

Oklahoma Panhandle State University

Independent Auditor's Reports and Financial Statements

June 30, 2022 and 2021



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Oklahoma Panhandle State University

June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Oklahoma Panhandle State University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Oklahoma Panhandle State University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Oklahoma Panhandle State University, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Oklahoma Panhandle State University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

Emphasis of a Matter

As disclosed in Note 1, the University implemented the provisions of Governmental Accounting Standards Board Statement No. 87 – Leases. The Standard requires lessees to recognize a right-to-use lease asset and corresponding lease liability for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Other Matters

The 2021 financial statements of Oklahoma Panhandle State University were audited by other auditors whose report dated October 27, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Oklahoma Panhandle State University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Oklahoma Panhandle State University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oklahoma Panhandle State University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the University's Proportionate Share of the Net Pension Liability, Schedule of the University's Pension Contributions, Schedule of the University's OPEB Contributions, and Schedule of Changes in the University's Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oklahoma Panhandle State University's basic financial statements. The Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022, on our consideration of Oklahoma Panhandle State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oklahoma Panhandle State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oklahoma Panhandle State University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

St. Louis, Missouri
November 22, 2022

Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

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, 2022, with fiscal years 2021 and 2020 data presented for comparative purposes. Since this discussion and analysis is designed to focus on current activities resulting in change and current known facts, it should be read in conjunction with the University's basic financial statements and the footnotes.

Financial Highlights

The University ended the year with an increase of 49.4 percent in net position for the year ended June 30, 2022, compared to a decrease of 8.4 percent for the year ended June 30, 2021. Also ending net position for FY21 was restated by \$3,252 due to the implementation of GASB 87 Leases. Some of the financial highlights of the year were:

Net Position: For the year ended June 30, 2022, the University's net position increased \$2,938,590 from \$5,954,272 in 2021 to \$8,892,862 in 2022. The majority of the increase was in restricted net position.

For the year ended June 30, 2021, the University's net position decreased \$548,782 from \$6,503,054 in 2020 to \$5,954,272 in 2021. The majority of the decrease was in unrestricted net position.

Total Revenues: Total revenues increased from \$23,419,334 for the year ended June 30, 2021, to \$28,287,202 for the year ended June 30, 2022. The increase was due mainly to receipt of Federal HEERF funding.

Total revenues decreased from \$23,983,582 for the year ended June 30, 2020, to \$23,419,334 for the year ended June 30, 2021. The decrease was due mainly to insurance proceeds for previous roof damage received during FY20, but not in FY21.

Total Expenses: Total expenses increased from \$23,968,116 for the year ended June 30, 2021, to \$25,348,612 for the year ended June 30, 2022. The increase was primarily a result of increased spending of Federal HEERF funding.

Total expenses increased from \$21,195,418 for the year ended June 30, 2020, to \$23,968,116 for the year ended June 30, 2021. The increase was a result of increased operating expenses due to the increase in contractual expense for the University's partnership with Capital Education for the nursing program.

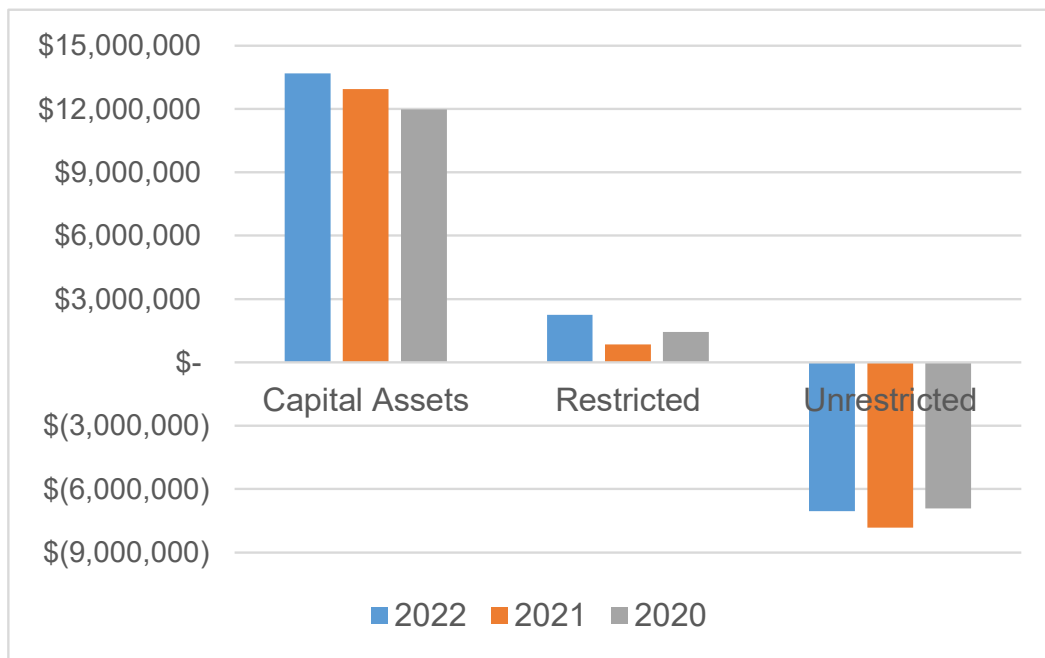
Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

Components of Net Position: At June 30, 2022, the University's net position increased to \$8,892,862 from \$5,954,272 at June 30, 2021, and increased from \$6,503,054 at June 30, 2020. Graphically displayed, the comparative net position increases (decreases) by category for the three fiscal years are shown below:

	Net Investment in Capital Assets	Restricted	Unrestricted	Total
FY22	\$ 13,683,622	\$ 2,256,362	\$ (7,047,122)	\$ 8,892,862
FY21	12,940,179	843,885	(7,829,792)	5,954,272
Change in Net Position	\$ 743,443	\$ 1,412,477	\$ 782,670	\$ 2,938,590
FY21	\$ 12,940,179	\$ 843,885	\$ (7,829,792)	\$ 5,954,272
FY20	11,973,695	1,450,611	(6,921,252)	6,503,054
Change in Net Position	\$ 966,484	\$ (606,726)	\$ (908,540)	\$ (548,782)



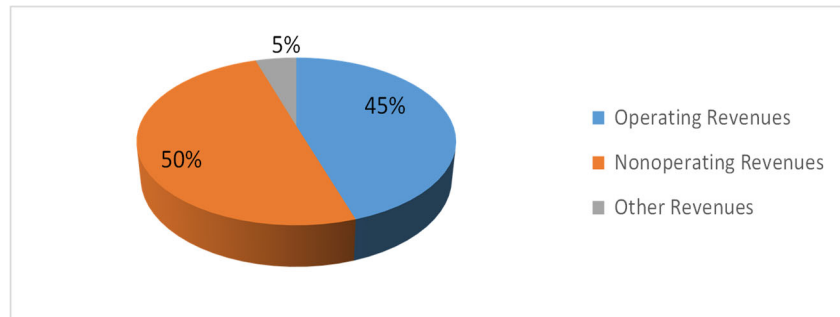
Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

Components of Revenues: The following chart provides a graphical breakdown of revenues by category for the fiscal year ending June 30, 2022:

Operating Revenues	Nonoperating Revenues	Other Revenues	Total Revenues
<u>\$ 12,717,959</u>	<u>\$ 14,167,734</u>	<u>\$ 1,401,509</u>	<u>\$ 28,287,202</u>



Using This Annual Report

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

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

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

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

Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

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, 2022, compared to the year ended June 30, 2021, cash increased due to the receipt of Federal HEERF funding used to help pay off student accounts receivables. Deferred outflows of resources decreased by \$1,928,870 due to the change in the University's share of the OTRS net pension liability. Noncurrent liabilities decreased by \$7,345,233 and deferred inflows of resources increased by \$3,335,316 both due to the same change in the University's share of the OTRS net pension liability mentioned above.

	2022	2021	Increase (Decrease)	Percent Change
Assets		(Restated)		
Current assets	\$ 5,691,481	\$ 5,409,270	\$ 282,211	5.22%
Noncurrent assets				
Restricted cash and cash equivalents	1,495,828	77,695	1,418,133	1825.26%
Restricted investments	231,382	231,743	(361)	-0.16%
Capital assets, net of depreciation	23,378,054	23,656,441	(278,387)	-1.18%
Other	167,565	20,206	147,359	729.28%
Total assets	<u>\$ 30,964,310</u>	<u>\$ 29,395,355</u>	<u>\$ 1,568,955</u>	5.34%
Deferred Outflows of Resources	<u>\$ 2,329,638</u>	<u>\$ 4,258,508</u>	<u>\$ (1,928,870)</u>	-45.29%
Liabilities				
Current liabilities	\$ 3,457,091	\$ 2,745,679	\$ 711,412	25.91%
Noncurrent liabilities	15,406,788	22,752,021	(7,345,233)	-32.28%
Total liabilities	<u>\$ 18,863,879</u>	<u>\$ 25,497,700</u>	<u>\$ (6,633,821)</u>	-26.02%
Deferred Inflows of Resources	<u>\$ 5,537,207</u>	<u>\$ 2,201,891</u>	<u>\$ 3,335,316</u>	151.48%
Net Position				
Net investment in capital assets	\$ 13,683,622	\$ 12,940,179	\$ 743,443	5.75%
Restricted for expendable purposes	2,256,362	843,885	1,412,477	167.38%
Unrestricted	(7,047,122)	(7,829,792)	782,670	10.00%
Total net position	<u>\$ 8,892,862</u>	<u>\$ 5,954,272</u>	<u>\$ 2,938,590</u>	49.35%

Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

For the year ended June 30, 2021, compared to the year ended June 30, 2020, cash decreased due to the spending of insurance proceeds for roof damage that was received in fiscal year 2020 and restricted investment decreased due to the purchase of new furniture with the master lease funds. Deferred outflows of resources increased by \$2,217,540 due to the change in the University's share of the OTRS net pension liability. Noncurrent liabilities increased by \$2,712,317 due to the same change in the University's share of the OTRS net pension liability mentioned above.

