, 2013, and 2012

SUMMARY

The University's Educational & General Fund ended the year with an increase of \$334,725 in net position or 16.3%. The University's Educational & General Fund ended the year with net reserves of 13.8% of Educational & General Fund expenditures.

The University ended fiscal year 2014 with an increase of \$278,185 in total net position. This is a 2.2% increase in overall net position. The increase was mainly in the net investment in capital assets area.

The University received a settlement of \$503,000 in 2014 for the Noble Center roof. This accounts for the majority of the increase in non-operating revenue.

The fall 2014 enrollment for the University was head count of 1,308, which is a 6% decrease from the fall 2013 of 1,391. This follows an increase of 0.7% in headcount for the fall 2013 headcount of 1,391 over the fall 2012 headcount of 1,382. Credit hours are down for the fall of 2014 from the fall of 2013 by 4.8% and were down by 3.5% for the fall of 2013 over the fall of 2012.

CONTACTING THE UNIVERSITY'S FINANCIAL MANAGEMENT

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

STATEMENTS OF NET POSITION

OKLAHOMA PANHANDLE STATE UNIVERSITY

	University		Component Unit	
	June 30		December 31	
	2014	2013	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,174,020	\$ 3,467,084	\$ 199,067	\$ 215,325
Restricted cash and cash equivalents	241,706	223,425	-	-
Investments	-	619,373	160,000	160,000
Accounts receivable, net	319,474	356,070	-	-
Interest receivable	5,943	2,957	769	769
Inventories	455,385	490,650	-	-
TOTAL CURRENT ASSETS	5,196,528	5,159,559	359,836	376,094
NONCURRENT ASSETS				
Restricted cash and cash equivalents	287,978	254,817	-	-
Investments	144,819	522,455	10,147,008	9,666,491
Student loans receivable, net	68,189	69,178	-	-
Other assets	28,275	3,749	45,500	45,500
Capital assets, net	24,893,561	25,930,655	3,186	892
TOTAL NONCURRENT ASSETS	25,422,822	26,780,854	10,195,694	9,712,883
TOTAL ASSETS	\$30,619,350	\$31,940,413	\$10,555,530	\$10,088,977
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on OCIA lease restructure	\$ 140,477	\$ 210,715	\$ -	\$ -

STATEMENTS OF NET POSITION--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

	University		Component Unit	
	June 30		December 31	
	2014	2013	2013	2012
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 171,137	\$ 548,534	\$ -	\$ -
Accrued liabilities	655,894	650,906	-	-
Unearned revenues	156,917	167,086	-	-
Student and other deposits	138,651	148,123	184,122	178,960
Accrued interest payable	-	33,635	-	-
Accrued compensated absences	256,982	216,663	7,134	6,513
Current portion of noncurrent liabilities	<u>1,200,205</u>	<u>1,136,673</u>	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	2,579,786	2,901,620	191,256	185,473
NONCURRENT LIABILITIES,				
net of current portion				
Accrued OPEB obligation	25,572	19,944	-	-
Federal loan program contributions refundable	67,438	74,353	-	-
Revenue bonds payable	-	6,409,671	-	-
Premium on capital lease obligation	227,577	-	-	-
Capital lease obligations	<u>14,883,351</u>	<u>10,256,991</u>	<u>-</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES	15,203,938	16,760,959	-	-
TOTAL LIABILITIES	<u>\$17,783,724</u>	<u>\$19,662,579</u>	<u>\$ 191,256</u>	<u>\$ 185,473</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credit on OCIA lease restructure	<u>\$ 209,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 8,518,695	\$ 8,317,439	\$ -	\$ -
Restricted:				
Nonexpendable - scholarships and other	-	-	4,089,635	3,997,700
Expendable:				
Scholarships, research, instruction, and other	44,226	22,402	322,940	289,551
Loans	195,026	190,222	-	-
Capital projects	375,863	235,530	-	-
Debt service	-	382,778	-	-
Unrestricted	<u>3,632,924</u>	<u>3,340,178</u>	<u>5,951,699</u>	<u>5,616,253</u>
TOTAL NET POSITION	<u>\$12,766,734</u>	<u>\$12,488,549</u>	<u>\$10,364,274</u>	<u>\$ 9,903,504</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OKLAHOMA PANHANDLE STATE UNIVERSITY

	University		Component Unit	
	Year Ended		Year Ended	
	2014	2013	2013	2012
OPERATING REVENUES				
Student tuition and fees, net of scholarship discounts and allowances of \$6,095,000 and \$6,453,000 in 2014 and 2013, respectively	\$ 5,228,456	\$ 5,359,579	\$ -	\$ -
Federal grants and contracts	274,781	190,610	-	-
State and local grants and contracts	500	25,425	-	-
Non-governmental grants and contracts	931,556	782,258	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances of \$257,000 and \$272,000 in 2014 and 2013, respectively	1,070,396	949,862	-	-
Food services, net of scholarship discounts and allowances of \$64,000 and \$68,000 in 2014 and 2013, respectively	722,353	837,773	-	-
Bookstore	589,154	628,851	-	-
Athletics	201,379	76,989	-	-
All other	998,101	857,265	-	-
Gifts and contributions	-	-	508,608	582,474
Other operating revenues	265,044	377,031	-	-
TOTAL OPERATING REVENUES	10,281,720	10,085,643	508,608	582,474
OPERATING EXPENSES				
Compensation and employee benefits	10,458,380	10,573,559	90,708	87,932
Contractual services	2,793,462	2,664,921	10,182	8,733
Supplies and materials	1,603,453	1,851,385	3,374	2,301
Utilities	1,170,174	1,021,470	-	-
Communications	106,151	132,531	-	-
Other operating expenses	1,927,801	1,950,053	90,168	12,694
Scholarships and fellowships	2,115,298	1,968,394	694,383	711,649
Depreciation	1,778,015	1,790,916	971	438
TOTAL OPERATING EXPENSES	21,952,734	21,953,229	889,786	823,747
OPERATING LOSS	(11,671,014)	(11,867,586)	(381,178)	(241,273)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	7,313,359	7,231,781	-	-
On-behalf contributions to OTRS	559,000	581,000	-	-
Federal grants	2,497,889	2,575,243	-	-
State grants	402,804	334,786	-	-
Contributions and other nonoperating revenues	512,986	116,931	-	-
Net realized and unrealized gains and losses on investments	-	-	377,232	355,555
Investment income	72,200	71,256	464,716	418,648
Interest expense	(872,891)	(896,556)	-	-
NET NONOPERATING REVENUES (EXPENSES)	10,485,347	10,014,441	841,948	774,203
GAIN (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(1,185,667)	(1,853,145)	460,770	532,930
State appropriations restricted for capital purposes	1,020,974	1,290,175	-	-
On-behalf payments for OCIA capital leases	442,878	507,523	-	-
CHANGE IN NET POSITION	278,185	(55,447)	460,770	532,930
NET POSITION AT BEGINNING OF YEAR	12,488,549	12,543,996	9,903,504	9,370,574
NET POSITION AT END OF YEAR	<u>\$12,766,734</u>	<u>\$12,488,549</u>	<u>\$10,364,274</u>	<u>\$ 9,903,504</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

OKLAHOMA PANHANDLE STATE UNIVERSITY

	Year Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 5,187,103	\$ 5,273,973
Grants and contracts	1,206,837	998,293
Auxiliary enterprise charges	3,649,163	3,473,104
Other operating receipts	266,033	377,181
Payments to employees for salaries and benefits	(9,884,600)	(9,937,117)
Payments to suppliers	(9,979,830)	(9,578,502)
NET CASH USED IN OPERATING ACTIVITIES	<u>(9,555,294)</u>	<u>(9,393,068)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	7,313,359	7,231,781
Federal and state grants	2,893,778	2,885,129
Miscellaneous revenue	512,985	116,931
Federal direct student loans receipts	4,129,612	4,532,056
Federal direct student loans disbursements	(4,129,612)	(4,532,056)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>10,720,122</u>	<u>10,233,841</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	(829,033)	(2,391,876)
Capital grants and gifts received	1,020,974	1,290,175
Proceeds of capital debt	7,353,150	834,998
Interest paid on capital debt and leases	(703,973)	(538,064)
Principal payments on capital debt	(8,313,791)	(562,000)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,472,673)</u>	<u>(1,366,767)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments	997,009	(56,425)
Interest received on investments	69,214	75,107
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,066,223</u>	<u>18,682</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	758,378	(507,312)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,945,326</u>	<u>4,452,638</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,703,704</u>	<u>\$ 3,945,326</u>

STATEMENTS OF CASH FLOWS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

	Year Ended June 30	
	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (11,671,014)	\$ (11,867,586)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,778,015	1,790,916
Net loss on disposal of fixed assets	21,448	1,795
On-behalf contributions to teachers' retirement system	559,000	581,000
Changes in operating assets and liabilities:		
Accounts and other receivables	37,585	19,532
Inventories	35,265	(17,982)
Other assets	(28,275)	-
Accounts payable and accrued liabilities	(307,996)	101,906
Unearned revenue	(10,169)	17,376
Compensated absences	40,319	(10,703)
Student and other deposits	<u>(9,472)</u>	<u>(9,322)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (9,555,294)</u>	<u>\$ (9,393,068)</u>
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on capital debt paid by state agency on behalf of the University	<u>\$ 102,074</u>	<u>\$ 301,867</u>
Principal on capital debt paid by state agency on behalf of the University	<u>\$ 340,804</u>	<u>\$ 205,656</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Current assets:		
Cash and cash equivalents	\$ 4,174,020	\$ 3,467,084
Restricted cash and cash equivalents	241,706	223,425
Noncurrent assets:		
Restricted cash and cash equivalents	<u>287,978</u>	<u>254,817</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 4,703,704</u>	<u>\$ 3,945,326</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accompanying financial statements include the accounts and funds of the University. The University is part of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education (the "OSRHE"). The University is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State as part of the Higher Education component unit.

