University Center at Ponca City
A Component Unit of the State of Oklahoma

Financial Statements
with Independent Auditors' Report

June 30, 2016

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A Component Unit of the State of Oklahoma
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Board of Trustees
University Center at Ponca City
Ponca City, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of the University Center at Ponca City as of and for the year ended June 30, 2016, the related notes to the financial statements, which collectively, comprise the University Center at Ponca City's basic financial statements as listed in the table of contents.

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

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

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

5028 E. 101st Street
Tulsa, OK 74137
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University Center at Ponca City as of June 30, 2016, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the financial statements, the Center adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* that was issued in February 2015, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* that was issued in June 2015 and *GASB Statement No. 82 Pension Issues, Amendment of GASB Statements No. 67, No. 68, and No. 73.* Our opinions are not modified with respect to this matter.

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

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016 on our consideration of the University Center at Ponca City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Hinkle & Company, PC

Tulsa, Oklahoma
October 19, 2016

Management's Discussion and Analysis

The discussion and analysis of University Center at Ponca City (UCPC) financial statements provides an overview of UCPC's financial activities for the year ending June 30, 2016. Since this management's discussion and analysis is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with UCPC's financial statements and footnotes.

Using This Report

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

Financial Highlights

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

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

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

Schedule A is prepared from UCPC's Statement of Net Position, and summarizes UCPC's assets, liabilities, and net position at June 30, 2016.

Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position (Continued)

Table 1
Net Position
June 30, 2016

	2016	* 2015	% Inc. (Dec.)
Current assets	$ 212,710	$ 301,007	-29%
Noncurrent assets			
Capital assets, net of depreciation	117,292	84,950	38%
Total assets	330,002	306,855	8%
Deferred outflows of resources:			
Deferred amount of pension	48,541	26,171	100%
Current liabilities	26,529	65,328	-59%
Noncurrent liabilities	392,144	421,576	-7%
Total liabilities	418,673	486,904	-14%
Deferred outflows of resources:			
Deferred amount of pension	114,706	105,822	100%
Net position			
Net investment in capital assets	117,292	84,950	38%
Unrestricted	(272,128)	(246,266)	11%
Total net position	$ (154,836)	$ (161,316)	-4%

* prior year amounts restated for MD&A purposes.

Significant balances for the UCPC in the first year of operations where cash balances, capital assets, and noncurrent liabilities.

At year ended June 30, 2016 the UCPC ended the year with cash balances of $200,920, and capital assets recorded net of accumulated depreciation of $117,292.

The UCPC also incurred $13,169 of accounts payable and accrued expenses as of year ended June 30, 2016. Accounts payable and accrued expenses along with the current portion of compensated absences are a significant portion of the total liabilities of UCPC.

Noncurrent liabilities had a decrease of $28,420 related to the reduction of the net pension liability in the current year. This reduction is a result of UCPC's decrease in the allocated share of pension amounts from the Oklahoma Teacher's Retirement System.

Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position (Continued)

Table 2 is prepared from UCPC's Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2016.

Table 2
Change in Net Position
For the Year Ended June 30, 2016

	2016	*2015	% Inc. (Dec.)
Operating revenues and expenses			
Tuition and fees	143,142	128,321	12%
Less operating expenses	(755,248)	(856,676)	-12%
Net operating expenses	(612,106)	(728,355)	-16%
Nonoperating revenues (expenses)			
State appropriations	569,492	654,570	-13%
On-behalf OTRS contributions	19,568	22,508	-13%
Net nonoperating revenues	589,060	677,078	-13%
Income before other revenues/expenses	(23,046)	(51,277)	-55%
Other revenues/expenses	48,808	101,206	-52%
Increase (decrease) in net position	25,762	49,929	-48%

*Prior year amounts restated for MD&A purposes.

Revenues

The most significant revenue source of UCPC is State appropriations comprising 97% of nonoperation revenues and 78% of total revenues for fiscal year 2016.

Other revenues decreased by 52% primarily as a result from a reduction in the amount of reimbursement payments received from the Oklahoma State Regents for Higher Education compared to prior fiscal year.

Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position (Continued)

Expenses

The most significant expenses of UCPC, for fiscal year 2016, are compensation and contractual services.

Compensation expenses comprised 53% of operating expenses; with contractual services comprising 28% of operating expenses for the year.

Table 3 summarizes UCPC's operating expenses for the years ended June 30, 2016.

Table 3
Operating Expenses for the Year Ended June 30, 2016
(in thousands)

	2015	2014	% Inc. (Dec.)
Compensation and benefits	$ 396	$ 419	-5%
Contractual services	208	212	-2%
Supplies and materials	44	118	-63%
Utilities	29	22	32%
Communications	12	10	20%
Depreciation	50	53	-6%
Other	16	22	-27%
Total Operating Expenses	$ 755	$ 856	-12%

Statement of Cash Flows

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

Table 4 is prepared from UCPC's Statement of Cash Flows, and summarizes UCPC's cash flows for the year ended June 30, 2016.

Table 4
Cash Flows
For the Year Ended June 30, 2016

	2016	2015
Cash provided (used) by:		
Operating activities	$ (624,108)	$ (643,394)
Noncapital financing activities	569,492	654,570
Capital and related financing activities	(33,671)	93,137
Net increase in cash	(88,287)	104,313
Cash, beginning of year	289,207	184,894
Cash, end of year	$ 200,920	$ 289,207

Capital Assets and Debt Administration

For 2016, UCPC recorded a total of $311,484 in capital assets and $194,192 in accumulated depreciation. During the year ended June 30, 2016 UCPC purchased servers and related equipment for an amount of $71,527, which comprised 87% of the additions for the fiscal year.

At June 30, 2016, UCPC had an obligation of $21,828 for accrued compensated absences accrued by employees.

Table 5
Capital Assets, Net
June 30, 2016

	2016
Equipment	311,484
Less accumulated depreciation	(194,192)
Capital assets, net	$ 117,292

Further detailed information can be obtained in the notes to the financial statements (Note 1 & 3)

Capital Assets and Debt Administration (Continued)

Table 6
Long-Term Liabilities
June 30, 2016

	2016
Accrued compensated absences	$ 21,828
Total long-term liabilities	$ 21,828

Further detailed information can be obtained in the notes to the financial statements (Note 1 & 4)

Other Financial Information

Economic Outlook

The University Center at Ponca City is primarily funded by state appropriations. This past year, state appropriations were cut 3.5% and the UC experienced five separate revenue failures throughout the year. The UC operated with $65,176 fewer state dollars than the previous year. In fiscal year 2017 the UC faces an additional 16% cut to its state appropriations. With continued cuts and no new money coming from the state, the UC continues to renegotiate contracts, and reducing its fixed costs each year. The UC also is seeking new ways in which to increase student enrollment and participation. New students and new programs are a continued focus at this time. Currently the UC is partnering with OSU's Center for Executive Professional Development in the aims of delivering intense one day seminars aimed at attracting current practicing professionals.

UCPC management is not aware of any other matters that could significantly affect its financial position at this time.

Contacting the Program's Financial Management

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

University Center at Ponca City
A Component Unit of the State of Oklahoma
Statement of Net Position
June 30, 2016

	2016	
	University Center At Ponca City	University Center at Ponca City Foundation, Inc.
ASSETS		
Current Assets		
Cash and cash equivalents	$ 200,920	$ 312,373
Accounts receivable	11,790	8,020
Prepaid expenses	—	6,106
Investments	—	254,997
Total current assets	212,710	581,496
Noncurrent Assets		
Other assets	—	—
Capital assets, net	117,292	1,378,575
Total noncurrent assets	117,292	1,378,575
Total Assets	330,002	1,960,071
Deferred Outflows of Resources		
Deferred amounts related pensions	48,541	—
LIABILITIES		
Current Liabilities		
Accounts payable and accrued	13,169	1,765
Unearned revenue	2,730	—
Current portion of noncurrent liabilities	10,630	—
Total current liabilities	26,529	1,765
Noncurrent Liabilities		
Compensated absences	11,197	—
Net pension liability	380,947	—
Total noncurrent liabilities	392,144	—
Total Liabilities	418,673	1,765
Deferred Inflows of Resources		
Deferred amounts related pensions	114,706	—
NET POSITION		
Net investment in capital assets	117,292	—
Restricted:		
Donor restrictions	—	175,599
Unrestricted		
Board designated	—	211,090
Undesignated	(272,128)	1,571,617
Total Net Position	$ (154,836)	$ 1,960,071