	2021	2020	Increase (Decrease)	Percent Change
Assets	(Restated)			
Current assets	\$ 5,409,270	\$ 5,183,315	\$ 225,955	4.36%
Noncurrent assets				
Restricted cash and cash equivalents	77,695	603,681	(525,986)	-87.13%
Restricted investments	231,743	293,177	(61,434)	-20.95%
Capital assets, net of depreciation	23,656,441	23,255,615	400,826	1.72%
Other	20,206	128,943	(108,737)	-84.33%
Total assets	<u>\$ 29,395,355</u>	<u>\$ 29,464,731</u>	<u>\$ (69,376)</u>	-0.24%
Deferred Outflows of Resources	<u>\$ 4,258,508</u>	<u>\$ 2,040,968</u>	<u>\$ 2,217,540</u>	108.65%
Liabilities				
Current liabilities	\$ 2,745,679	\$ 2,228,814	\$ 516,865	23.19%
Noncurrent liabilities	22,752,021	20,039,704	2,712,317	13.53%
Total liabilities	<u>\$ 25,497,700</u>	<u>\$ 22,268,518</u>	<u>\$ 3,229,182</u>	14.50%
Deferred Inflows of Resources	<u>\$ 2,201,891</u>	<u>\$ 2,734,127</u>	<u>\$ (532,236)</u>	-19.47%
Net Position				
Net investment in capital assets	\$ 12,940,179	\$ 11,973,695	\$ 966,484	8.07%
Restricted for expendable purposes	843,885	1,450,611	(606,726)	-41.83%
Unrestricted	(7,829,792)	(6,921,252)	(908,540)	13.13%
Total net position	<u>\$ 5,954,272</u>	<u>\$ 6,503,054</u>	<u>\$ (548,782)</u>	-8.44%

Oklahoma Panhandle State University

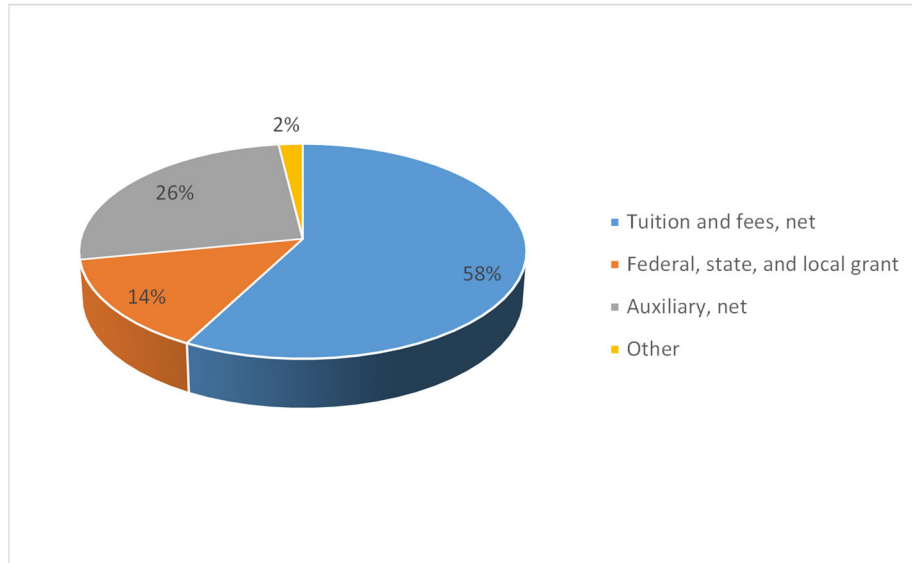
Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

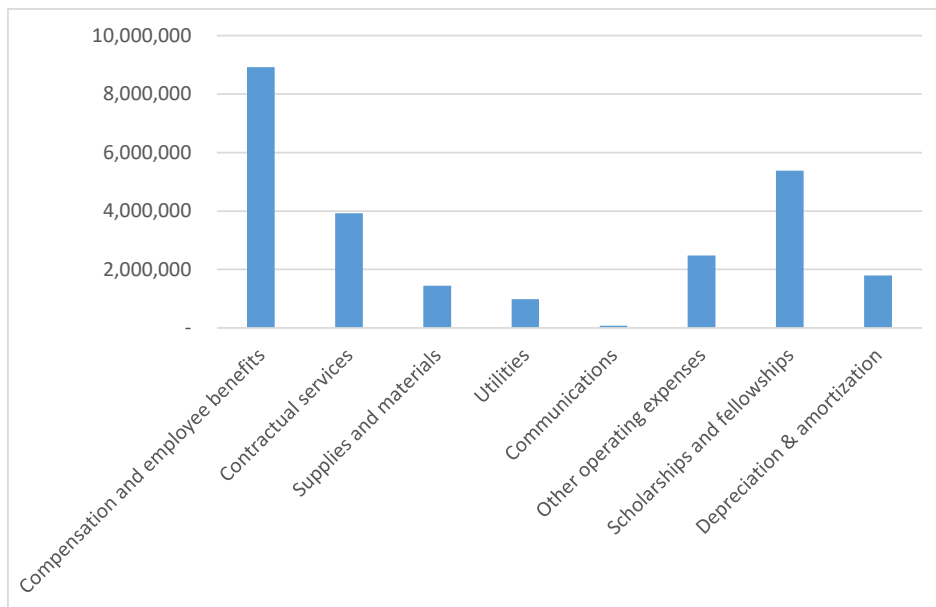
Statement of Revenues, Expenses, and Changes In Net Position

Operating revenues and expenses for the fiscal year ended June 30, 2022, were as follows:

Operating Revenues



Operating Expenses



Oklahoma Panhandle State University
Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

	2022	2021	Increase (Decrease)	Percent Change	2020	Increase (Decrease)	Percent Change
Operating Revenues		(Restated)					
Tuition and fees, net	\$ 7,344,493	\$ 6,623,810	\$ 720,683	10.88%	\$ 5,728,888	\$ 894,922	15.62%
Federal, state, and local grant	1,801,134	1,567,611	233,523	14.90%	1,215,195	352,416	29.00%
Auxiliary, net	3,325,191	2,854,987	470,204	16.47%	2,954,680	(99,693)	-3.37%
Other	247,141	259,436	(12,295)	-4.74%	187,072	72,364	38.68%
Total operating revenue	12,717,959	11,305,844	1,412,115	12.49%	10,085,835	1,220,009	12.10%
Less operating expenses	25,004,485	23,600,124	1,404,361	5.95%	20,781,244	2,818,880	13.56%
Net operating loss	(12,286,526)	(12,294,280)	7,754	-0.06%	(10,695,409)	(1,598,871)	14.95%
Nonoperating Revenues							
State appropriations	6,028,412	5,490,768	537,644	9.79%	5,797,991	(307,223)	-5.30%
On-behalf appropriations for OTRS	345,077	432,564	(87,487)	-20.23%	464,127	(31,563)	-6.80%
Federal and state grants	6,858,627	3,972,244	2,886,383	72.66%	3,078,242	894,002	29.04%
Other nonoperating revenue	891,175	599,668	291,507	48.61%	1,955,600	(1,355,932)	-69.34%
Investment income	44,443	60,914	(16,471)	-27.04%	72,843	(11,929)	-16.38%
Interest expense	(344,127)	(367,992)	23,865	-6.49%	(414,174)	46,182	-11.15%
Net nonoperating revenue	13,823,607	10,188,166	3,635,441	35.68%	10,954,629	(766,463)	-7.00%
Other Revenues, Expenses, Gains, or Losses							
State appropriations restricted for capital purposes	1,216,647	1,000,520	216,127	21.60%	1,029,062	(28,542)	-2.77%
Capital grants	15,189	387,139	(371,950)	-96.08%	1,305,673	(918,534)	-70.35%
On-behalf appropriations for OCIA capital leases	169,673	169,673	-	0.00%	194,209	(24,536)	-12.63%
Total other revenues, expenses, gains, or losses	1,401,509	1,557,332	(155,823)	-10.01%	2,528,944	(971,612)	-38.42%
Increase (Decrease) in Net Position	2,938,590	(548,782)	3,487,372	-635.47%	2,788,164	(3,336,946)	-119.68%
Net Position, Beginning of Year	5,954,272	6,503,054	(548,782)	-8.44%	3,714,890	2,788,164	75.05%
Net Position, End of Year	\$ 8,892,862	\$ 5,954,272	\$ 2,938,590	49.35%	\$ 6,503,054	\$ (548,782)	-8.44%

Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

Statements of Cash Flows

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

	2022	2021	2020
Cash Provided by (Used in)			
Operating activities	\$ (10,637,810)	\$ (8,796,703)	\$ (9,352,153)
Noncapital financing activities	13,778,214	10,045,888	10,820,961
Investing activities	44,974	124,475	1,020,157
Capital and related financing activities	<u>(1,480,058)</u>	<u>(1,536,184)</u>	<u>(1,200,855)</u>
Net Increase (Decrease) in Cash	1,705,320	(162,524)	1,288,110
Cash and Cash Equivalents, Beginning of Year	<u>3,957,534</u>	<u>4,120,058</u>	<u>2,831,948</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,662,854</u></u>	<u><u>\$ 3,957,534</u></u>	<u><u>\$ 4,120,058</u></u>

Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

Summary of Net Position

Although the statements of revenues, expenses, and changes in net position show an increase in net position of \$2,938,590 during fiscal year 2022, 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.