Component Units: OPSU Student Housing, L.L.C. (the "LLC") and Panhandle State Foundation (the "Foundation") are legally separate, tax-exempt component units of the University. Although the University does not control the timing or amount of receipts from the LLC or the Foundation, the majority of resources, or income thereon, which the LLC and the Foundation holds and invests is restricted to the activities governed by donors, bond documents, and/or trustees. Accordingly, resources received and held by the LLC can only be used by, and for the benefit of, University housing governed by certain bond documents. Resources received and held by the Foundation can only be used by, or for the benefit of, the University. The LLC is considered a blended component unit of the University under the definition of GASB Statement No. 61. The Foundation is considered a discretely presented component unit of the University under the definition of GASB Statement No. 39. During 2014, the University issued new capital lease debt and acquired the assets of the LLC in exchange for funds to pay off the LLC's outstanding bonds. As of June 30, 2014, the LLC has zero net position.

Financial Statement Presentation: The University's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Financial Statement Presentation--Continued: Under GASB Statements No. 34 and No. 35, the University is required to present a statement of net position classified between current and noncurrent assets and liabilities and deferred outflows and inflows; a statement of revenues, expenses, and changes in net position, with separate presentation for operating and nonoperating revenues and expenses; and a statement of cash flows using the direct method.

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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

Deposits and Investments: The University accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2014 and 2013, the University's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure.

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, 2014, the University's deferred inflows of resources were comprised of credits realized on an OCIA lease restructure. At June 30, 2013, the University had no deferred inflows of resources.

New Accounting Pronouncements Adopted in Fiscal Year 2014: The University adopted the following new accounting pronouncement during the year ended June 30, 2014:

- *Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*

GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The adoption of GASB No. 70 did not have an impact on the University's financial position, or changes in financial position or cash flows, or its financial statement presentation.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the University in the fiscal year ending June 30, 2015. A description of the new accounting pronouncements and the University's consideration of the impact of these pronouncements are described below:

- *Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance was issued in November 2013. Although the University has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

- *Statement No. 69, Government Combinations and Disposals of Government Operations*

GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions, and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

NOTE B--DEPOSITS AND INVESTMENTS

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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

	<u>2014</u>	<u>2013</u>
Deposits with the State Treasurer	\$ 4,668,732	\$ 3,335,701
U.S. financial institutions	14,972	589,625
Change funds	20,000	20,000
TOTAL DEPOSITS	<u>\$ 4,703,704</u>	<u>\$ 3,945,326</u>

The differences between the bank balances of deposits and the related carrying amounts were generally not significant and are due to outstanding checks and deposits in-transit.

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 participates 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% 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 \$4,088,255 in 2014 and \$2,043,630 in 2013.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents.

At June 30, 2014 and 2013, the distribution of deposits in *OK INVEST* is as follows:

<u>OK INVEST Portfolio</u>	<u>2014</u>		<u>2013</u>	
	Cost	Market Value	Cost	Market Value
U.S. Agency securities	\$ 1,875,704	\$ 1,872,057	\$ 803,316	\$ 799,919
Certificates of deposit	197,388	197,388	52,206	52,206
Money market mutual funds	86,034	86,034	191,768	191,768
End of day commercial paper sweep	106,125	106,125	42,954	42,954
Mortgage backed agency securities	1,679,493	1,714,149	878,155	882,466
Municipal bonds	62,721	69,463	34,428	38,110
Foreign bonds	32,117	32,117	16,142	16,132
Commercial paper	-	-	-	-
U.S. Treasury Obligations	48,673	60,253	24,661	30,095
TOTAL	<u>\$ 4,088,255</u>	<u>\$ 4,137,586</u>	<u>\$ 2,043,630</u>	<u>\$ 2,053,650</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: 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.

At June 30, 2014, and 2013, the University also held non-negotiable certificates of deposit totaling \$7,620 and \$7,595, respectively. These deposits are either fully insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank. These certificates of deposit are maintained through an investment brokerage firm. For financial reporting purposes, these deposits have been classified as investments.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Investments: The University had the following investments as of June 30:

	2014	2013
U.S. government securities	\$ 33,582	\$ 32,330
Certificates of deposit	7,620	7,595
Fixed income funds	63,497	70,401
Money market funds	40,120	1,031,502
TOTAL INVESTMENTS	<u>\$ 144,819</u>	<u>\$ 1,141,828</u>

Investment maturities were as follows at June 30, 2014:

Investment Type	Investment Maturities (in Years)					
	Fair Value	Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
U.S. government securities	\$ 33,582	\$ -	\$ -	\$ -	\$ -	\$ 33,582
Certificates of deposit	7,620	-	7,620	-	-	-
Fixed income funds	63,497	-	-	-	438	63,059
Money market funds	40,120	40,120	-	-	-	-
	<u>\$ 144,819</u>	<u>\$ 40,120</u>	<u>\$ 7,620</u>	<u>\$ -</u>	<u>\$ 438</u>	<u>\$ 96,641</u>

Interest Rate Risk: The University does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

NOTE C--ACCOUNTS RECEIVABLE

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

	2014	2013
Student tuition and fees	\$ 149,288	\$ 211,229
Auxiliary enterprises and other student activities	465,069	662,982
Federal and state agencies	24,495	42,000
	638,852	916,211
Less: allowance for doubtful accounts	(319,378)	(560,141)
Accounts receivable, net	<u>\$ 319,474</u>	<u>\$ 356,070</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE D--LOANS RECEIVABLE

The University makes loans to students through the Federal Perkins Loan Program (the "Program"). Under the Program, the federal government provides funds for approximately 75% of the total contribution for student loans with the University providing the balance. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993, under the program. No reimbursements are provided for loans originated after this date. Amounts refundable to the U.S. government upon cessation of the Program of \$67,438 and \$74,353 at June 30, 2014 and 2013, respectively, are reflected in the accompanying statements of net position as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off.

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

The University has provided an allowance for uncollectible loans which, in management's opinion, is sufficient to absorb loans which will ultimately be written off. Loans receivable consisted of the following at June 30:

	2014		
	Perkins Loan Program	I.L. Ennis Loan Fund	Total
Loans receivable	\$ 44,426	\$ 292,442	\$ 336,868
Less: allowance for uncollectible loans	(9,843)	(258,836)	(268,679)
Loans receivable, net	\$ 34,583	\$ 33,606	\$ 68,189
	2013		
	Perkins Loan Program	I.L. Ennis Loan Fund	Total
Loans receivable	\$ 45,692	\$ 291,587	\$ 337,279
Less: allowance for uncollectible loans	(9,265)	(258,836)	(268,101)
Loans receivable, net	\$ 36,427	\$ 32,751	\$ 69,178

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE E--CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2014:

	Balance at June 30, 2013	Additions	Transfers	Retirements	Balance at June 30, 2014
Capital assets not being depreciated:					
Land	\$ 361,163	\$ -	\$ -	\$ -	\$ 361,163
Construction in-progress	22,179	-	(22,179)	-	-
Total capital assets not being depreciated	383,342	-	(22,179)	-	361,163
Other capital assets:					
Non-major infrastructure networks	9,533,031	45,808	4,530	-	9,583,369
Non-structural improvements	1,534,626	777	-	-	1,535,403
Buildings and improvements	31,094,757	423,200	17,649	-	31,535,606
Equipment	6,530,484	192,478	-	(220,751)	6,502,211
Library materials	1,751,155	100,106	-	(27,718)	1,823,543
Total other capital assets	50,444,053	762,369	22,179	(248,469)	50,980,132
Accumulated depreciation:					
Non-major infrastructure networks	3,386,484	483,542	-	-	3,870,026
Non-structural improvements	638,514	74,731	-	-	713,245
Buildings and improvements	14,062,033	665,513	(115,108)	-	14,612,438
Equipment	5,344,587	499,185	115,108	(199,303)	5,759,577
Library materials	1,465,122	55,044	-	(27,718)	1,492,448
Total accumulated depreciation	24,896,740	1,778,015	-	(227,021)	26,447,734
Capital assets, net	<u>\$ 25,930,655</u>	<u>\$ (1,015,646)</u>	<u>\$ -</u>	<u>\$ (21,448)</u>	<u>\$ 24,893,561</u>