University Center at Ponca City
A Component Unit of the State of Oklahoma
Statement of Revenue, Expenses and Changes in Net Position
Year Ended June 30, 2016

	2016	
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
Operating Revenues		
Tuition and fees	$ 134,983	$ —
Other operating revenues	8,159	96,000
Total operating revenues	143,142	96,000
Operating Expenses		
Compensation and employee benefits	396,058	—
Contractual services	207,850	—
Supplies and material	44,409	—
Utilities	28,448	—
Communications	11,956	—
Depreciation	50,138	40,850
Other operating expense	16,389	26,752
General and administrative	—	15,296
Scholarships awarded	—	45,651
Total operating expenses	755,248	128,549
Operating Loss	(612,106)	(32,549)
Nonoperating Revenues (Expenses)		
State appropriations	569,492	—
On-behalf OTRS	19,568	—
Other Income	—	—
Investment income	—	1,608
Net unrealized loss on investments	—	(478)
Contributions and other nonoperating income	—	36,019
Interest expense	—	—
Total Expenses	589,060	37,149
Income Before Other Revenues, Expenses, Gains or Losses	(23,046)	4,600
Capital contributions	48,808	—
Net Change In Net Assets	25,762	4,600
Net Assets, Beginning of Year, restated *(see notes)*	(180,598)	1,953,706
Net Assets, End of Year	$ (154,836)	$ 1,958,306

See notes to financial statements

University Center at Ponca City
A Component Unit of the State of Oklahoma
Statement of Cash Flows
Year Ended June 30, 2016

	2016	
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
Cash Flows From Operating Activities		
Tuition and fees	$ 133,873	$ —
Contributions	—	36,019
Compensation and benefits	(413,840)	—
Cash paid to suppliers	(352,300)	(42,048)
Cash paid for scholarships	—	(45,651)
Other operating receipts	8,159	96,650
Net Cash Used in Operating Activities	(624,108)	44,970
Cash Flows From Noncapital Financing Activities		
State Appropriation	569,492	—
Net Cash Provided by Noncapital Financial Activities	569,492	—
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	(82,479)	(9,312)
Capital contributions received	48,808	—
Net Cash Provided by (Used in) Capital and Related Financing Activities	(33,671)	(9,312)
Cash Flows From Investing Activities		
Decrease in investments	—	(3,948)
Increase in education funds	—	11,646
Interest income	—	(1,608)
Net Cash Provided by Investing Activities	—	6,090
Net Increase in Cash and Cash Equivalents	(88,287)	41,748
Cash and Cash Equivalents, Beginning of Year	289,207	270,625
Cash and Cash Equivalents, End of Year	$ 200,920	$ 312,373

See notes to financial statements

University Center at Ponca City
A Component Unit of the State of Oklahoma
Statement of Cash Flows
Year Ended June 30, 2016

(Continued)

	2016	
	University Center At Ponca City	University Center at Ponca City Foundation, Inc.
Reconciliation of Operating Loss to Cash Used in Operating Activities		
Operating Loss	$ (612,106)	$ 4,600
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	50,138	40,850
OTRS On-behalf	19,568	—
Depreciation in investments	—	57
Interest and dividend income	—	(2)
Changes in assets and liabilities		
Accounts receivable and other assets	10	(2,155)
Accounts payable and accrued Expenses	(43,248)	1,620
Unearned revenue	(1,120)	—
Net pension liability	(28,420)	—
Deferred amounts related to pensions	(13,487)	—
Accrued compensated absences	4,557	—
Net Cash Used in Operating Activities	$ (624,108)	$ 44,970
Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions		
Interest on capital debt paid by state agency on behalf of the Program	—	—
Principal on capital debt paid by state agency on behalf of the Program	—	—
Capital assets received as gifts and contributions	$ —	$ —

See notes to financial statements

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

Nature of Operations

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

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

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

Financial Statement Presentation

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

Reporting Entity

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

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

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

University Center at Ponca City Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the Center. The Foundation is organized for the purpose of receiving and administering gifts intended for the Center. Although the Center does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the Center by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Center or the Center's students, the Foundation is considered a component unit of the Center and is discretely presented in the Center's financial statements.