	2022	2021	Increase (Decrease)	Percent Change	2020	Increase (Decrease)	Percent Change
Educational and general	\$ 1,389,691	\$ 1,484,312	\$ (94,621)	-6.37%	\$ 1,289,309	\$ 195,003	15.12%
Auxiliary operations	1,651,302	1,712,261	(60,959)	-3.56%	2,019,153	(306,892)	-15.20%
Pension and OPEB liabilities	(9,929,400)	(11,013,402)	1,084,002	-9.84%	(10,229,714)	(783,688)	7.66%
Other restricted net position	585,296	731,000	(145,704)	-19.93%	791,285	(60,285)	-7.62%
Net position restricted for capital projects	1,512,351	99,922	1,412,429	1413.53%	659,326	(559,404)	-84.84%
Capital assets	<u>13,683,622</u>	<u>12,940,179</u>	<u>743,443</u>	5.75%	<u>11,973,695</u>	<u>966,484</u>	8.07%
	<u>\$ 8,892,862</u>	<u>\$ 5,954,272</u>	<u>\$2,938,590</u>	49.35%	<u>\$ 6,503,054</u>	<u>\$ (548,782)</u>	-8.44%

The unrestricted net position category contains all activity associated with the implementation and reporting of multiple GASB Statements regarding accounting and financial reporting for pensions and other postemployment benefits.

Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

Capital Assets

At June 30, 2022, the University has approximately \$23.4 million invested in capital assets, net of accumulated depreciation and amortization of \$34.9 million. Depreciation and amortization charges totaled \$1,793,997 for the year ended June 30, 2022, compared to \$1,698,868, for the year ended June 30, 2021, and \$1,472,394 for the year ended June 30, 2020. Details of these assets for the three years are shown below.

	2022	2021	2020
Capital Assets			
Land	\$ 361,163	\$ 361,163	\$ 361,163
Construction in progress	1,036,962	423,805	2,229,623
Nonmajor infrastructure networks	9,988,662	9,988,662	9,976,218
Nonstructural improvements	2,629,292	2,586,392	2,579,305
Building and improvements	37,519,971	36,924,818	33,907,273
Equipment	4,995,276	4,897,422	6,263,727
Library materials	1,284,840	1,241,129	1,468,514
Leased assets	491,835	433,564	318,300
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Total capital assets	58,308,001	56,856,955	57,104,123
Less accumulated depreciation and amortization	34,929,947	33,200,514	33,494,532
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Capital assets, net	<u>\$ 23,378,054</u>	<u>\$ 23,656,441</u>	<u>\$ 23,609,591</u>

Long-term Debt Obligations

For the year ended June 30, 2022, the University had \$9,485,078 in debt obligations outstanding, compared to \$10,497,084 at June 30, 2021, and \$11,007,015 at June 30, 2020. The table below summarizes these amounts by type.

	2022	2021	2020
ODFA - Series 2011	\$ -	\$ -	\$ 735,000
OCIA - Series 2014A	3,562,432	3,562,432	3,562,432
ODFA - Series 2014A - 2002	-	200,750	412,416
ODFA - Series 2014A - 2004	255,001	380,584	501,917
ODFA - Series 2014B	2,852,083	3,056,916	3,253,834
ODFA - Series 2017E	747,499	835,416	920,416
ODFA - Series 2018A	459,083	582,000	700,333
ODFA - Series 2019A 15 yr	47,001	70,084	92,167
ODFA - Series 2019A 20 yr	669,000	750,250	828,500
ODFA - Series 2020D	669,000	750,250	-
Leases payable	223,979	308,402	-
	<hr/>	<hr/>	<hr/>
	<u>\$ 9,485,078</u>	<u>\$ 10,497,084</u>	<u>\$ 11,007,015</u>

Oklahoma Panhandle State University

Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

Component Unit

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

Summary

The University's Educational & General Fund ended the year with a decrease of \$94,621 in net position or 6.4 percent. The University's Educational & General Fund ended the year with net reserves of 13.4 percent of Educational & General Fund expenditures.

The University ended fiscal year 2022 with an overall increase of \$2,938,590 in total net position. This is a 49.4 percent increase in overall net position. This increase in net position was primarily in the restricted for capital projects and Pension and OPEB liability portion of net position.

The fall 2022 enrollment for the University was a head count of 1,175, which is a 9.8 percent decrease from fall 2021 of 1,302. This follows a decrease of 2.2 percent in headcount for fall 2021 headcount of 1,302 over fall 2020 headcount of 1,331. Credit hours are down for fall 2022 from fall 2021 by 10.0 percent after being down by 4.9 percent fall 2021 over fall 2020.

Economic Factors

The COVID-19 pandemic accelerated our shift to provide fully online courses on a temporary basis; however, the pandemic also provided us with a new opportunity to offer permanent robust and flexible online offerings.

As part of the CARES Act the University received a total of \$5,508,450 in HEERF I, II, and III funding to be expended by June 30, 2023.

Contacting the University's Financial Management

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

Oklahoma Panhandle State University

Statements of Net Position

June 30, 2022 and 2021

	University June 30		Foundation December 31	
	2022	2021	2021	2020
Assets		(Restated)		
Current Assets				
Cash and cash equivalents	\$ 3,403,052	\$ 3,415,500	\$ 396,340	\$ 451,917
Restricted cash and cash equivalents	763,974	464,339	-	-
Certificates of deposit	-	-	190,000	190,000
Accounts receivable, net	1,313,709	1,080,416	-	-
Grants receivable	48,468	272,754	-	-
Interest receivable	3,775	3,910	946	946
Inventories	158,503	172,351	-	-
Total current assets	5,691,481	5,409,270	587,286	642,863
Noncurrent Assets				
Restricted cash and cash equivalents	1,495,828	77,695	-	-
Restricted investments	231,382	231,743	20,170,441	17,414,642
Student loans receivable, net	8,850	7,243	-	-
Restricted net OPEB asset	158,715	12,963	-	-
Investments	-	-	30,722	30,722
Capital assets, net	23,378,054	23,656,441	-	-
Total noncurrent assets	25,272,829	23,986,085	20,201,163	17,445,364
Total assets	30,964,310	29,395,355	20,788,449	18,088,227
Deferred Outflows of Resources				
Deferred outflows related to debt refinance	36,012	37,916	-	-
Deferred outflows related to OPEB	170,193	227,441	-	-
Deferred outflows related to pensions	2,123,433	3,993,151	-	-
Total deferred outflows of resources	2,329,638	4,258,508	-	-

Oklahoma Panhandle State University
Statements of Net Position
June 30, 2022 and 2021

	University June 30		Foundation December 31	
	2022	2021	2021	2020
Liabilities	(Restated)			
Current Liabilities				
Accounts payable	\$ 759,533	\$ 486,607	\$ 6,000	\$ -
Accrued liabilities	442,580	278,684	-	-
Unearned revenue	632,362	463,544	-	-
Student deposits	166,995	133,795	225,414	229,287
Accrued compensated absences	229,375	277,805	9,755	9,472
Current portion of total OPEB liability	40,000	40,000		
Current portion of long-term obligations	1,186,246	1,065,244	-	-
Total current liabilities	<u>3,457,091</u>	<u>2,745,679</u>	<u>241,169</u>	<u>238,759</u>
Noncurrent Liabilities				
Noncurrent portion of total OPEB liability	543,487	706,845	-	-
Net pension liability	6,366,270	12,416,462	-	-
Lease obligations	105,483	169,416	-	-
Debt obligations	8,391,548	9,459,298	-	-
Total noncurrent liabilities	<u>15,406,788</u>	<u>22,752,021</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>18,863,879</u>	<u>25,497,700</u>	<u>241,169</u>	<u>238,759</u>
Deferred Inflows of Resources				
Deferred credit on OCIA lease restructure	105,223	118,241	-	-
Deferred inflows related to pensions	4,693,458	1,494,734	-	-
Deferred inflows related to OPEB	<u>738,526</u>	<u>588,916</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>5,537,207</u>	<u>2,201,891</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	13,683,622	12,940,179	-	-
Restricted for				
Nonexpendable - scholarships and other	-	-	8,330,393	8,089,408
Expendable				
Scholarships, research, instruction, and other	370,233	466,188	1,331,398	1,260,391
Loans	215,063	264,812	-	-
Capital projects	1,512,351	99,922	-	-
OPEB	158,715	12,963	-	-
Unrestricted	<u>(7,047,122)</u>	<u>(7,829,792)</u>	<u>10,885,489</u>	<u>8,499,669</u>
Total net position	<u>\$ 8,892,862</u>	<u>\$ 5,954,272</u>	<u>\$ 20,547,280</u>	<u>\$ 17,849,468</u>

Oklahoma Panhandle State University
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