At June 30, 2014, the cost and related accumulated depreciation of assets held under capital lease obligations were as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	\$ 11,618,853	\$ 4,806,061	\$ 2,852,795	\$ 19,277,709
Less: accumulated depreciation	(1,824,751)	(1,036,684)	(2,851,104)	(5,712,539)
	<u>\$ 9,794,102</u>	<u>\$ 3,769,377</u>	<u>\$ 1,691</u>	<u>\$ 13,565,170</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE E--CAPITAL ASSETS--Continued

Capital asset activity was as follows for the year ended June 30, 2013:

	Balance at June 30, 2012	Additions	Transfers	Retirements	Balance at June 30, 2013
Capital assets not being depreciated:					
Land	\$ 314,805	\$ 46,358	\$ -	\$ -	\$ 361,163
Construction in-progress	411,398	22,179	(411,398)	-	22,179
Total capital assets not being depreciated	726,203	68,537	(411,398)	-	383,342
Other capital assets:					
Non-major infrastructure networks	8,299,048	1,171,436	62,547	-	9,533,031
Non-structural improvements	1,422,543	42,284	69,799	-	1,534,626
Buildings and improvements	29,940,599	875,106	279,052	-	31,094,757
Equipment	6,387,891	183,848	-	(41,255)	6,530,484
Library materials	1,668,908	117,329	-	(35,082)	1,751,155
Total other capital assets	47,718,989	2,390,003	411,398	(76,337)	50,444,053
Accumulated depreciation:					
Non-major infrastructure networks	2,937,566	448,918	-	-	3,386,484
Non-structural improvements	567,595	70,919	-	-	638,514
Buildings and improvements	13,384,128	677,905	-	-	14,062,033
Equipment	4,845,172	538,875	-	(39,460)	5,344,587
Library materials	1,445,905	54,299	-	(35,082)	1,465,122
Total accumulated depreciation	23,180,366	1,790,916	-	(74,542)	24,896,740
Capital assets, net	\$ 25,264,826	\$ 667,624	\$ -	\$ (1,795)	\$ 25,930,655

At June 30, 2013, the cost and related accumulated depreciation of assets held under capital lease obligations were as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	\$ 7,538,380	\$ 4,806,061	\$ 2,649,795	\$ 14,994,236
Less: accumulated depreciation	(304,240)	(774,015)	(2,649,795)	(3,728,050)
	<u>\$ 7,234,140</u>	<u>\$ 4,032,046</u>	<u>\$ -</u>	<u>\$ 11,266,186</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE F--NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2014, was as follows:

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Current Portion
Revenue bonds payable:					
Housing LLC Revenue Bonds	\$ 4,830,000	\$ -	\$ (4,830,000)	\$ -	\$ -
2002 Revenue Bonds	<u>1,885,000</u>	<u>-</u>	<u>(1,885,000)</u>	<u>-</u>	<u>-</u>
	6,715,000	-	(6,715,000)	-	-
Capital lease obligations:					
OCIA - Series 1999A/2004A	115,704	-	(16,546)	99,158	17,345
ODFA - Series 2003C	58,000	-	(58,000)	-	-
ODFA - Series 2004A	1,340,000	-	(1,340,000)	-	-
ODFA - Series 2004C	91,000	-	(45,000)	46,000	46,000
OCIA - Series 2005F	4,451,119	-	(4,044,268)	406,851	198,989
ODFA - Series 2009B 20yr	1,508,000	-	(73,083)	1,434,917	74,250
ODFA - Series 2009B 15yr	246,000	-	(19,083)	226,917	20,000
OCIA-Series 2010A	1,871,244	-	-	1,871,244	98,631
OCIA-Series 2010B	555,717	-	(324,258)	231,459	231,459
ODFA-Series 2011	874,000	-	(19,000)	855,000	19,000
OCIA-Series 2014A	-	3,831,646	-	3,831,646	-
ODFA-Series 2014A - 2002	-	1,533,000	-	1,533,000	177,667
ODFA-Series 2014A - 2004	-	1,160,000	-	1,160,000	113,417
ODFA-Series 2014B	-	4,405,000	(44,625)	4,360,375	176,458
Total capital lease obligations	<u>11,110,784</u>	<u>10,929,646</u>	<u>(5,983,863)</u>	<u>16,056,567</u>	<u>1,173,216</u>
Total long-term debt obligations	17,825,784	10,929,646	(12,698,863)	16,056,567	1,173,216
Other liabilities:					
Premium	-	255,150	(584)	254,566	26,989
Accrued pension benefit obligation	27,824	-	(2,252)	25,572	-
Federal loan program contributions	<u>74,353</u>	<u>-</u>	<u>(6,915)</u>	<u>67,438</u>	<u>-</u>
Total other liabilities	<u>102,177</u>	<u>255,150</u>	<u>(9,751)</u>	<u>347,576</u>	<u>26,989</u>
Total noncurrent liabilities	<u>\$ 17,927,961</u>	<u>\$ 11,184,796</u>	<u>\$ (12,708,614)</u>	<u>\$ 16,404,143</u>	<u>\$ 1,200,205</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE F--NONCURRENT LIABILITIES--Continued

Noncurrent liability activity for the year ended June 30, 2013, was as follows:

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Current Portion
Revenue bonds payable:					
Housing LLC Revenue Bonds	\$4,950,000	\$ -	\$ (120,000)	\$4,830,000	\$125,000
2002 Revenue Bonds	<u>2,025,000</u>	<u>-</u>	<u>(140,000)</u>	<u>1,885,000</u>	<u>150,000</u>
	6,975,000	-	(260,000)	6,715,000	275,000
Capital lease obligations:					
OCIA - Series 1999A/2004A	131,459	-	(15,755)	115,704	16,546
ODFA - Series 2003C	114,000	-	(56,000)	58,000	58,000
ODFA - Series 2004A	1,435,000	-	(95,000)	1,340,000	100,000
ODFA - Series 2004C	134,000	-	(43,000)	91,000	45,000
OCIA - Series 2005F	4,641,019	-	(189,900)	4,451,119	198,989
ODFA - Series 2009B 20yr	1,579,000	-	(71,000)	1,508,000	73,000
ODFA - Series 2009B 15yr	265,000	-	(19,000)	246,000	19,000
OCIA-Series 2010A	1,871,244	-	-	1,871,244	-
OCIA-Series 2010B	<u>555,717</u>	<u>-</u>	<u>-</u>	<u>555,717</u>	<u>324,258</u>
ODFA-Series 2011	<u>892,000</u>	<u>-</u>	<u>(18,000)</u>	<u>874,000</u>	<u>19,000</u>
Total capital lease obligations	11,618,439	-	(507,655)	11,110,784	853,793
Total long-term debt obligations	18,593,439	-	(767,655)	17,825,784	1,128,793
Other liabilities:					
Accrued pension benefit obligation	27,824	-	-	27,824	7,880
Federal loan program contributions	<u>99,253</u>	<u>-</u>	<u>(24,900)</u>	<u>74,353</u>	<u>-</u>
Total other liabilities	<u>127,077</u>	<u>-</u>	<u>(24,900)</u>	<u>102,177</u>	<u>7,880</u>
Total noncurrent liabilities	<u>\$ 18,720,516</u>	<u>\$ -</u>	<u>\$ (792,555)</u>	<u>\$ 17,927,961</u>	<u>\$ 1,136,673</u>

Revenue Bond Obligations

On November 1, 2003, the 2003 Series A and 2003 Series B Student Housing Revenue Bonds were issued totaling \$5,455,000. The payments over the term of the agreement, including interest, total \$11,457,147. Payments began November 1, 2004, and go through November 1, 2034, with interest payments being made semi-annually and principle payments being made annually. Interest on the bonds ranged from 4% to 6%. Proceeds from the obligation were used for the construction of a 144 bed housing facility located on the University's Campus in Goodwell, Oklahoma. On March 10, 2014, the University issued ODFA Series 2014B Capital Lease to refinance the 2003 A & B Student Housing Revenue Bonds.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE F--NONCURRENT LIABILITIES--Continued

Revenue Bond Obligations--Continued

On September 1, 2002, the University issued revenue bonds Series 2002 in the amount of \$2,965,000. The payments over the term of the agreement, including interest, total \$4,886,478. Payments began September 1, 2005, and go through September 1, 2022, and will be made monthly ranging from \$12,487 to \$20,995. Proceeds from the obligation were used for the installation of equipment for energy conservation on campus buildings and facilities. On June 13, 2014 the University issued ODFA Series 2014A Capital Lease to refinance the 2002 Revenue Bonds.

Oklahoma Capital Improvement Authority Lease Obligations

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

The University has drawn down 100% of its total allotment for expenditures incurred in connection with specific projects. These expenditures have been capitalized as investments in capital assets, in accordance with the University's policy. Lease principal and interest payments to OCIA totaling \$22,262 and \$22,259 during the years ended June 30, 2014, and 2013, respectively, were made by the State of Oklahoma on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately \$6,998,000 to the University. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006, through July 1, 2030, will be \$12,223,801.