The Foundation is a private nonprofit organization but does not issue separate audited financial statements. As such, the Foundation has elected to apply GASB pronouncements regarding revenue recognition and presentation features rather than the corresponding pronouncements of the Financial Accounting Standards Board ("FASB")

Basis of Accounting

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

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

Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The cash equivalents are required to be fully collateralized by obligations of the United States government or its agencies at 102% or insured by federal deposit insurance. For year ended June 30, 2016 the Center did not have any qualifying cash equivalents.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Investments

The Center accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of return on investments in the statements of revenues, expenses, and changes in net position. For year ended June 30, 2016 the Center did not have any qualifying Investments.

Accounts Receivable

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

Capital Assets

Capital assets are recorded at cost on the date of the acquisition or fair value if acquired by gift. For equipment, the Center's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized; any renovations that are leasehold improvements useful life will be the shorter of the remaining term of the lease or estimated useful life. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Center:

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

Noncurrent Liabilities

Noncurrent liabilities include estimated amounts for accrued compensated absences that will not be paid or used within the next fiscal year.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

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

Net Position

The Center's net position is classified as follows:

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

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

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

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Classifications of Revenues

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

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and state appropriations and investment income as defined by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Tax Status

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

Pension

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.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted in Fiscal Year 2016

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

- *Statement No. 72, Fair Value Measurement and Application*

  GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

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

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

- *GASB Statement No. 82, Pension Issues, Amendment of GASB Statements No. 67, No. 68, and No. 73*

  GASB Statement No. 82 address certain issues that were raised with respect to the pension implementation of Statements No. 67, No. 68, and No. 73. The Center elected to early implement Statement No. 82 which resulted in a restatement of beginning net position for fiscal year 2016.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted in Fiscal Year 2016 (Continued)

Prior Period Adjustments

Beginning fund balances/net position were restated as of June 30, 2015 as follows:

	Fiscal Year 2016	
Beginning net position, as previously reported	$	(161,316)
Implementaton of GASB Statements 68 &71		(19,282)
Beginning net position, restated	$	(180,598)

Subsequent Events

Subsequent events were reviewed up to the date of the audit report, which is the date the audited financial statements were available to be issued and have determined that no additional information will need to be added to the financial statements.

Note 2: Cash and Cash Equivalents

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Center's deposits may not be returned or the Center will not be able to recover collateral securities in the possession of an outside party. Generally, the Center deposits its funds with the Office of the State Treasurer (OST). Oklahoma Statutes require OST to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The Center's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name. The Center has not adopted a separate policy addressing custodial credit risk.

At June 30, 2016, the carrying amounts of the Center's deposits with the State Treasurer were $200,920. The Foundation had deposits at a financial institution with carrying amounts of $166,797 as of June 30, 2016.

As of June 30, 2016, the Center had no investments.

Note 3: Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2016:

	2016			
	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets, depreciable				
Equipment	229,004	82,480	-	311,484
Total capital assets	229,004	82,480	-	311,484
Less accumulated depreciation				
Equipment	(144,054)	(50,138)	-	(194,192)
Total accumulated depreciation	(144,054)	(50,138)	-	(194,192)
Other capital assets, net	$ 84,950	$ 32,342	$ -	$ 117,292
Total cost of capital assets	$ 229,004	$ 82,480	$ -	$ 311,484
Less accumulated depreciation	(144,054)	(50,138)	-	(194,192)
Capital assets, net	$ 84,950	$ 32,342	$ -	$ 117,292

Note 4: Noncurrent Liabilities

The following is a summary of noncurrent liability transactions of the Center for the year ended June 30, 2016:

	2016				
	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Current Portion June 30, 2016
Accrued compensated absences	17,270	15,188	(10,631)	21,827	10,631
	$ 17,270	$ 15,188	$ (10,631)	$ 21,827	$ 10,631

Note 5: Employee Retirement Benefits

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

Oklahoma Teachers' Retirement System

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

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

Benefit provisions include:

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

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

Note 5: Employee Retirement Benefits (Continued)

Benefits provided (Continued)

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

- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service. • Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.