	University June 30		Foundation December 31	
	2022	2021	2021	2020
Operating Revenues	(Restated)			
Tuition and fees, net of scholarship discounts and allowances: 2022 - \$6,707,000; 2021 - \$6,559,000	\$ 7,344,493	\$ 6,623,810	\$ -	\$ -
Federal grants and contracts	721,679	484,888	-	-
State and local grants and contracts	172,050	69,942	-	-
Nongovernmental grants and contracts	907,405	1,012,781	-	-
Auxiliary enterprise charges				
Housing, net of scholarship discounts and allowances: 2022 - \$282,000; 2021 - \$276,000	1,301,768	1,041,178	-	-
Food services, net of scholarship discounts and allowances: 2022 - \$71,000; 2021 - \$69,000	671,820	579,886	-	-
Bookstore	471,475	400,616	-	-
Athletics	130,649	108,011	-	-
Other	749,479	725,296	-	-
Gifts and contributions	-	-	1,052,676	1,103,128
Other operating revenues	247,141	259,436	-	-
Total operating revenues	12,717,959	11,305,844	1,052,676	1,103,128
Operating Expenses				
Compensation and employee benefits	8,924,394	10,721,097	110,129	108,520
Contractual services	3,922,841	3,811,512	13,349	21,894
Supplies and materials	1,439,639	1,533,533	2,425	1,825
Utilities	982,091	836,157	-	-
Communications	72,339	76,976	-	-
Other operating expenses	2,484,233	2,180,563	11,768	14,785
Scholarships and fellowships	5,384,951	2,741,418	1,125,939	1,101,442
Depreciation & amortization	1,793,997	1,698,868	-	-
Total operating expenses	25,004,485	23,600,124	1,263,610	1,248,466
Operating Loss	(12,286,526)	(12,294,280)	(210,934)	(145,338)

Oklahoma Panhandle State University
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

	University June 30		Foundation December 31	
	2022	2021	2021	2020
	(Restated)			
Nonoperating Revenues (Expenses)				
State appropriations	\$ 6,028,412	\$ 5,490,768	\$ -	\$ -
OTRS on-behalf contributions	345,077	432,564	-	-
Federal grants and contracts	6,574,692	3,595,919	-	-
State grants and contracts	283,935	376,325	-	-
Contributions and other non-operating revenues	891,175	599,668	-	-
Net realized and unrealized gains and (losses) on investments	-	-	1,936,632	(695,541)
Investment income	44,443	60,914	995,382	580,191
Interest expense	(344,127)	(367,992)	-	-
Net nonoperating revenues (expenses)	13,823,607	10,188,166	2,932,014	(115,350)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	1,537,081	(2,106,114)	2,721,080	(260,688)
Other Revenues, Expenses, Gains, or Losses				
State appropriations restricted for capital purposes	1,216,647	1,000,520	-	-
Capital grants	15,189	387,139	-	-
On-behalf payments for OCIA debt obligations	169,673	169,673	-	-
Total other revenues, expenses, gains, or losses	1,401,509	1,557,332	-	-
Increase (Decrease) in Net Position	2,938,590	(548,782)	2,721,080	(260,688)
Net Position, Beginning of Year (restated)	5,954,272	6,503,054	17,826,200	18,110,156
Net Position, End of Year	\$ 8,892,862	\$ 5,954,272	\$ 20,547,280	\$ 17,849,468

Oklahoma Panhandle State University
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
		(Restated)
Cash Flows from Operating Activities		
Tuition and fees	\$ 7,290,563	\$ 6,704,963
Grants and contracts	2,025,420	1,805,318
Auxiliary enterprise charges	3,347,846	2,730,841
Other operating receipts	245,534	297,660
Payments to employees for salaries and benefits	(9,547,853)	(9,605,252)
Payments to suppliers	(13,999,320)	(10,730,233)
Net cash used in operating activities	(10,637,810)	(8,796,703)
Cash Flows from Noncapital Financing Activities		
State appropriations	6,028,412	5,490,768
Federal grants and contracts	6,574,692	3,579,127
State and local grants and contracts	283,935	376,325
Contributions and other nonoperating revenues	891,175	599,668
Net cash provided by noncapital financing activities	13,778,214	10,045,888
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(1,515,610)	(1,789,800)
Proceeds from sale of capital assets	-	8,406
Capital appropriations received	1,216,647	1,000,520
Proceeds from capital grants	15,189	387,139
Proceeds from debt and leases	58,236	876,264
Interest paid on debt and leases	(235,409)	(300,468)
Principal payments on debt and leases	(1,019,111)	(1,718,245)
Net cash used in capital and related financing activities	(1,480,058)	(1,536,184)
Cash Flows from Investing Activities		
Purchase of investments	396	-
Proceeds from sales and maturities of investments	-	61,434
Interest received on investments	44,578	63,041
Net cash provided by investing activities	44,974	124,475
Net increase (decrease) in cash and cash equivalents	1,705,320	(162,524)
Cash and Cash Equivalents, Beginning of Year	3,957,534	4,120,058
Cash and Cash Equivalents, End of Year	\$ 5,662,854	\$ 3,957,534

(Continued)

Oklahoma Panhandle State University
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
		(Restated)
Reconciliation of Operating Loss to Net		
Cash Used in Operating Activities		
Operating loss	\$ (12,286,526)	\$ (12,294,280)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization expense	1,793,997	1,698,868
On-behalf contributions to teachers' retirement system	345,077	432,564
Changes in net assets and liabilities		
Accounts and other receivables	(10,614)	(2,430)
Inventories	13,848	176,034
Restricted net OPEB asset	(145,752)	70,513
Deferred outflows related to OPEB	57,248	(91,893)
Deferred outflows related to pensions	1,869,718	(2,087,731)
Accounts payable and accrued liabilities	436,822	95,673
Total OPEB liability	(163,358)	(17,204)
Net pension liability	(6,050,192)	3,479,654
Deferred inflows related to OPEB	149,610	(14,565)
Deferred inflows related to pensions	3,198,724	(504,653)
Unearned revenue	168,818	201,218
Compensated absences	(48,430)	27,379
Student deposits and deposits held in custody for others	33,200	34,150
	<u>\$ (10,637,810)</u>	<u>\$ (8,796,703)</u>
Net cash used in operating activities		
	<u>\$ (10,637,810)</u>	<u>\$ (8,796,703)</u>
Noncash Investing, Noncapital Financing, and Capital and Related Financing Activities		
Interest on capital debt paid by state agency on behalf of the University	\$ 169,673	\$ 169,673
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current assets		
Cash and cash equivalents	\$ 3,403,052	\$ 3,415,500
Restricted cash and cash equivalents	763,974	464,339
Noncurrent assets		
Restricted cash and cash equivalents	1,495,828	77,695
	<u>\$ 5,662,854</u>	<u>\$ 3,957,534</u>
Total cash and cash equivalents		

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

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

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

Discretely Presented Component Unit

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

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2022 and 2021

No modifications have been made to the Foundation's financial information for these differences. The Foundation prepares separate, standalone financial statements which may be obtained by contacting the Foundation's management.

Financial Statement Presentation

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

Basis of Accounting

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

Cash Equivalents

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

Investments

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

Accounts Receivable

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

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2022 and 2021

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

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

Inventories

Inventories consist primarily of rental books, books, and supplies held for resale and livestock. Rental books are valued at amortized cost, using an average three-year life. Books and supplies held for resale are valued at the lower of cost or market on the first-in, first-out basis. Livestock are valued at estimated current fair market value. In FY21, the University outsourced their book service to Akademos, so inventory no longer includes books or rental books that are for academic purposes.

Restricted Cash and Investments

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

Capital Assets

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

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

Unearned Revenue

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

Leases

The University is a party as lessor for various non-cancellable long-term leases of equipment and vehicles. The corresponding lease receivable or lease payable, are recorded in an amount equal to the

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2022 and 2021

present value of the expected future minimum lease payments received or received, respectively, discounted by an applicable interest rate.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes and is earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statements of net position and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net position.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates. For leases the University uses an estimate based on municipal bond rate yield curves as the discount rate unless the rate that the lessor/vendor charges is known.

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

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

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

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2022 and 2021

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

Income Taxes

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

Classification of Revenues

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

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

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

Tuition and Fees Revenue

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

Scholarship Discounts and Allowances

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

To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2022 and 2021

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. The University's deferred outflows of resources were comprised of debits realized on an ODFA debt refinance and deferred outflows related to net pension and OPEB obligations.

Deferred Inflows of Resources

Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. The University's deferred inflows of resources were comprised of credits realized on an OCIA debt restructure and deferred inflows related to net pension and OPEB obligations.

Cost-Sharing Defined Benefit Pension Plan

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

Single Employer and Cost-Sharing Defined Benefit Other Postemployment Plans

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

New Accounting Pronouncement Adopted in Fiscal Year 2022

The University adopted the following new accounting pronouncement during the year ended June 30, 2022:

GASB Statement No. 87, Leases

GASB 87 was issued in June 2017; the primary objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2022 and 2021

enhancing the relevance and consistency of information about governments' leasing activities. The University adopted GASB 87 for the June 30, 2022, reporting year and the implementation had an immaterial effect net on the University's financials.

Restatement

The University implemented GASB 87 *Leases* in 2022. Due to this implementation the University restated ending net position for 2021 for the addition of leased capital assets and lease liabilities and the corresponding annual lease payment activity. This resulted in an increase in capital assets of \$305,150 and an increase in current portion of long-term debt of \$138,986 and long-term leases liability of \$169,416 for a total liability increase of \$308,402 and a corresponding change in FY21 ending net position of a decrease of \$3,252.

Note 2: Deposits and Investments

Deposits

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

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

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

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

	2022	2021
Deposits with the State Treasurer	\$ 5,639,784	\$ 3,932,417
U.S. financial institutions	3,070	5,117
Change funds	<u>20,000</u>	<u>20,000</u>
Total deposits	<u>\$ 5,662,854</u>	<u>\$ 3,957,534</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.

Of the \$5,639,784 and \$3,932,417 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2022 and 2021, respectively, \$3,562,837 and \$3,793,687, respectively, represent amounts held within OK INVEST, an internal investment pool. Agencies and funds that are considered to be

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part of the State's reporting entity in the State's Annual Comprehensive Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages, and the types and maturities of allowable investments.