Payments will be made annually, ranging from \$82,033 to \$528,546, by the State of Oklahoma on behalf of the University. Concurrently with the allocation, the University entered into a lease agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are provided for capital improvements at the University.

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE F--NONCURRENT LIABILITIES--Continued

Oklahoma Capital Improvement Authority Lease Obligations--Continued

During fiscal year 2011, the University's 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued two new bonds, Series 2010A and 2010B, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. OCIA issued the new Series 2010A and 2010B bonds to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service requirements. Consequently, the University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring extended certain principal payments into the future, resulting in a cost on the restructuring. The University has recorded a charge of \$623,401 on restructuring as a deferred outflow of resources that will be amortized over a period of six years. As of June 30, 2014, and 2013, the unamortized cost totaled \$140,477 and \$210,715, respectively. This restructuring resulted in an aggregate difference in principal and interest between the original lease agreement and the restructured lease agreement of \$30,810, which approximates the economic cost of the transaction.

During fiscal year 2014, the University's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring resulted in a reduction of principal, thus the University has recorded a credit of \$212,623 on restructuring as a deferred inflow of resources that will be amortized over a period of eighteen years. As of June 30, 2014 the unamortized gain totaled \$209,369. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$496,344, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA, totaling \$420,616 and \$485,264 during the years ended June 30, 2014, and 2013, respectively, were made by the State of Oklahoma on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

Oklahoma Development Finance Authority Lease Obligations

On December 1, 2003, the University entered into capital lease obligation Series 2003C in the amount of \$501,000. Lease payments over the term of the agreement, including interest, totaled \$595,507. Payments began June 1, 2004, and went through December 1, 2013, and were made semi-annually ranging from \$1,088 to \$59,088. Proceeds from the obligation were used for the purchase and installation of chillers on campus facilities. The University pledged Section Thirteen revenues to support payments on this lease obligation. The Series 2003C was paid off in 2014.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE F--NONCURRENT LIABILITIES--Continued

Oklahoma Development Finance Authority Lease Obligations--Continued

On May 1, 2004, the University entered into capital lease obligation Series 2004A in the amount of \$2,085,000. Lease payments over the term of the agreement, including interest, total \$3,151,875. Payments began December 1, 2004, and go through June 1, 2024, and will be made semi-annually ranging from \$3,600 to \$153,600. Proceeds from the obligation were used for the installation of equipment for energy conservation on campus buildings and facilities. The University has pledged Section Thirteen revenues to support payments on this lease obligation. The Series 2004A was refinanced by Series 2014A in 2014.

On December 1, 2004, the University entered into capital lease obligation Series 2004C in the amount of \$401,000. Lease payments over the term of the agreement, including interest, total \$479,845. Payments began June 1, 2005, and go through December 1, 2014, and will be made semi-annually ranging from \$874 to \$46,874. Proceeds from the obligation were used for infrastructure capital expenditures. The University has pledged Section Thirteen revenues to support payments on this lease obligation.

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE F--NONCURRENT LIABILITIES--Continued

Oklahoma Development Finance Authority Lease Obligations--Continued

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

Future minimum lease payments under the University's capital lease obligations are as follows at June 30, 2014:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1,173,216	474,646	1,647,862
2016	1,197,087	559,435	1,756,522
2017	1,544,976	543,003	2,087,979
2018	1,320,234	489,336	1,809,570
2019	651,432	438,559	1,089,991
2020-2024	3,655,482	1,830,838	5,486,320
2025-2029	3,855,807	1,097,853	4,953,660
2030-2034	2,330,333	312,724	2,643,057
2035-2039	223,000	59,280	282,280
2040-2041	105,000	7,800	112,800
	<u>\$ 16,056,567</u>	<u>\$ 5,813,474</u>	<u>\$ 21,870,041</u>

Defeased Debt Outstanding

The University has in substance defeased the 2002 Revenue Bonds by placing deposits in an escrow account to pay principal and interest on the refunded bonds as they are due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. At year end, the remaining outstanding defeased debt for the 2002 revenue bonds amounted to \$1,735,000.

NOTE G--RETIREMENT PLANS

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE G--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System

Plan Description: The University contributes to the OTRS, which is a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. 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. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. OTRS does not provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

Funding Policy: The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 9.5% of covered salaries and fringe benefits in 2014, 2013, and 2012, is applied to annual compensation, and is determined by State Statute.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2014, 2013, and 2012. These contributions were made directly by the University for 2014, 2013, and 2012.

The University's contributions to OTRS for the years ended June 30, 2014, 2013, and 2012, were approximately \$1,162,000, \$1,170,000, and \$1,147,000, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the share of the employee's contributions paid directly by the University.

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2014 and 2013, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes. The University has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year.

For the years ended June 30, 2014, and 2013, the total amount contributed to OTRS by the State of Oklahoma on behalf of the University was approximately \$559,000 and \$581,000, respectively. These on-behalf payments have been recorded as both revenues and expenses in the statement of revenues, expenses, and changes in net position.

Supplemental Retirement Plan

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE G--RETIREMENT PLANS--Continued

Supplemental Retirement Plan--Continued

Funding Policy: The Plan is not funded and benefits do not vest to the participants until their retirement. The University has been funding the benefits on a “pay as you go” basis. Only certain employees are eligible to participate in the Plan, and the Plan has been discontinued. During the years ended June 30, 2014, 2013, and 2012, the University paid approximately \$32,000 each year to retirees under the Plan.

Annual Pension Cost and Net Pension Obligation: The annual required contribution for the current year was determined as part of the June 30, 2014, actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) a discount rate of 6.5% per year to determine the present value of future benefit payments, (b) retirement at age 65, (c) projected salary increases of 3.5% per year, and (e) a 6.5% interest rate for post-retirement individual annuity settlement benefits. The Plan is an unfunded Plan, and accordingly, no assets have been accumulated, and no investment income is earned. The unfunded actuarial accrued liability is being amortized using the level dollar amortization method on a closed basis over five (5) years.

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2014, was as follows:

Actuarial accrued liability (AAL)	\$ 146,095
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 146,095</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	\$ -
UAAL as a percentage of annual covered payroll	0.00%

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

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

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2012	21,945	148.4%	(22,691)
2013	29,219	111.5%	(26,047)
2014	30,347	107.3%	(28,275)

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

In addition to pension benefits as described in Note G, the University pays the life insurance premiums for retired employees until death. A retiring employee must have been employed full-time in the Oklahoma State System of Higher Education for not less than ten years immediately preceding the date of retirement, been a member of OTRS during that time, and elected to receive a vested benefit under the provisions of OTRS. The University funds the payments for this benefit out of current operations. Each retiree is eligible to receive \$10,000 of life insurance coverage at a cost to the University of \$.29 per \$1,000 of coverage. As of June 30, 2014, there were approximately 134 active employees and 49 retirees covered under the life insurance program. Authority to establish and amend benefit provisions rests with the Board of Regents. The OPEB Plan does not issue a stand-alone financial report.

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

Annual Cost and Net Obligation: The annual required contribution for the current year was determined as part of the June 30, 2014, actuarial valuation using the projected unit credit method. The actuarial assumption included a 6.5% investment rate of return. The assumption also included postretirement benefit increases, which will be funded by the University when granted.

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

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

	2014	2013
Annual required contribution	\$ 1,335	\$ 1,335
Adjustment to annual required contribution	2,554	2,554
Annual life insurance cost	3,889	3,889
Contributions made	3,889	1,615
Increase in net obligation	-	2,274
Net OPEB obligation, beginning of year	25,572	23,298
Net OPEB obligation, end of year	\$ 25,572	\$ 25,572

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS--Continued

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2014, was as follows:

Actuarial accrued liability (AAL)	\$	25,572
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	<u>25,572</u>
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Annual covered payroll (active plan members)	\$	6,043,926
UAAL as a percentage of annual covered payroll		0.42%

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

Trend Information

Year Ended June 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 3,889	42%	\$ 25,572
2014	3,889	42%	25,572

NOTE I--FUNDS HELD IN TRUSTS BY OTHERS

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

The University received approximately \$1,005,000 and \$1,274,000 from these funds during the years ended June 30, 2014, and 2013, respectively, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These appropriated amounts are recorded as restricted state appropriations in the statements of revenues, expenses and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for the University, held in trust by the Commissioners of the Land Office, is approximately \$17,276,000 and \$16,010,000 at June 30, 2014, and 2013, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE J--RELATED PARTY TRANSACTIONS

The following is a summary of transactions between the University and the Foundation during the years ended June 30:

	<u>2014</u>	<u>2013</u>
Direct support from the Foundation to the University	\$ 271,136	\$ 392,322
Scholarships paid directly by the Foundation to University students	428,213	361,411

The following is a summary of transactions between the University and the LLC during the years ended June 30:

	<u>2014</u>	<u>2013</u>
Charges to students' accounts on-behalf of the LLC by the University	\$ 542,124	\$ 513,483
Transfers of cash to the LLC by the University	545,870	513,291

NOTE K--COMMITMENTS AND CONTINGENCIES

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the University at June 30, 2014, and 2013, that management believes would result in a material loss to the University in the event of an adverse outcome.