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

At the election of each eligible member initiating receipt of retirement benefits, the System remits between $100 and $105 per month per eligible retiree to the Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2014.

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the Center were $30,300, which includes the employer 'pick up' of employer contributions. The State of Oklahoma also made on-behalf contributions to OTRS, of which $19,568 was recognized by the Center; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Center reported a liability of $380,947 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Center's proportion of the net pension liability was based on the Center's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the Center's proportion was .006273 percent.

Note 5: Employee Retirement Benefits (Continued)

June 30, 2015. Based upon this information, the Center's proportion was .006273 percent.

For the year ended June 30, 2016, the Center recognized pension expense of $7,961. At June 30, 2016, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 12,939
Changes of assumptions	18,241	
Net difference between projected and actual earnings on pension plan investments		25,843
Changes in College's proportionate share of contributions		75,924
College contributions subsequent to the measurement date	30,300	-
Total	$ 48,541	$ 114,706

$30,300 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:	
2017	$ (25,275)
2018	(25,275)
2019	(25,275)
2020	(4,856)
2021	(12,999)
Thereafter	(2,785)
	$ (96,465)

Note 5: Employee Retirement Benefits (Continued)

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

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.0%	6.1%
Domestic Small Cap Equity	10.0%	6.6%
International Large Cap Equity	11.5%	5.8%
Internationa Small Cap Equity	6.0%	5.8%
Core Plus Fixed Income	17.5%	1.8%
High-yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
Total	100.00%	

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

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

Note 5: Employee Retirement Benefits (Continued)

Discount Rate- A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2014 and June 30, 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate-*The* following presents the net pension liability of the employers calculated using the discount rate of 8%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 526,619	$ 380,947	$ 258,502

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

Other Post-Employment Benefits-Health:

When an eligible employee retired from a participating Oklahoma State Retirement system, his or her coverage under the health plan for active employees will terminate. The retired employee is eligible to continue coverage as an inactive employee under 74 O.S. 1991, §1316.3. For the Center's retired employees, they can elect to participate in the Oklahoma State & Education Employees Group Insurance Plan. Since retirees are required to pay all monthly premiums, there is no liability to the Center; accordingly, no post-employment health care liability has been recorded in the accompanying statements of net position.

Note 6: Related Party Transactions

The Center and Foundation have a lease agreement for the University Center building; see Note 8 for additional information regarding the lease agreement.

Note 7: Risk Management

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

Note 8: Lease Commitments

The Center, as lessee, leases an educational facility from the University Center at Ponca City Foundation Inc. The lease is on a year-to-year basis. Rental expense was approximately $96,000 for fiscal year 2016.

Note 9: Accounting Standards Issued Not Yet Adopted

The GASB has also issued several new accounting pronouncements which will be effective to the Center in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the Center's consideration of the impact of these pronouncements are described below:

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

  GASB No. 73 was issued in June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement is for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The Center has not yet determined the impact that implementation of GASB 75 will have on its net position.

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

  GASB No. 74 was issued in June 2015, and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures.* This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The Center has not yet determined the impact that implementation of GASB 75 will have on its net position.

Note 9: Accounting Standards Issued Not Yet Adopted (Continued)

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

  GASB No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The Center has not yet determined the impact that implementation of GASB 75 will have on its net position.

- *GASB Statement No. 77, Tax Abatement Disclosures*

  GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The Center has not yet determined the impact that implementation of GASB 75 will have on its net position.