The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. After evaluation of the use and purpose of the University's participation in the internal investment pool, the amount on deposit with OK INVEST is treated as demand accounts and reported as cash equivalents.

At June 30, 2022 and 2021, the University also held nonnegotiable certificates of deposit totaling \$8,127 and \$21,114, 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.

Investments

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

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

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

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Types of Investments	Fair Value Hierarchy	Credit Rating	Maturities	2022	2021
U.S. Agency mortgage-backed securities	Level 2	Aaa	More than 10 years	\$ 12,787	\$ 16,601
Certificates of deposit	N/A	N/A	Less than one year	8,127	21,114
Money market funds	N/A	N/A	Less than one year	210,468	194,028
				<u>\$ 231,382</u>	<u>\$ 231,743</u>

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

All United States government obligations are held by the Federal Reserve Bank in the name of the University. The majority of the University's certificates of deposits are maintained through an investment brokerage firm.

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

Note 3: Accounts Receivable

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

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	<u>2022</u>	<u>2021</u>
Student tuition and fees	\$ 3,691,919	\$ 2,932,006
Auxiliary enterprises and other student activities	<u>2,927,162</u>	<u>3,279,361</u>
	6,619,081	6,211,367
Less allowance for doubtful accounts	<u>5,305,372</u>	<u>5,130,951</u>
Accounts receivable, net	<u>\$ 1,313,709</u>	<u>\$ 1,080,416</u>

Note 4: Loans Receivable

The University 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:

	2022
	<u>I.L. Ennis Loan Fund</u>
Loans receivable	\$ 177,000
Less allowance for uncollectible loans	<u>(168,150)</u>
Loans receivable, net	<u>\$ 8,850</u>
	2021
	<u>I.L. Ennis Loan Fund</u>
Loans receivable	\$ 182,787
Less allowance for uncollectible loans	<u>(175,544)</u>
Loans receivable, net	<u>\$ 7,243</u>

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Note 5: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2022:

	2022				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated					
Land	\$ 361,163	\$ -	\$ -	\$ -	\$ 361,163
Construction in progress	423,805	1,126,491	(513,334)	-	1,036,962
Total capital assets not being depreciated	784,968	1,126,491	(513,334)	-	1,398,125
Capital assets being depreciated					
Nonmajor infrastructure networks	9,988,662	-	-	-	9,988,662
Nonstructural improvements	2,586,392	42,900	-	-	2,629,292
Building and improvements	36,924,818	81,819	513,334	-	37,519,971
Equipment	4,897,422	98,274	-	(420)	4,995,276
Library materials	1,241,129	107,855	-	(64,144)	1,284,840
Total capital assets being depreciated	55,638,423	330,848	513,334	(64,564)	56,418,041
Accumulated depreciation					
Nonmajor infrastructure networks	7,276,882	467,876	-	-	7,744,758
Nonstructural improvements	1,364,045	125,386	-	-	1,489,431
Building and improvements	19,346,194	834,102	-	-	20,180,296
Equipment	4,221,276	137,097	-	(420)	4,357,953
Library materials	863,703	84,854	-	(64,144)	884,413
Total accumulated depreciation	33,072,100	1,649,315	-	(64,564)	34,656,851
Lease assets being amortized					
Equipment	433,564	58,271	-	-	491,835
Total lease assets being amortized	433,564	58,271	-	-	491,835
Lease asset accumulated amortization					
Equipment	128,414	144,682	-	-	273,096
Total accumulated amortization	128,414	144,682	-	-	273,096
Capital assets, net	\$ 23,656,441	\$ (278,387)	\$ -	\$ -	\$ 23,378,054

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Following are the changes in capital assets for the year ended June 30, 2021:

	2021				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated					
Land	\$ 361,163	\$ -	\$ -	\$ -	\$ 361,163
Construction in progress	2,229,623	373,278	(2,179,096)	-	423,805
Total capital assets not being depreciated	2,590,786	373,278	(2,179,096)	-	784,968
Capital assets being depreciated					
Nonmajor infrastructure networks	9,976,218	12,444	-	-	9,988,662
Nonstructural improvements	2,579,305	-	7,087	-	2,586,392
Building and improvements	33,907,273	845,536	2,172,009	-	36,924,818
Equipment	6,263,727	356,252	-	(1,722,557)	4,897,422
Library materials	1,432,838	87,027	-	(278,736)	1,241,129
Total capital assets being depreciated	54,159,361	1,301,259	2,179,096	(2,001,293)	55,638,423
Accumulated depreciation					
Nonmajor infrastructure networks	6,809,895	466,987	-	-	7,276,882
Nonstructural improvements	1,238,693	125,352	-	-	1,364,045
Building and improvements	18,566,874	779,320	-	-	19,346,194
Equipment	5,820,608	114,818	-	(1,714,150)	4,221,276
Library materials	1,058,462	83,977	-	(278,736)	863,703
Total accumulated depreciation	33,494,532	1,570,454	-	(1,992,886)	33,072,100
Lease assets being amortized					
Equipment	318,300	115,264	-	-	433,564
Total lease assets being amortized	318,300	115,264	-	-	433,564
Lease asset accumulated amortization					
Equipment	-	128,414	-	-	128,414
Total accumulated amortization	-	128,414	-	-	128,414
Capital assets, net	\$ 23,573,915	\$ 90,933	\$ -	\$ (8,407)	\$ 23,656,441

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Note 6: Noncurrent Liabilities

Noncurrent liability activity for the years ended June 30, 2022 and 2021, was as follows:

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
OCIA - Series 2014A (2.00% - 5.00%)	\$ 3,562,432	\$ -	\$ -	\$ 3,562,432	\$ 332,081
ODFA - Series 2014A - 2002 (3.00% - 5.00%)	200,750	-	(200,750)	-	-
ODFA - Series 2014A - 2004 (3.00% - 5.00%)	380,584	-	(125,583)	255,001	132,167
ODFA - Series 2014B (2.00% - 3.375%)	3,056,916	-	(204,833)	2,852,083	211,333
ODFA - Series 2017E (2.15% - 3.60%)	835,416	-	(87,917)	747,499	90,000
ODFA - Series 2018A (3.75% - 4.00%)	582,000	-	(122,917)	459,083	127,917
ODFA - Series 2019A 15 yr (3.00% - 5.00%)	70,084	-	(23,083)	47,001	24,083
ODFA - Series 2019A 20 yr (3.00% - 5.00%)	750,250	-	(81,250)	669,000	84,250
ODFA - Series 2020D (4.00% - 5.00%)	736,500	-	(30,083)	706,417	31,167
Premiums	210,624	-	(49,841)	160,783	34,752
Leases payable	308,402	58,271	(142,694)	223,979	118,496
Total noncurrent liabilities	\$ 10,693,958	\$ 58,271	\$ (1,068,951)	\$ 9,683,278	\$ 1,186,246

	2021 (Restated)				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
ODFA - Series 2011 (0.45% - 5.00%)	\$ 735,000	\$ -	\$ (735,000)	\$ -	\$ -
OCIA - Series 2014A (2.00% - 5.00%)	3,562,432	-	-	3,562,432	-
ODFA - Series 2014A - 2002 (3.00% - 5.00%)	412,416	-	(211,666)	200,750	200,750
ODFA - Series 2014A - 2004 (3.00% - 5.00%)	501,917	-	(121,333)	380,584	125,583
ODFA - Series 2014B (2.00% - 3.375%)	3,253,834	-	(196,918)	3,056,916	204,833
ODFA - Series 2017E (2.15% - 3.60%)	920,416	-	(85,000)	835,416	87,917
ODFA - Series 2018A (3.75% - 4.00%)	700,333	-	(118,333)	582,000	122,916
ODFA - Series 2019A 15 yr (3.00% - 5.00%)	92,167	-	(22,083)	70,084	23,083
ODFA - Series 2019A 20 yr (3.00% - 5.00%)	828,500	-	(78,250)	750,250	81,250
ODFA - Series 2020D (4.00% - 5.00%)	-	761,000	(24,500)	736,500	30,083
Premiums	261,839	-	(51,215)	210,624	49,843
Leases payable	318,300	115,264	(125,162)	308,402	138,986
Total debt obligations	11,587,154	876,264	(1,769,460)	10,693,958	1,065,244
Other noncurrent liabilities					
Federal loan program contribution	16,792	-	(16,792)	-	-
Total other noncurrent liabilities	16,792	-	(16,792)	-	-
Total noncurrent liabilities	\$ 11,603,946	\$ 876,264	\$ (1,786,252)	\$ 10,693,958	\$ 1,065,244

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Oklahoma Capital Improvement Authority Debt Obligations (OCIA)

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

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

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

During fiscal year 2014, the University's remaining 2005 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 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 agreement with OCIA was automatically restructured to secure the new bond issues. The 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, 2022, and 2021, the unamortized gain totaled \$105,223 and \$118,241, respectively.

Debt principal and interest payments to OCIA related to Series 2014A, totaling \$169,673 and \$169,673 during the years ended June 30, 2022 and 2021, respectively, were made by the State of Oklahoma on behalf of the University. These payments have been recorded as on-behalf payments for OCIA in the statements of revenues, expenses, and changes in net position.

Oklahoma Development Finance Authority Debt Obligation (ODFA)

On June 14, 2014, the University entered into a debt obligation Series 2014A in the amount of \$2,693,000 to refinance the 2002 Revenue Bonds and Series 2004A ODFA obligation. Payments over the term of the agreement, including interest, total \$1,792,941 and \$1,385,449 for 2002A and 2004A, respectively. Payments begin July 15, 2014, and go through May 15, 2022 and 2024, for the 2002A and 2004A, respectively, and will range from \$206,773 to \$233,039 for the 2002A and \$126,518 to \$153,888 for the 2004A, annually.