NOTE L--RISK MANAGEMENT

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE M--CONDENSED COMBINING FINANCIAL INFORMATION

As noted in the reporting entity section above, the University's financials contain a blended component unit, OPSU Student Housing, L.L.C (the "LLC"). The LLC also meets the definition of a segment under the provisions of GASB Statement No. 34. Summary financial information for the LLC is presented below (in thousands):

	Condensed Statements of Net Position (000's)		
	June 30, 2014		
	<u>University</u>	<u>LLC</u>	<u>Total</u>
ASSETS			
Current assets	\$ 5,197	\$ -	\$ 5,197
Capital assets, net	24,894	-	24,894
Other assets	<u>529</u>	<u>-</u>	<u>529</u>
TOTAL ASSETS	<u>\$ 30,620</u>	<u>\$ -</u>	<u>\$ 30,620</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 140</u>	 <u>\$ -</u>	 <u>\$ 140</u>
LIABILITIES			
Current liabilities	\$ 2,580	\$ -	\$ 2,580
Noncurrent liabilities	<u>15,204</u>	<u>-</u>	<u>15,204</u>
TOTAL LIABILITIES	<u>\$ 17,784</u>	<u>\$ -</u>	<u>\$ 17,784</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>\$ 209</u>	 <u>\$ -</u>	 <u>\$ 209</u>
NET POSITION			
Net investment in capital assets	\$ 8,519	\$ -	\$ 8,519
Restricted - expendable	615	-	615
Unrestricted	<u>3,633</u>	<u>-</u>	<u>3,633</u>
TOTAL NET POSITION	<u>\$ 12,767</u>	<u>\$ -</u>	<u>\$ 12,767</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE M--CONDENSED COMBINING FINANCIAL INFORMATION--Continued

		Condensed Statements of Net Position (000's)		
		June 30, 2013		
		<u>University</u>	<u>LLC</u>	<u>Total</u>
ASSETS				
Current assets		\$ 4,115	\$ 1,045	\$ 5,160
Capital assets, net		23,070	2,860	25,930
Other assets		<u>464</u>	<u>387</u>	<u>851</u>
	TOTAL ASSETS	<u>\$ 27,649</u>	<u>\$ 4,292</u>	<u>\$ 31,941</u>
DEFERRED OUTFLOWS OF RESOURCES				
		<u>\$ 211</u>	<u>\$ -</u>	<u>\$ 211</u>
LIABILITIES				
Current liabilities		\$ 2,643	\$ 259	\$ 2,902
Noncurrent liabilities		<u>12,086</u>	<u>4,675</u>	<u>16,761</u>
	TOTAL LIABILITIES	<u>\$ 14,729</u>	<u>\$ 4,934</u>	<u>\$ 19,663</u>
NET POSITION				
Net investment in capital assets		\$ 10,257	\$ (1,939)	\$ 8,318
Restricted - expendable		322	509	831
Unrestricted		<u>2,552</u>	<u>788</u>	<u>3,340</u>
	TOTAL NET POSITION	<u>\$ 13,131</u>	<u>\$ (642)</u>	<u>\$ 12,489</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE M--CONDENSED COMBINING FINANCIAL INFORMATION--Continued

Condensed Statements of Revenues,
Expenses and Changes in Net Position (000's)

	June 30, 2014		
	<u>University</u>	<u>LLC</u>	<u>Total</u>
OPERATING REVENUES			
Student tuition and fees, net	\$ 5,228	\$ -	\$ 5,228
Other	<u>4,537</u>	<u>517</u>	<u>5,054</u>
TOTAL OPERATING REVENUES	9,765	517	10,282
OPERATING EXPENSES			
Compensation and benefits	10,458	-	10,458
Depreciation	1,651	127	1,778
Other	<u>9,660</u>	<u>57</u>	<u>9,717</u>
TOTAL OPERATING EXPENSES	<u>21,769</u>	<u>184</u>	<u>21,953</u>
OPERATING INCOME (LOSS)	(12,004)	333	(11,671)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	7,872	-	7,872
Grants and contributions	2,901	-	2,901
Interest expense	(545)	(328)	(873)
Other	<u>575</u>	<u>10</u>	<u>585</u>
NET NONOPERATING REVENUES	10,803	(318)	10,485
CAPITAL AND OTHER RESTRICTED			
Appropriations	1,464	-	1,464
Transfers	<u>(627)</u>	<u>627</u>	<u>-</u>
CHANGE IN NET POSITION	(364)	642	278
NET POSITION AT BEGINNING OF YEAR	<u>13,131</u>	<u>(642)</u>	<u>12,489</u>
NET POSITION AT END OF YEAR	<u>\$ 12,767</u>	<u>\$ -</u>	<u>\$ 12,767</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE M--CONDENSED COMBINING FINANCIAL INFORMATION--Continued

	Condensed Statements of Revenues, Expenses and Changes in Net Position (000's)		
	June 30, 2013		
	<u>University</u>	<u>LLC</u>	<u>Total</u>
OPERATING REVENUES			
Student tuition and fees, net	\$ 5,360	\$ -	\$ 5,360
Other	<u>4,219</u>	<u>507</u>	<u>4,726</u>
TOTAL OPERATING REVENUES	9,579	507	10,086
OPERATING EXPENSES			
Compensation and benefits	10,574	-	10,574
Depreciation	1,636	155	1,791
Other	<u>9,549</u>	<u>39</u>	<u>9,588</u>
TOTAL OPERATING EXPENSES	<u>21,759</u>	<u>194</u>	<u>21,953</u>
OPERATING INCOME (LOSS)	(12,180)	313	(11,867)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	7,813	-	7,813
Grants and contributions	2,910	-	2,910
Interest expense	(636)	(261)	(897)
Other	<u>180</u>	<u>8</u>	<u>188</u>
NET NONOPERATING REVENUES	10,267	(253)	10,014
CAPITAL AND OTHER RESTRICTED			
Appropriations	<u>1,798</u>	<u>-</u>	<u>1,798</u>
CHANGE IN NET POSITION	(115)	60	(55)
NET POSITION AT BEGINNING OF YEAR	<u>13,246</u>	<u>(702)</u>	<u>12,544</u>
NET POSITION AT END OF YEAR	<u>\$ 13,131</u>	<u>\$ (642)</u>	<u>\$ 12,489</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE M--CONDENSED COMBINING FINANCIAL INFORMATION--Continued

Condensed Statements of Cash Flows (000's)

	June 30, 2014		
	University	LLC	Total
NET CASH PROVIDED BY (USED IN)			
Operating activities	\$ (9,896)	\$ 349	\$ (9,547)
Noncapital financing activities	10,710	10	10,720
Capital and related financing activities	283	(1,763)	(1,480)
Investing activities	<u>64</u>	<u>1,002</u>	<u>1,066</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,161	(402)	759
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,543</u>	<u>402</u>	<u>3,945</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,704</u>	<u>\$ -</u>	<u>\$ 4,704</u>
	June 30, 2013		
	University	LLC	Total
NET CASH PROVIDED BY (USED IN)			
Operating activities	\$ (9,859)	\$ 466	\$ (9,393)
Noncapital financing activities	10,226	8	10,234
Capital and related financing activities	(989)	(378)	(1,367)
Investing activities	<u>71</u>	<u>(53)</u>	<u>18</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(551)	43	(508)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,094</u>	<u>359</u>	<u>4,453</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,543</u>	<u>\$ 402</u>	<u>\$ 3,945</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE N--PANHANDLE STATE FOUNDATION

The following are significant disclosures of the Foundation:

INVESTMENTS IN SECURITIES

The Foundation's investments in securities, at fair market value, include the following as of December 31, 2013 and 2012:

	2013	2012
Common stocks	\$ 3,086,060	\$ 3,294,950
Mutual funds	1,995,658	1,300,772
Corporate bonds	1,407,286	1,588,277
Asset and mortgage backed securities	2,145,488	2,609,707
Publicly traded limited partnerships	925,179	421,747
Exchange traded and closed end funds	2,686	-
Other investments	89,902	-
Total investments	<u>\$ 9,652,259</u>	<u>\$ 9,215,453</u>

FAIR VALUE MEASUREMENTS

Total investment return consists of the following components:

	2013	2012
Interest income	\$ 183,750	\$ 221,815
Dividend income	228,650	181,744
Partnership distributions	52,316	15,089
Net gains and losses on investments reported at fair value	327,594	318,812
	<u>\$ 792,310</u>	<u>\$ 737,460</u>

FASB ASC No. 820-10-50, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC No. 820-10-50 are described as follows:

Level 1 - Inputs to the value methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of model or other valuation methodologies; and

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE N--PANHANDLE STATE FOUNDATION--Continued

FAIR VALUE MEASUREMENTS--Continued

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The fair market values of the Foundation's investments in securities are determined from quoted prices in active markets, (Level 1, as defined above) as of December 31, 2013, and 2012. The fair market values of the Foundation's CDs are determined by issuer, which is a valuation methodology other than quoted prices in active markets (Level 2, as defined above) as of December 31, 2013, and 2012.