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

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

Note 9: Accounting Standards Issued Not Yet Adopted (Continued)

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

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

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

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

- *GASB Statement No. 81, Irrevocable Split-Interest Agreements*

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

Note 10: University Center at Ponca City Foundation

A. Summary of Significant Accounting Policies

The University Center at Ponca City Foundation, Inc. is a not-for-profit organization incorporated under the laws of the State of Oklahoma. The Foundation has been classified as an organization that is not a private foundation. The Foundation was created in 2000 to provide a facility for the University Center at Ponca City, to provide financial assistance to students through loans or scholarships, and to provide other forms of financial assistance to as deemed appropriate by the Board of Directors. The Foundation is a component unit of the University Center at Ponca City. The financial activities of the University Center at Ponca City are not included in the financial statements of the Foundation.

i. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The amount of donor-imposed stipulations at December 31, 2015 and 2014 totaled $175,599 and $186,751, respectively. These are education funds that are to be used for scholarships over a specified period of time as required by the donor.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. The Foundation does not currently have any permanently restricted net assets.

Note 10: University Center at Ponca City Foundation (Continued)

A. Summary of Significant Accounting Policies (Continued)

ii. Cash and Cash Equivalents

All bank deposits and savings accounts are held at various financial institutions and are carried at cost. For purposes of the statement of cash flows, the Foundation's cash and cash equivalents are considered to be demand deposits, money markets, and certificates of deposit with original maturities of three months or less from the date of acquisition.

iii. Concentration of Credit Risk

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and certificates of deposits. The Foundation maintains cash accounts with banks located in Oklahoma that are insured by the Federal Deposit Insurance Corporation. The cash accounts are over the $250,000 limit of the FDIC, and the Foundation is taking measures to collateralize the amounts exceeding FDIC limits.

iv. Property, Plant and Equipment

Property and equipment are recorded at cost if purchased or at fair market value if donated and are depreciated using the straight-line method over the estimated useful lives of the respective assets. All buildings and improvements are capitalized. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation expense for the 2015 and 2014 was $40,850 and $39,963, respectively.

Note 10: University Center at Ponca City Foundation (Continued)

A. Summary of Significant Accounting Policies (Continued)

v. Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation has not recognized any unrelated business taxable income. As a result, no provision for federal or state income taxes is recognized in the accompanying financial statements. The organization evaluates and accounts for uncertain tax positions in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 740, *Income Taxes*. This standard requires certain disclosures about uncertain income tax positions. When tax returns are filed, it is probable that most tax positions would be sustained upon examination by taxing authorities. However, it is also possible that some positions might be subject to uncertainty. The Foundation evaluates any uncertain tax positions using the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Interest and penalties, if any, resulting from any uncertain tax positions required to be recorded by the organization would be presented in other expenses in the statement of activities. The Foundation does not believe that it has engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. The Foundation has filed all applicable Federal and state income tax returns. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Foundation has no open examination with either the Internal Revenue Service or state taxing authorities.

vi. Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 10: University Center at Ponca City Foundation (Continued)

A. Summary of Significant Accounting Policies (Continued)

vii. Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contribution is specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have been implied restriction to be used in the year the payment is due, and therefore, are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received because they meet the criteria for recognition under ASC 958-605 Accounting for Contributions Received and Contributions Made. There were no in-kind contributions in 2015 or 2014.

viii. Fair Value of Financial Instruments and Investments

The financial instruments of the Foundation include cash and cash equivalents, investments, accounts receivable, and accounts payable. The Foundation's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial condition. The carrying amount of these financial instruments approximates fair value because of their short maturity.

FASB Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The basis of fair value measurement of investments is as follows:

Note 10: University Center at Ponca City Foundation (Continued)

A. Summary of Significant Accounting Policies (Continued)

viii. Fair Value of Financial Instruments and Investments (Continued)

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All of the entity's investments are determined to be Level 1.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2015 and 2014:

Assets at Fair Value as of December 31, 2015

	Level 1	Level 2	Level 3	Total
CDs	$ 64,644	$ -	$ -	$ 64,644
Mutual Funds	14,754	-	-	14,754
Total assets at fair value	$ 79,398	$ -	$ -	$ 79,398

Assets at Fair Value as of December 31, 2014

	Level 1	Level 2	Level 3	Total
CDs	$ 64,353	$ -	$ -	$ 64,353
Mutual Funds	10,040	-	-	10,040
Total assets at fair value	$ 74,393	$ -	$ -	$ 74,393

Note 10: University Center at Ponca City Foundation (Continued)

B. Investments

Investments consist of mutual funds and certificates of deposit with maturities greater than three months when purchased. All investments are reported at fair values in the statement of financial position. Unrealized gains and losses are reflected in the statement of activities.