On March 10, 2014, the University entered into a debt obligation Series 2014B in the amount of \$4,405,000 to refinance the 2003 A & B Student Housing Revenue Bonds. 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.

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On December 3, 2017, the University entered into a debt obligation Series 2017E in the amount of \$1,135,000 for football field improvements. Payments over the term of the agreement, including interest, total \$1,386,539. Payments began December 15, 2017, and go through November 15, 2029, and will range from \$47,483 to \$117,302 annually.

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

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

On October 15, 2020, the University entered into a debt obligation Series 2020D in the amount of \$761,000 to refinance the 2011 ODFA obligation. Payments over the term of the agreement, including interest, total \$976,226, respectively. Payments began November 15, 2020, and go through May 15, 2041 and will range from \$3,678 to \$4,568 annually.

Future minimum payments under the University's debt obligations are as follows at June 30, 2022:

	Principal	Interest	Total
Years ending June 30			
2023	\$ 1,032,998	\$ 372,145	\$ 1,405,143
2024	1,056,712	333,408	1,390,120
2025	940,608	292,229	1,232,837
2026	892,841	256,852	1,149,693
2027	866,128	220,324	1,086,452
2028 - 2032	3,723,562	570,435	4,293,997
2033 - 2037	614,001	62,398	676,399
2038 - 2041	171,666	12,611	184,277
	<u>\$ 9,298,516</u>	<u>\$ 2,120,402</u>	<u>\$ 11,418,918</u>

Leases Payable

The College as a lessee, has entered into lease agreements involving various equipment and vehicles summarized below.

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Leases of equipment, such as copiers, vehicles, etc.:
Annual installments totaling \$152,928 with interest
rates ranging from 0.48% to 6.23%, and due dates
ranging from October 2022 to April 2027.

\$ 223,979

	Principal	Interest	Total
Years ending June 30			
2023	118,428	3,969	\$ 122,397
2024	53,693	2,231	55,924
2025	27,716	1,280	28,996
2026	15,868	584	16,452
2027	8,274	117	8,391
	<u>\$ 223,979</u>	<u>\$ 8,181</u>	<u>\$ 232,160</u>

Note 7: Retirement Plans

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

Plan Description

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

Benefits Provided

OTRS provides retirement, disability, and death benefits to members of the plan.

Benefit provisions include:

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

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- Final compensation for members who joined the System prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995, to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation, except for certain employees of the State's two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2 percent of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions

The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute, amended by the Oklahoma Legislature and are not based on actuarial calculations. Employees are required to contribute 7 percent of their annual pay. Participating employers are required to contribute 8.55 percent of the employees' annual pay and an additional 7.70 percent for any employees' salaries covered by federal funds. Contributions to the pension plan from the University were \$640,400 and \$622,297 for June 30, 2022 and 2021, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, totaling \$345,077 and \$432,564 during 2022 and 2021, respectively, which were recognized by the University; these on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2022 and 2021, the University reported a liability of \$6,366,270 and \$12,416,462, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, and June 30, 2020.

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The University's proportion of the net pension liability was based on the University's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2021 and June 30, 2020. Based upon this information, the University's proportion was 0.1246 percent and 0.1308 percent for June 30, 2022 and 2021, respectively.

For the years ended June 30, 2022 and 2021, the University recognized pension expense of \$3,727 and \$1,942,131, respectively.

At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 419,774	\$ 236,740
Changes of assumptions	990,334	63,400
Net difference between projected and actual earnings on pension plan investments	-	3,306,563
Changes in proportion and differences between University contributions and proportionate share of contributions	62,517	1,085,270
University contributions during the measurement period	10,408	1,485
University contributions subsequent to the measurement date	<u>640,400</u>	<u>-</u>
Total	<u><u>\$ 2,123,433</u></u>	<u><u>\$ 4,693,458</u></u>

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 604,457	\$ 210,296
Changes of assumptions	1,522,723	179,387
Net difference between projected and actual earnings on pension plan investments	1,070,303	-
Changes in proportion and differences between University contributions and proportionate share of contributions	168,474	1,101,937
University contributions during the measurement period	4,897	3,114
University contributions subsequent to the measurement date	<u>622,297</u>	<u>-</u>
Total	<u>\$ 3,993,151</u>	<u>\$ 1,494,734</u>

The \$640,400 and \$622,297 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date for June 30, 2022 and 2021, respectively, will be recognized as a reduction of the net pension liability in the years ended June 30, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount Recognized
2023	\$ (840,926)
2024	(617,832)
2025	(623,009)
2026	(1,095,851)
2027	<u>(32,807)</u>
	<u>\$ (3,210,425)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2022 and 2021, was determined based on an actuarial valuation prepared as of June 30, 2021 and 2020, respectively, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.25%
- Future Ad Hoc Cost-of-living Increases – None

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- Salary Increases – Composed of 2.25% for inflation, including 0.75% for 2020 & 2.50% for 2019 price inflation, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return – 7.00%
- Retirement Age - — Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five-year experience study for the period ending June 30, 2019
- Mortality Rates after Retirement – Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020
- Mortality Rates for Active Members – Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2022 and 2021, are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	4.3%
International Equity	19.0%	5.2%
Fixed Income	22.0%	0.4%
Real Estate**	9.0%	4.3%
Alternative Assets	6.5%	6.5%
Total	100.00%	

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

Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability as of June 30, 2022, and June 30, 2021, respectively. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.00 percent. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Oklahoma Panhandle State University
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employers calculated using the respective discount rate for 2022 and 2021, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.0%)	June 30, 2022 Current Discount Rate (7.0%)	1% Increase (8.0%)
University's proportionate share of the net pension liability	\$ 10,405,772	\$ 6,366,270	\$ 3,022,110
	1% Decrease (6.0%)	June 30, 2021 Current Discount Rate (7.0%)	1% Increase (8.0%)
University's proportionate share of the net pension liability	\$ 16,571,760	\$ 12,416,462	\$ 8,976,522

Pension Plan Fiduciary Net Position

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

Note 8: Other Postemployment Benefits

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

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

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

Oklahoma Panhandle State University
Notes to Financial Statements
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	June 30, 2022				
	Net OPEB Asset	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB (Benefit) Expense
Health and Death Benefit Plan	\$ -	\$ 583,487	\$ 132,728	\$ 623,174	\$ (42,288)
OTRS OPEB Plan	(158,715)	-	37,465	115,352	(22,371)
Total	\$ (158,715)	\$ 583,487	\$ 170,193	\$ 738,526	\$ (64,659)
	June 30, 2021				
	Net OPEB Asset	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB (Benefit) Expense
Health and Death Benefit Plan	\$ -	\$ 746,845	\$ 161,385	\$ 560,438	\$ (13,695)
OTRS OPEB Plan	(12,963)	-	66,056	28,478	2,262
Total	\$ (12,963)	\$ 746,845	\$ 227,441	\$ 588,916	\$ (11,433)

OTRS OPEB Plan

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

Benefits Provided – OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to Oklahoma State University Human Resources, provided the member has ten years of Oklahoma service prior to retirement.

Contributions – Employer and employee contributions are made based upon the OTRS Plan provisions contained in Title 70, as amended. However the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in *Note 7*; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program.

The cost of the supplemental health insurance program averages 0.12 percent and 0.15 percent of normal cost, as determined by an actuarial valuation as of June 30, 2021 and 2020. Contributions allocated to the OPEB plan from the University were \$7,916 and \$1,172 during 2022 and 2021, respectively.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2022 and 2021

OPEB Liabilities (Assets), OPEB Expense (Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2022 and 2021, the University reported an asset of \$158,715 and \$12,936, respectively, for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021, and June 30, 2020. The University's proportion of the net OPEB asset was based on the University's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2021, and June 30, 2020. Based upon this information, the University's proportion was 0.1246 percent and 0.1308 percent for June 30, 2022 and 2021, respectively.

For the years ended June 30, 2022 and 2021, the University recognized OPEB (benefit) expense of (\$22,371) and \$2,262, respectively.

At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 24,848
Net difference between projected and actual earnings on OPEB plan investments	21,573	-
Changes in University's proportionate share of contributions	-	85,124
Differences between University contributions and proportionate share of contributions	7,976	5,380
University contributions subsequent to the measurement date	<u>7,916</u>	<u>-</u>
Total	<u>\$ 37,465</u>	<u>\$ 115,352</u>

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Oklahoma Panhandle State University
Notes to Financial Statements
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 28,478
Net difference between projected and actual earnings on OPEB plan investments	28,047	-
Changes in University's proportionate share of contributions	28,312	-
Differences between University contributions and proportionate share of contributions	8,525	-
University contributions subsequent to the measurement date	<u>1,172</u>	<u>-</u>
Total	<u>\$ 66,056</u>	<u>\$ 28,478</u>

The \$7,916 and \$1,172 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date for June 30, 2022 and 2021, respectively, will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2023 and 2022, respectively.