INTEREST IN NET ASSETS OF PERPETUAL TRUST

The Foundation is the beneficiary of assets held in trust by other foundations. Two donors created trusts that are managed through Baptist Foundation of Oklahoma and the Oklahoma United Methodist Foundation. These assets are to be held in perpetuity by the respective foundations, with the trust income to be distributed annually to the Panhandle State Foundation. The funds received from these trusts are for general scholarships and therefore reported as unrestricted. Investments of the trusts were valued at \$494,749 and \$451,038 on December 31, 2013 and 2012, respectively. In accordance with FASB Accounting Standards Codification No. 958, the value of the assets held in trust has been reported as an asset of the Foundation.

RESTRICTED NET ASSETS

In the year 2013 temporarily restricted net assets are available for the following purposes as specified by the donor:

	<u>12/31/2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Reclass</u>	<u>12/31/2013</u>
Contributions received for scholarships	\$ 109,167	\$ 100,605	\$ 103,420	\$ (3,585)	\$ 102,767
Contributions received for staff development	14,872	7,215	2,751	-	19,336
Contributions received for specific programs and student groups	157,379	311,916	286,591	-	182,704
Contributions received for PSU facilities and equipment	8,133	10,000	-	-	18,133
Total temporarily restricted net assets	<u>\$ 289,551</u>	<u>\$ 429,736</u>	<u>\$ 392,762</u>	<u>\$ (3,585)</u>	<u>\$ 322,940</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE N--PANHANDLE STATE FOUNDATION--Continued

RESTRICTED NET ASSETS--Continued

In the year 2012 temporarily restricted net assets are available for the following purposes as specified by the donor:

	<u>12/31/2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Reclass</u>	<u>12/31/2012</u>
Contributions received for scholarships	\$ 113,692	\$ 86,835	\$ 87,197	\$ (4,163)	\$ 109,167
Contributions received for staff development	13,621	5,001	3,750	-	14,872
Contributions received for specific programs and student groups	148,723	315,851	307,195	-	157,379
Contributions received for PSU facilities and equipment	19,162	14,900	25,929	-	8,133
Total temporarily restricted net assets	<u>\$ 295,198</u>	<u>\$ 422,587</u>	<u>\$ 424,071</u>	<u>\$ (4,163)</u>	<u>\$ 289,551</u>

Permanently restricted net assets are restricted to investments held in perpetuity, the income from which is expendable for scholarships to students and for the support of specified academic programs of the University.

In the year 2013 permanently restricted net assets include the following endowment funds:

	<u>Balance</u>	<u>Market</u>		<u>Balance</u>
	<u>12/31/2012</u>	<u>Increase or</u>	<u>Contributions</u>	<u>12/31/2013</u>
		<u>Increase</u>	<u>Reclass</u>	
Endowments:				
Rule of Law Educational Fund	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Lucille Rhoton Fund	319,621	-	-	319,621
Hazel E. Exline Scholarship Endowment	164,289	-	-	164,289
Mary Lee Memorial Endowment	160,000	-	-	160,000
Baughman Foundation Endowment	160,000	-	5,000	165,000
Other permanently restricted funds	1,742,752	-	39,639	1,785,976
Total endowments	<u>3,546,662</u>	<u>-</u>	<u>44,639</u>	<u>3,594,886</u>
Beneficial interests:				
Interest in allie Mitchell Trust	435,674	42,734	-	478,408
Interest in Robert Murphy Trust	15,364	977	-	16,341
	<u>451,038</u>	<u>43,711</u>	<u>-</u>	<u>494,749</u>
Total permanently restricted net assets	<u>\$ 3,997,700</u>	<u>\$ 43,711</u>	<u>\$ 44,639</u>	<u>\$ 4,089,635</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

NOTE N--PANHANDLE STATE FOUNDATION--Continued

RESTRICTED NET ASSETS--Continued

In the year 2012 permanently restricted net assets include the following endowment funds:

	Balance 12/31/2011	Market Increase or Increase	Contributions	Reclass	Balance 12/31/2012
Endowments:					
Rule of Law Educational Fund	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Lucille Rhoton Fund	319,621	-	-	-	319,621
Hazel E. Exline Scholarship Endowment	164,289	-	-	-	164,289
Mary Lee Memorial Endowment	160,000	-	-	-	160,000
Baughman Foundation Endowment	150,000	-	10,000	-	160,000
Other permanently restricted funds	1,647,708	-	90,881	4,163	1,742,752
Total endowments	3,441,618	-	100,881	4,163	3,546,662
Beneficial interests:					
Interest in allie Mitchell Trust	407,206	28,468	-	-	435,674
Interest in Robert Murphy Trust	15,003	361	-	-	15,364
	422,209	28,829	-	-	451,038
Total permanently restricted net assets	\$ 3,863,827	\$ 28,829	\$ 100,881	\$ 4,163	\$ 3,997,700

Selected funds within the three groups of net assets have been reclassified. Reclassified temporarily restricted net assets and permanently restricted net assets are included in the "Reclass" columns of the tables listed on the previous page. Funds in the temporarily restricted net assets grouping that had accumulated enough contributions to endow a continuing scholarship have been reclassified as permanently restricted net assets, based upon an understanding with the donor.

The Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date the donor restricted endowment funds are received, absent of any explicit donor stipulations to the contrary.

The Foundation's policy is to invest endowed assets in such a way as to provide a predictable stream of funding for scholarships to the University while preserving the original principal of endowed funds. When selecting investments, more emphasis is given to investment return rather than growth as a means to provide more current income for scholarships. The rate of return on investments varies according to the market, but the Foundation has been able to consistently maintain a minimum return of at least 5% over the past few years.

The Foundation utilizes a total return approach whereby all funds are pooled for investing and the total earnings are reported as unrestricted net assets. The total earnings are first used to fund the endowed scholarships and the remainder is then used to provide general scholarship support to the University. Any unrealized gains or losses on investments are also reported as unrestricted net assets so that the original amount of the endowment principal is maintained.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

SCHEDULE OF FUNDING PROGRESS FOR SUPPLEMENTAL RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2011	-	159,030	159,030	0.00%	-	0.00%
6/30/2012	-	159,030	159,030	0.00%	-	0.00%
6/30/2013	-	146,095	146,095	0.00%	-	0.00%
6/30/2014	-	146,095	146,095	0.00%	-	0.00%

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

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

**SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST-EMPLOYMENT LIFE INSURANCE BENEFITS**

Actuarial Valuation Date	Actuarial Accrued 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)
6/30/2013	-	25,572	25,572	0.00%	5,913,145	0.43%
6/30/2014	-	25,572	25,572	0.00%	6,043,926	0.42%

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

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

OTHER INFORMATION

COMBINING STATEMENTS OF NET POSITION

OKLAHOMA PANHANDLE STATE UNIVERSITY

	June 30, 2014		
	<u>University</u>	<u>Housing LLC</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,174,020	\$ -	\$ 4,174,020
Restricted cash and cash equivalents	241,706	-	241,706
Accounts receivable, net	319,474	-	319,474
Interest receivable	5,943	-	5,943
Inventories	455,385	-	455,385
TOTAL CURRENT ASSETS	<u>5,196,528</u>	<u>-</u>	<u>5,196,528</u>
NONCURRENT ASSETS			
Restricted cash and cash equivalents	287,978	-	287,978
Investments	144,819	-	144,819
Student loans receivable, net	68,189	-	68,189
Other assets	28,275	-	28,275
Capital assets, net	<u>24,893,561</u>	<u>-</u>	<u>24,893,561</u>
TOTAL NONCURRENT ASSETS	<u>25,422,822</u>	<u>-</u>	<u>25,422,822</u>
TOTAL ASSETS	<u>\$ 30,619,350</u>	<u>\$ -</u>	<u>\$ 30,619,350</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on OCIA lease restructure	<u>\$ 140,477</u>	<u>\$ -</u>	<u>\$ 140,477</u>

COMBINING STATEMENTS OF NET POSITION--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

	June 30, 2014		
	University	Housing LLC	Total
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 171,137	\$ -	\$ 171,137
Accrued liabilities	655,894	-	655,894
Unearned revenue	156,917	-	156,917
Student and other deposits	138,651	-	138,651
Accrued compensated absences	256,982	-	256,982
Current portion of noncurrent liabilities	1,200,205	-	1,200,205
TOTAL CURRENT LIABILITIES	2,579,786	-	2,579,786
NONCURRENT LIABILITIES,			
net of current portion			
Accrued pension benefit obligation	25,572	-	25,572
Federal loan program			
contributions refundable	67,438	-	67,438
Premium on capital lease obligation	227,577	-	227,577
Capital lease obligations	14,883,351	-	14,883,351
TOTAL NONCURRENT LIABILITIES	15,203,938	-	15,203,938
TOTAL LIABILITIES	17,783,724	-	17,783,724
DEFERRED INFLOWS OF RESOURCES			
Deferred credit on OCIA lease restructure	209,369	-	209,369
NET POSITION			
Net investment in capital assets	8,518,695	-	8,518,695
Restricted:			
Expendable:			
Scholarships, research, instruction, and other	44,226	-	44,226
Loans	195,026	-	195,026
Capital projects	375,863	-	375,863
Unrestricted	3,632,924	-	3,632,924
TOTAL NET POSITION	12,766,734	-	12,766,734
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 30,759,827	\$ -	\$ 30,759,827