C. Property and Equipment

The following is a summary of changes in property and equipment:

	Balance 1/1/15	Additions	Deletions	Balance 12/31/15
Buildings & Improvements	$ 1,552,436	$ 9,312	$ -	$ 1,561,748
Total	1,552,436	9,312	-	1,561,748
Less accumulated depreciation	(142,323)	(40,850)	-	(183,173)
Net	$ 1,410,113	$ (31,538)	$ -	$ 1,378,575

	Balance 1/1/14	Additions	Deletions	Balance 12/31/14
Buildings & Improvements	$ 1,546,001	$ 6,435	$ -	$ 1,552,436
Total	1,546,001	6,435	-	1,552,436
Less accumulated depreciation	(102,360)	(39,963)	-	(142,323)
Net	$ 1,443,641	$ (33,528)	$ -	$ 1,410,113

D. Contracts and Leases

The Foundation has entered into a lease agreement with the University Center at Ponca City to lease the building and facilities for the operation of a learning center. The lease payments are $8,000 a month, made in arrears. A receivable has been recorded in 2015 and 2014 for December's lease payment.

Note 10: University Center at Ponca City Foundation (Continued)

E. Scholarships Awarded but not Disbursed

The Foundation awards scholarships to Center students for Spring, Summer, and Fall semesters. In 2014, the Board has approved scholarship distributions of $17,000 for the Spring 2015 semester, and in 2015, the Board had approved $17,000 for scholarship distributions for the Spring 2016 semester.

F. Other Information

In 2013, the Foundation agreed to contribute to the Bachelor of Science Nursing Program at the University Center. The funding of the BSN Program is $10,000 for 2014, $20,000 for 2015, and $10,000 for 2016. In 2014, the Foundation funded the program $10,000 as originally agreed upon. In 2015, the Foundation only funded the program $10,000, which was the only amount request by the program. The Foundation will extend the funding another year to make up the $10,000 as originally agreed upon for 2015.

G. Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Foundation purchases commercial insurance for these and other risks of loss.

H. Concentrations

Approximately 72% and 72% of the Foundation's revenues were derived from building lease income for December 31, 2015 and 2014, respectively. Any significant change in building lease income by the University Center could have a significant impact on operations.

I. Subsequent Events

Subsequent events were reviewed up to the date of the audit report, which is the date the audited financial statements were available to be issued and have determined that no additional information will need to be added to the financial statements.

Required Supplementary Information

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

	2015	2016
Center's proportion of the net pension liability	0.00761%	0.00627%
Center's proportionate share of the net pension liability	$ 409,367	$ 380,947
Center's covered-employee payroll	$ 299,478	$ 275,474
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	137%	138%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

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

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

	2015	2016
Contractually required contribution	$ 26,170	$ 30,300
Contribuions in relation to the contractually required contribution	26,170	30,300
Contribution deficiency (excess)	$ -	$ -
Center's covered-employee payroll	$ 275,474	$ 318,947
Contribuions as a percentage of coverd-employee payroll	9.5%	9.5%

Notes to Schedule:

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

HINKLE & COMPANY PC
Strategic Business Advisors

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

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

We have audited, 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 University Center at Ponca City, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise University Center at Ponca City's basic financial statements, and have issued our report thereon dated October 19, 2016.

Internal Control over Financial Reporting

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

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

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

5028 E. 101st Street
Tulsa, OK 74137
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Compliance and Other Matters

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

Purpose of this Report

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

Hinkle & Company, PC

Tulsa, Oklahoma
October 19, 2016