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

Year ended June 30	Amount Recognized
2023	\$ (22,026)
2024	(17,743)
2025	(19,027)
2026	(25,730)
2027	(920)
Thereafter	<u>(357)</u>
	<u>\$ (85,803)</u>

Actuarial Assumptions – The total OPEB liability (asset) as of June 30, 2022 and 2021, was determined based on an actuarial valuation prepared as of June 30, 2021 and 2020, respectively, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.25%

Oklahoma Panhandle State University
Notes to Financial Statements
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- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases – Composed of 2.25% for inflation, including 0.75% for 2020 & 2.50% for 2019 price inflation, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return – 7.00%
- Retirement Age — Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five-year experience study for the period ending June 30, 2019
- Mortality Rates after Retirement – Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020
- Mortality Rates for Active Members – Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2022 and 2021, are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	4.3%
International Equity	19.0%	5.2%
Fixed Income	22.0%	0.4%
Real Estate**	9.0%	4.3%
Alternative Assets	6.5%	6.5%
Total	100.00%	

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

Discount Rate – A single discount rate of 7.00 percent was used to measure the total OPEB liability (asset) as of June 30, 2022 and 2021, respectively. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00 percent. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Oklahoma Panhandle State University
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Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate – The following presents the net OPEB liability (asset) of the University calculated using the respective discount rate for 2022 and 2021, as well as what the University’s net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.0%)	June 30, 2022 Current Discount Rate (7.0%)	1% Increase (8.0%)
University's proportionate share of the net OPEB asset	\$ (101,966)	\$ (158,715)	\$ (206,801)
	1% Decrease (6.5%)	June 30, 2021 Current Discount Rate (7.5%)	1% Increase (8.5%)
University's proportionate share of the net OPEB asset	\$ 47,056	\$ (12,963)	\$ (63,858)

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

Health and Death Benefit Plan

Plan Description - The University’s defined benefit OPEB plan, Health and Death Benefit Plan, provides OPEB to eligible retirees and their dependents. The University’s Board of Regents has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided - The University provides medical benefits to eligible retirees and their dependents through the Oklahoma State University A&M System. This Plan allows employees who retire from the University to continue to be covered under the University’s Health Insurance Plan until age 65. The retired participant must pay the active participant’s premium. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the University. The University also pays life insurance premiums for individuals who meet the specified criteria to be considered a retiree as of the last day of continuous regular employment. Eligible retirees must meet the OTRS guidelines. In addition, the individual must also have been enrolled in the University’s life insurance program prior to retirement. Each retiree is eligible to receive \$10,000 of life insurance coverage.

Employees Covered by Benefit Terms – At June 30, 2022 and 2021, the following employees were covered by the benefit terms:

Oklahoma Panhandle State University
Notes to Financial Statements
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	<u>2022</u>	<u>2021</u>
Active employees (participants)	112	110
Retired participants (death benefits)	<u>57</u>	<u>59</u>
	<u>169</u>	<u>169</u>

Total OPEB Liability – The University’s total OPEB liability of \$583,487 and \$746,845 was measured as of June 30, 2022 and 2021, respectively, and was determined by an actuarial valuation as of those dates.

Actuarial Assumptions – The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2022 and 2021, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Discount Rate – 4.09 percent and 2.19 percent for 2022 and 2021, respectively, based on published Bond Buyer Go-20 bond index
- Healthcare Cost Trend Rates – 7.5% for 2022 and 8.0% for 2021, decreasing 0.50% annually to an ultimate rate of 4.50%
- Mortality Rates – 2022 & 2021 SOA RPH-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2020
- Pre-Retirement Termination – Oklahoma Teacher’s Retirement System actuarial valuation study as of June 30, 2016

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

	2022	2021
Total OPEB liability, beginning of year	\$ 746,845	\$ 764,049
Changes for the year		
Service cost	19,299	19,827
Interest expense	16,455	20,315
Change of assumptions	(162,135)	65,137
Difference between actual and expected experience	(7,300)	(81,939)
Benefit paid	(29,677)	(40,544)
Total OPEB liability, end of year	<u>\$ 583,487</u>	<u>\$ 746,845</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the University calculated using the respective discount rate, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (3.09%)	June 30, 2022 Current Discount Rate (4.09%)	1% Increase (5.09%)
University's total OPEB liability	\$ 660,975	\$ 583,487	\$ 519,648

	1% Decrease (1.19%)	June 30, 2021 Current Discount Rate (2.19%)	1% Increase (3.19%)
University's total OPEB liability	\$ 862,550	\$ 746,845	\$ 653,387

Oklahoma Panhandle State University
Notes to Financial Statements
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Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rate – The total OPEB liability of the University has been calculated using health care cost trend rates of 7.5 percent to 4.50 percent for 2022 and 8.0 percent to 4.50 percent for 2021. The following presented the total OPEB liability using health care cost trend rates 1-percent higher and 1-percent lower than the current health care cost trend rates:

	June 30, 2022		
	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
University's total OPEB liability	\$ 569,907	\$ 583,487	\$ 599,729

	June 30, 2021		
	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
University's total OPEB liability	\$ 730,177	\$ 746,845	\$ 766,880

OPEB Expense - For the years ended June 30, 2022 and 2021, the University recognized OPEB (benefit) expense of (\$42,288) and (\$13,695), respectively.

At June 30, 2022, the University also reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 432,663
Changes of assumptions	132,728	190,511
Total	<u>\$ 132,728</u>	<u>\$ 623,174</u>

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2022 and 2021

At June 30, 2021, the University also reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 501,745
Changes of assumptions	<u>161,385</u>	<u>58,693</u>
Total	<u><u>\$ 161,385</u></u>	<u><u>\$ 560,438</u></u>

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

Year Ended June 30	Amount Recognized
2023	\$ (78,042)
2024	(78,042)
2025	(78,243)
2026	(76,788)
2027	(87,048)
Thereafter	<u>(92,283)</u>
	<u><u>\$ (490,446)</u></u>

Note 9: Funds Held in Trust by Others

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

Oklahoma Panhandle State University
Notes to Financial Statements
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The University received approximately \$1,013,000 and \$989,000 from these funds during the years ended June 30, 2022 and 2021, respectively, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These appropriated amounts are recorded as State appropriations restricted for capital purposes in the statements of revenues, expenses, and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for the University, held in trust by the Commissioners of the Land Office, is approximately \$19,081,000 and \$30,700,000 at June 30, 2022 and 2021, respectively.

Note 10: Panhandle State Foundation

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

	<u>2022</u>	<u>2021</u>
Direct support from the Foundation to the University	\$ 230,000	\$ 230,000
Scholarships paid directly by the Foundation to University students	233,752	309,599

The following are significant disclosures of the Foundation:

Disclosure About Fair Value of Financial Instruments

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

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

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2022 and 2021

The following is a summary of financial assets measured at fair value on a recurring basis as of December 31, 2021 and 2020:

	Fair Value Hierarchy	2021	2020
Common stocks	Level 1	\$ 5,855,484	\$ 5,219,778
Mutual funds	Level 1	12,135,008	9,406,522
Corporate bonds	Level 1	891,865	1,113,056
Asset and mortgage-backed securities	Level 1	418,333	562,752
Publicly traded limited partnerships	Level 1	141,941	117,633
Exchange traded and closed end funds	Level 1	137,601	117,513
Interest in perpetual trust	Level 3	590,209	877,388
Certificate of deposits	Level 2	190,000	190,000
Mineral interests	Level 3	25,722	25,722
Investment in land	Level 3	5,000	5,000
Total investments		<u>\$20,391,163</u>	<u>\$17,635,364</u>

Note 11: Asset Retirement Obligation

The University has incurred certain asset retirement obligations related to the operation of its wastewater lagoon system. The estimated liability of the legally required closure costs for the wastewater lagoon system cannot be reasonably estimated as of June 30, 2022 and 2021, due to the lack of guidance from the Oklahoma Department of Environmental Quality on what legally required costs of retirement include. The University is currently pursuing clarification of specific legally required retirement costs.

Note 12: Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; employee health, life and accident benefits, and unemployment. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property damage, workers' compensation, and unemployment. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The University pays an annual premium to the pools for its torts, property, and workers' compensation insurance coverages. The Oklahoma Risk Management Pool's governing agreement specifies that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

Oklahoma Panhandle State University
Notes to Financial Statements
June 30, 2022 and 2021

Note 13: Current Economic Conditions

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

Required Supplementary Information

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

	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	0.1246%	0.1308%	0.1350%	0.1490%	0.1586%	0.1496%	0.1535%	0.1626%
University's proportionate share of the net pension liability	\$ 6,366,270	\$ 12,416,462	\$ 8,936,808	\$ 9,007,882	\$ 10,501,352	\$ 12,482,485	\$ 9,324,270	\$ 8,747,608
University's covered-employee payroll	\$ 6,944,152	\$ 7,172,428	\$ 7,220,135	\$ 7,244,059	\$ 7,517,236	\$ 7,434,386	\$ 7,469,774	\$ 7,655,532
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	92%	173%	124%	124%	140%	168%	125%	114%
Plan fiduciary net position as a percentage of the total pension liability	80.80%	63.47%	71.56%	72.74%	69.32%	62.24%	70.31%	72.43%

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

Notes to Schedule:

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

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

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 640,400	\$ 622,297	\$ 636,051	\$ 637,053	\$ 637,971	\$ 650,374	\$ 635,443	\$ 640,552
Contributions in relation to the contractually required contribution	640,400	622,297	636,051	637,053	637,971	650,374	635,443	640,552
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered-employee payroll	\$ 7,173,466	\$ 6,944,152	\$ 7,172,428	\$ 7,220,135	\$ 7,244,059	\$ 7,517,236	\$ 7,434,386	\$ 7,469,774
Contributions as a percentage of covered-employee payroll	9%	9%	9%	9%	9%	9%	9%	9%

Notes to Schedule:

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

Benefit Changes

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

Changes of Assumptions

There were no changes to assumptions in valuation reports for the years ended June 30, 2022.

Actuarial assumptions used in the June 30, 2021 valuation were changed as follows:

- Inflation was decreased to 2.25%.
- Investment rate of return was decreased to 7.00%.
- Salary increases were composed of 2.25% inflation, including 2.50% plus a service-related component ranging from 0.00% to 8.00% based on years of service.