COMBINING STATEMENTS OF NET POSITION

OKLAHOMA PANHANDLE STATE UNIVERSITY

	June 30, 2013		
	<u>University</u>	<u>Housing LLC</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,064,890	\$ 402,194	\$ 3,467,084
Restricted cash and cash equivalents	223,425	-	223,425
Investments	-	619,373	619,373
Accounts receivable, net	332,959	23,111	356,070
Interest receivable	2,957	-	2,957
Inventories	490,650	-	490,650
TOTAL CURRENT ASSETS	<u>4,114,881</u>	<u>1,044,678</u>	<u>5,159,559</u>
NONCURRENT ASSETS			
Restricted cash and cash equivalents	254,817	-	254,817
Investments	139,677	382,778	522,455
Student loans receivable, net	69,178	-	69,178
Other assets	-	3,749	3,749
Capital assets, net	23,070,266	2,860,389	25,930,655
TOTAL NONCURRENT ASSETS	<u>23,533,938</u>	<u>3,246,916</u>	<u>26,780,854</u>
TOTAL ASSETS	<u>\$ 27,648,819</u>	<u>\$ 4,291,594</u>	<u>\$ 31,940,413</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on OCIA lease restructure	<u>\$ 210,715</u>	<u>\$ -</u>	<u>\$ 210,715</u>

COMBINING STATEMENTS OF NET POSITION--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

	June 30, 2013		
	University	Housing LLC	Total
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 421,340	\$ 127,194	\$ 548,534
Accrued liabilities	650,906	-	650,906
Unearned revenue	160,246	6,840	167,086
Student and other deposits	148,123	-	148,123
Accrued interest payable	33,635	-	33,635
Accrued compensated absences	216,663	-	216,663
Current portion of noncurrent liabilities	<u>1,011,673</u>	<u>125,000</u>	<u>1,136,673</u>
TOTAL CURRENT LIABILITIES	2,642,586	259,034	2,901,620
NONCURRENT LIABILITIES,			
net of current portion			
Accrued pension benefit obligation	19,944	-	19,944
Federal loan program			
contributions refundable	74,353	-	74,353
Revenue bonds payable	1,735,000	4,674,671	6,409,671
Capital lease obligations	<u>10,256,991</u>	<u>-</u>	<u>10,256,991</u>
TOTAL NONCURRENT LIABILITIES	<u>12,086,288</u>	<u>4,674,671</u>	<u>16,760,959</u>
TOTAL LIABILITIES	14,728,874	4,933,705	19,662,579
NET POSITION			
Net investment in capital assets	10,256,721	(1,939,282)	8,317,439
Restricted:			
Expendable:			
Scholarships, research, instruction, and other	22,402	-	22,402
Loans	190,222	-	190,222
Capital projects	109,502	126,028	235,530
Debt service	-	382,778	382,778
Unrestricted	<u>2,551,813</u>	<u>788,365</u>	<u>3,340,178</u>
TOTAL NET POSITION	<u>13,130,660</u>	<u>(642,111)</u>	<u>12,488,549</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 27,859,534</u>	<u>\$ 4,291,594</u>	<u>\$ 32,151,128</u>

COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OKLAHOMA PANHANDLE STATE UNIVERSITY

	Year Ended June 30,2014		
	University	Housing LLC	Total
OPERATING REVENUES			
Student tuition and fees, net of scholarship discounts and allowances of \$6,095,000 in 2014	\$ 5,228,456	\$ -	\$ 5,228,456
Federal grants and contracts	274,781	-	274,781
State and local grants and contracts	500	-	500
Non-governmental grants and contracts	931,556	-	931,556
Auxiliary enterprise charges:			
Housing, net of scholarship discounts and allowances of \$257,000 in 2014	553,653	516,743	1,070,396
Food services, net of scholarship discounts and allowances of \$64,000 in 2014	722,353	-	722,353
Bookstore	589,154	-	589,154
Athletics	201,379	-	201,379
All other	998,101	-	998,101
Other operating revenues	265,044	-	265,044
TOTAL OPERATING REVENUES	9,764,977	516,743	10,281,720
OPERATING EXPENSES			
Compensation and employee benefits	10,458,380	-	10,458,380
Contractual services	2,786,212	7,250	2,793,462
Supplies and materials	1,603,453	-	1,603,453
Utilities	1,170,174	-	1,170,174
Communications	106,151	-	106,151
Other operating expenses	1,878,528	49,273	1,927,801
Scholarships and fellowships	2,115,298	-	2,115,298
Depreciation	1,651,472	126,543	1,778,015
TOTAL OPERATING EXPENSES	21,769,668	183,066	21,952,734
OPERATING INCOME (LOSS)	(12,004,691)	333,677	(11,671,014)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	7,313,359	-	7,313,359
On-behalf contributions to OTRS	559,000	-	559,000
Federal grants	2,497,889	-	2,497,889
State grants	402,804	-	402,804
Other nonoperating revenues	503,000	9,986	512,986
Investment income	72,069	131	72,200
Interest expense	(544,700)	(328,191)	(872,891)
NET NONOPERATING REVENUES (EXPENSES)	10,803,421	(318,074)	10,485,347
GAIN (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(1,201,270)	15,603	(1,185,667)
State appropriations restricted for capital purposes	1,020,974	-	1,020,974
On-behalf payments for OCIA capital leases	442,878	-	442,878
Interaccount transfers	(626,508)	626,508	-
CHANGE IN NET POSITION	(363,926)	642,111	278,185
NET POSITION AT BEGINNING OF YEAR	13,130,660	(642,111)	12,488,549
NET POSITION AT END OF YEAR	\$ 12,766,734	\$ -	\$ 12,766,734

COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OKLAHOMA PANHANDLE STATE UNIVERSITY

	Year Ended June 30, 2013		
	University	Housing LLC	Total
OPERATING REVENUES			
Student tuition and fees, net of scholarship discounts and allowances of \$6,453,000 in 2013	\$ 5,359,579	\$ -	\$ 5,359,579
Federal grants and contracts	190,610	-	190,610
State and local grants and contracts	25,425	-	25,425
Non-governmental grants and contracts	782,258	-	782,258
Auxiliary enterprise charges:			
Housing, net of scholarship discounts and allowances of \$272,000 in 2013	442,633	507,229	949,862
Food services, net of scholarship discounts and allowances of \$68,000 in 2013	837,773	-	837,773
Bookstore	628,851	-	628,851
Athletics	76,989	-	76,989
All other	857,265	-	857,265
Other operating revenues	377,031	-	377,031
TOTAL OPERATING REVENUES	9,578,414	507,229	10,085,643
OPERATING EXPENSES			
Compensation and employee benefits	10,573,559	-	10,573,559
Contractual services	2,661,421	3,500	2,664,921
Supplies and materials	1,851,385	-	1,851,385
Utilities	1,021,470	-	1,021,470
Communications	132,531	-	132,531
Other operating expenses	1,914,441	35,612	1,950,053
Scholarships and fellowships	1,968,394	-	1,968,394
Depreciation	1,636,205	154,711	1,790,916
TOTAL OPERATING EXPENSES	21,759,406	193,823	21,953,229
OPERATING INCOME (LOSS)	(12,180,992)	313,406	(11,867,586)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	7,231,781	-	7,231,781
On-behalf contributions to OTRS	581,000	-	581,000
Federal grants	2,575,243	-	2,575,243
State grants	334,786	-	334,786
Other nonoperating revenues	109,531	7,400	116,931
Investment income	71,141	115	71,256
Interest expense	(636,002)	(260,554)	(896,556)
NET NONOPERATING REVENUES (EXPENSES)	10,267,480	(253,039)	10,014,441
GAIN (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(1,913,512)	60,367	(1,853,145)
State appropriations restricted for capital purposes	1,290,175	-	1,290,175
On-behalf payments for OCIA capital leases	507,523	-	507,523
CHANGE IN NET POSITION	(115,814)	60,367	(55,447)
NET POSITION AT BEGINNING OF YEAR	13,246,474	(702,478)	12,543,996
NET POSITION AT END OF YEAR	\$ 13,130,660	\$ (642,111)	\$ 12,488,549