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

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

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

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

Inflation was increased to 2.50 percent.

Investment rate of return was decreased to 7.50 percent.

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

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

	2022	2021	2020	2019	2018
University's proportion of the net OPEB liability (asset)	0.1246%	0.1308%	0.1350%	0.1490%	0.1586%
University's proportionate share of the net OPEB liability (asset)	\$ (158,715)	\$ (12,963)	\$ (83,476)	\$ (96,320)	\$ (70,727)
University's covered payroll	\$ 6,944,152	\$ 7,172,428	\$ 7,220,135	\$ 7,244,059	\$ 7,517,236
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-2.29%	-0.18%	-1.16%	-1.33%	-0.94%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	129.91%	102.30%	115.07%	115.41%	110.40%

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

Notes to Schedule:

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

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

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 7,916	\$ 1,172	\$ 1,198	\$ 4,297	\$ 10,130
Contributions in relation to the contractually required contribution	<u>7,916</u>	<u>1,172</u>	<u>1,198</u>	<u>4,297</u>	<u>10,130</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 7,173,466	\$ 6,944,152	\$ 7,172,428	\$ 7,220,135	\$ 7,244,059
Contributions as a percentage of covered payroll	0.11%	0.02%	0.02%	0.06%	0.14%

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

Notes to Schedule:

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

Benefit Changes

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

Changes of Assumptions

There were no changes in assumptions in valuation reports for the years 2022.

Actuarial assumptions used in the June 30, 2021 valuation were changed as follows:

- Inflation was decreased to 2.25%.
- Investment rate of return was decreased to 7.00%.
- Salary increases were composed of 2.25% inflation, including 2.50% plus a service-related component ranging from 0.00% to 8.00% based on years of service.

There were no changes in assumptions in valuation reports for the years 2020, 2019, and 2018.

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 19,299	\$ 19,827	\$ 15,511	\$ 11,527	\$ 129,317
Interest	16,455	20,315	24,159	37,565	35,642
Change in assumptions	(162,135)	65,137	73,917	79,132	(87,313)
Differences between expected and actual experience	(7,300)	(81,939)	(2,003)	(372,131)	(269,990)
Contributions	<u>(29,677)</u>	<u>(40,544)</u>	<u>(40,277)</u>	<u>(39,606)</u>	<u>-</u>
Net Change in Total OPEB Liability	(163,358)	(17,204)	71,307	(283,513)	(192,344)
Total OPEB Liability - Beginning	<u>746,845</u>	<u>764,049</u>	<u>692,742</u>	<u>976,255</u>	<u>1,168,599</u>
Total OPEB Liability - Ending	<u>\$ 583,487</u>	<u>\$ 746,845</u>	<u>\$ 764,049</u>	<u>\$ 692,742</u>	<u>\$ 976,255</u>
Covered Employee Payroll	\$ 4,770,025	\$ 5,143,179	\$ 5,441,835	\$ 4,847,356	\$ 7,244,059
Total OPEB Liability as a Percentage of Covered-Employee Payroll	12.23%	14.52%	14.04%	14.29%	13.48%
Discount Rate Used	4.09%	2.19%	2.66%	3.51%	3.88%

Notes to Schedule:

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

Benefit Changes

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

Changes of Assumptions

In 2021, the health care cost trend rate was changed from a rate of 7.50 percent in 2020 to an initial rate of 8.00 percent decreasing by 0.50 percent annually to an ultimate rate of 4.50 percent.

In 2021, the mortality table used was updated to the SOA RPH-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2020.

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

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

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

Supplementary Information

Oklahoma Panhandle State University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster				
U.S. Department of Education				
Federal Supplemental				
Educational Opportunity Grants	84.007	NA	\$ -	\$ 57,150
Federal Work-Study Program	84.033	NA	-	37,644
Federal Pell Grant Program	84.063	NA	-	2,690,268
Federal Direct Student Loans	84.268	NA	-	3,391,276
Total Student Financial Assistance Cluster			-	6,176,338
TRIO Cluster				
U.S. Department of Education				
TRIO Upward Bound	84.047	NA	-	254,844
Total TRIO Cluster				254,844
Other Programs				
U.S. Department of Education:				
U.S. Department of Education - Institutional				
Developing Hispanic Serving Institutions	84.031S	NA	-	459,550
Passed through the Oklahoma Department of				
Career and Technical Education				
Adult Education	84.002	V002A 180037	-	12,391
COVID-19 - Higher Education Relief Fund	84.425E	NA	-	1,428,345
COVID-19 - Higher Education Relief Fund	84.425F	NA	-	2,308,983
COVID-19 - Higher Education Relief Fund	84.425L	NA	-	82,307
84.425 Total			-	3,819,635
Total Department of Education			-	10,722,758
U.S. Department of Commerce				
Economic Development Administration				
Investments for Public Works and				
Economic Development Facilities	11.300	NA	-	15,189
			\$ -	\$ 10,737,947

Notes to Schedule

1. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes all federal award activity of Oklahoma Panhandle State University under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Oklahoma Panhandle State University has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Federal Direct Student Loan balances are not included in the University’s financial statements. Loans disbursed during the year are included in federal expenditures presented in the Schedule. The Federal Perkins Loan Program is administered directly by Oklahoma Panhandle State University and balances and transactions relating to this program are included in the University’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of Federal Perkins Loans outstanding at June 30, 2021, was \$0, as the University closed out the program and returned all loans to the U.S. Department of Education.



**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Oklahoma Panhandle State University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Oklahoma Panhandle State University's basic financial statements, and have issued our report thereon dated November 22, 2022. The financial statements of Panhandle State Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Panhandle State Foundation.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Oklahoma Panhandle State University's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Oklahoma Panhandle State University's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Oklahoma Panhandle State University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



CliftonLarsonAllen LLP

St. Louis, Missouri
November 22, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Oklahoma Panhandle State University's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Oklahoma Panhandle State University's major federal program for the year ended June 30, 2022. Oklahoma Panhandle State University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Oklahoma Panhandle State University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Oklahoma Panhandle State University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Oklahoma Panhandle State University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Oklahoma Panhandle State University's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Oklahoma Panhandle State University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Oklahoma Panhandle State University's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Oklahoma Panhandle State University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Oklahoma Panhandle State University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Oklahoma Panhandle State University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on the major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Oklahoma Panhandle State University's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Oklahoma Panhandle State University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Oklahoma Panhandle State University's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Oklahoma Panhandle State University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



CliftonLarsonAllen LLP

St. Louis, Missouri
November 22, 2022

**OKLAHOMA PANHANDLE STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

Assistance Listing Number

84.425

Name of Federal Program or Cluster

COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

**OKLAHOMA PANHANDLE STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022 – 001

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Oklahoma Panhandle State University (OPSU) has not remediated previously identified segregation of duties issues within their accounting system, Banner, over journal entries, and cash disbursements. Additionally, there were segregation of duties issues within the Banner payroll system.

Criteria or specific requirement: The University operates their financial system in the Banner software. Within Banner, there should be user access controls to prevent potential override of controls through exploitation of incompatible duties within the system.

Context: During user access testing procedures the following user access conflicts were identified:

- Four individual Oklahoma State University (OSU) users who had incompatible duties in OPSU's cash disbursement process and journal entry posting process within Banner
- Six OSU users who had incompatible duties in the University's payroll process within Banner
- Two individual OPSU users who had incompatible duties in the University's payroll process within Banner

Effect: The lack of controls in place to ensure policies and procedures are followed increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

Cause: The OSU Finance and Administration Office has provided overly broad user access for OSU accounting and payroll personnel on the University's accounting system. OPSU has also provisioned incompatible user access within their accounting system, Banner, for the University's employees. Furthermore, there is not a policy restricting incompatible system access.

Recommendation: The University should work with the Oklahoma State University Finance and Administration Office to implement user access controls to remove incompatible user access. Further, the Oklahoma State System should develop a policy to ensure proper provisioning of user access within the accounting system.

Views of responsible officials and planned corrective action: There is no disagreement with the audit finding. The University will assess user access conflicts and remove incompatible user access.

**OKLAHOMA PANHANDLE STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022-002: Reporting

Federal agency: Department of Education

Federal program title: Higher Education Emergency Relief Fund (HEERF)

Assistance Listing Number: 84.425

Federal Award Identification Number and Year: P425F200639 - 2022

Award Period: July 1, 2021 to June 30, 2022

Type of Finding:

- Compliance, Other Matter
- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The Department of Education requires grantees to conspicuously post quarterly reports on the institution's website no later than 10 days after the calendar quarter. Effective internal controls should include procedures to ensure reports are properly reviewed and submitted timely.

Condition: The University lacked documentation of supervisory review and did not submit quarterly reports timely.

Context: During our testing of two student quarterly reports, from a statistically valid sample, we noted two reports lacked documentation of supervisory review and one report was uploaded to the University's website after the required due date.

During our testing of two institutional quarterly reports, from a statistically valid sample, we noted one report lacked documentation of supervisory review and two reports were uploaded to the University's website after the required due date.

Questioned costs: None.

Cause: Staffing shortages led to delays in timely posting of the reports on the University's website and documentation of supervisory review of the reports.

Effect: Lack of supervisory review could result in errors in the filed reports. The failure to timely submit required reports may lead to adverse action.

Repeat Finding: No.

Recommendation: We recommend that the University review and update current procedures to ensure HEERF program reporting requirements are completed timely and to ensure review of reports are documented.

Views of responsible officials: There is no disagreement with the audit finding.