COMBINING STATEMENTS OF CASH FLOWS

OKLAHOMA PANHANDLE STATE UNIVERSITY

	Year Ended June 30, 2014		
	University	Housing LLC	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Student tuition and fees	\$ 5,187,103	\$ -	\$ 5,187,103
Grants and contracts	1,206,837	-	1,206,837
Auxiliary enterprise charges	3,116,149	533,014	3,649,163
Other operating receipts	266,033	-	266,033
Payments to employees for salaries and benefits	(9,884,600)	-	(9,884,600)
Payments to suppliers	(9,796,113)	(183,717)	(9,979,830)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(9,904,591)	349,297	(9,555,294)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	7,313,359	-	7,313,359
Federal and state grants	2,893,778	-	2,893,778
Miscellaneous revenue	503,000	9,985	512,985
Federal Direct Student Loans receipts	4,129,612	-	4,129,612
Federal Direct Student Loans disbursements	(4,129,612)	-	(4,129,612)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	10,710,137	9,985	10,720,122
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash paid for capital assets	(780,885)	(48,148)	(829,033)
Capital grants and gifts received	1,020,974	-	1,020,974
Proceeds of capital debt	7,353,150	-	7,353,150
Interest paid on capital debt and leases	(409,860)	(294,113)	(703,973)
Principal payments on capital debt	(3,483,791)	(4,830,000)	(8,313,791)
Transfers	(3,408,503)	3,408,503	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	291,085	(1,763,758)	(1,472,673)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of investments	(5,142)	1,002,151	997,009
Interest received on investments	69,083	131	69,214
NET CASH PROVIDED BY INVESTING ACTIVITIES	63,941	1,002,282	1,066,223
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,160,572	(402,194)	758,378
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	3,543,132	402,194	3,945,326
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	\$ 4,703,704	\$ -	\$ 4,703,704

COMBINING STATEMENTS OF CASH FLOWS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

	Year Ended June 30, 2014		
	<u>University</u>	<u>Housing LLC</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (12,004,691)	\$ 333,677	\$ (11,671,014)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,651,472	126,543	1,778,015
Net loss on disposal of fixed assets	21,448	-	21,448
On-behalf contributions to teachers' retirement system	559,000	-	559,000
Changes in operating assets and liabilities:			
Accounts and other receivables	14,474	23,111	37,585
Inventories	35,265	-	35,265
Other assets	(28,275)	-	(28,275)
Accounts payable and accrued liabilities	(180,802)	(127,194)	(307,996)
Unearned revenue	(3,329)	(6,840)	(10,169)
Compensated absences	40,319	-	40,319
Student and other deposits	(9,472)	-	(9,472)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (9,904,591)</u>	<u>\$ 349,297</u>	<u>\$ (9,555,294)</u>
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest on capital debt paid by state agency on behalf of the University	<u>\$ 102,074</u>	<u>\$ -</u>	<u>\$ 102,074</u>
Principal on capital debt paid by state agency on behalf of the University	<u>\$ 340,804</u>	<u>\$ -</u>	<u>\$ 340,804</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION			
Current assets:			
Cash and cash equivalents	\$ 4,174,020	\$ -	\$ 4,174,020
Restricted cash and cash equivalents	241,706	-	241,706
Noncurrent assets:			
Restricted cash and cash equivalents	<u>287,978</u>	<u>-</u>	<u>287,978</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 4,703,704</u>	<u>\$ -</u>	<u>\$ 4,703,704</u>

COMBINING STATEMENTS OF CASH FLOWS

OKLAHOMA PANHANDLE STATE UNIVERSITY

	Year Ended June 30, 2013		
	University	Housing LLC	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Student tuition and fees	\$ 5,273,973	\$ -	\$ 5,273,973
Grants and contracts	998,293	-	998,293
Auxiliary enterprise charges	2,967,663	505,441	3,473,104
Other operating receipts	377,181	-	377,181
Payments to employees for salaries and benefits	(9,937,117)	-	(9,937,117)
Payments to suppliers	(9,538,540)	(39,962)	(9,578,502)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(9,858,547)	465,479	(9,393,068)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	7,231,781	-	7,231,781
Federal and state grants	2,885,129	-	2,885,129
Miscellaneous revenue	109,531	7,400	116,931
Federal Direct Student Loans receipts	4,532,056	-	4,532,056
Federal Direct Student Loans disbursements	(4,532,056)	-	(4,532,056)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	10,226,441	7,400	10,233,841
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash paid for capital assets	(2,391,876)	-	(2,391,876)
Capital grants and gifts received	1,290,175	-	1,290,175
Proceeds of capital debt	834,998	-	834,998
Interest paid on capital debt and leases	(280,895)	(257,169)	(538,064)
Principal payments on capital debt	(442,000)	(120,000)	(562,000)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(989,598)	(377,169)	(1,366,767)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(3,701)	(52,724)	(56,425)
Interest received on investments	74,992	115	75,107
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	71,291	(52,609)	18,682
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(550,413)	43,101	(507,312)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	4,093,545	359,093	4,452,638
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	\$ 3,543,132	\$ 402,194	\$ 3,945,326

COMBINING STATEMENTS OF CASH FLOWS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

	Year Ended June 30, 2013		
	<u>University</u>	<u>Housing LLC</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (12,180,992)	\$ 313,406	\$ (11,867,586)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,636,205	154,711	1,790,916
Net loss on disposal of fixed assets	1,795	-	1,795
On-behalf contributions to teachers' retirement system	581,000	-	581,000
Changes in operating assets and liabilities:			
Accounts and other receivables	18,755	777	19,532
Inventories	(17,982)	-	(17,982)
Accounts payable and accrued liabilities	102,756	(850)	101,906
Unearned revenue	19,941	(2,565)	17,376
Compensated absences	(10,703)	-	(10,703)
Student and other deposits	(9,322)	-	(9,322)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (9,858,547)</u>	<u>\$ 465,479</u>	<u>\$ (9,393,068)</u>
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest on capital debt paid by state agency on behalf of the University	<u>\$ 301,867</u>	<u>\$ -</u>	<u>\$ 301,867</u>
Principal on capital debt paid by state agency on behalf of the University	<u>\$ 205,656</u>	<u>\$ -</u>	<u>\$ 205,656</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION			
Current assets:			
Cash and cash equivalents	\$ 3,064,890	\$ 402,194	\$ 3,467,084
Restricted cash and cash equivalents	223,425	-	223,425
Noncurrent assets:			
Restricted cash and cash equivalents	<u>254,817</u>	<u>-</u>	<u>254,817</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 3,543,132</u>	<u>\$ 402,194</u>	<u>\$ 3,945,326</u>

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133

**Independent Auditors' Report on
Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

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

We have audited the financial statements of Oklahoma Panhandle State University (the "University"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2014. We conducted our audit 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. Our report includes a reference to other auditors who audited the financial statements of Panhandle State Foundation (the "Foundation"), the University's discretely presented component unit, and OPSU Student Housing, L.L.C. (the "LLC") the University's blended component unit, as described in our report on the University's financial statements. The financial statements of the Foundation and the LLC were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation or LLC.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 27, 2014

**Independent Auditors' Report on
Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Oklahoma Panhandle State University's (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2014. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program 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 OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the University as of and for the year ended June 30, 2014, and have issued our report thereon dated October 27, 2014, which contained an unmodified opinion on the financial statements. 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 OMB Circular A-133 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 27, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2014

	<u>CFDA Number</u>	<u>Amount Expended</u>
Student Financial Aid Cluster:		
U.S. Department of Education:		
Direct Programs:		
Office of Student Financial Assistance:		
Federal Pell Grant Program	84.063	\$ 2,384,679
Federal Work Study Program	84.033	45,032
Federal Direct Student Loans	84.268	4,129,612
Perkins Student Loan Program	84.038	39,573
Federal Supplemental Educational Opportunity Grants	84.007	<u>61,410</u>
TOTAL STUDENT FINANCIAL AID CLUSTER		6,660,306
Office of Post-secondary Education TRIO:		
Upward Bound	84.047	<u>285,459</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		285,459
Corporation for National and Community Service:		
AmeriCorps State and National	94.006	<u>903</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 6,946,668</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OKLAHOMA PANHANDLE STATE UNIVERSITY

Year Ended June 30, 2014

NOTE A--BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal awards activity of Oklahoma Panhandle 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B--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 a 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 C--FEDERAL PERKINS LOAN PROGRAM

The University had \$39,609 in Federal Perkins Loans outstanding at June 30, 2014.

NOTE D--SUBRECIPIENTS

During the year ended June 30, 2014, the University did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OKLAHOMA PANHANDLE STATE UNIVERSITY

Year Ended June 30, 2014

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>Program/Cluster</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*

* See the Schedule of Expenditures of Federal Awards for identification of CFDA numbers applicable to the major programs.

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

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

None to report for the June 30, 2014 period.

Section III--Findings Required to be Reported in Accordance with OMB Circular A-133:

None to report for the June 30, 2014 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

OKLAHOMA PANHANDLE STATE UNIVERSITY

Year Ended June 30, 2014

Finding 2013-01: This finding was fully corrected in the current year.

Finding 2013-02: This finding was fully corrected in the current year.