

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma

Financial Statements  
with Independent Auditors' Reports

**June 30, 2021**

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
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June 30, 2021

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## Independent Auditors' Report

Board of Regents  
Eastern Oklahoma State College  
Wilburton, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Oklahoma State College (the College), which is a component unit of the State of Oklahoma and its discretely presented component unit, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College'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 this financial statement based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

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### **Opinion**

In our opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of the Eastern Oklahoma State College and its discretely presented component unit as of June 30, 2021, 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.

### **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 vii and pension information and other post-employment benefits as listed in the table of contents and on pages 57 through 62 will be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States 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 Information**

Our audit was performed for the purpose of forming an opinion on the financial statements of the Eastern Oklahoma State College taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021 on our consideration of the Eastern Oklahoma State College'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 solely 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 effectiveness of the College'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 Eastern Oklahoma State College's internal control over financial reporting and compliance.

Hick & Company, PC

Tulsa, Oklahoma  
October 27, 2021





## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Management's Discussion and Analysis of Significant Factors Affecting the Institution's Financial Statements**

This discussion and analysis of Eastern Oklahoma State College's (College) financial statements provides an overview of the College's financial performance during the fiscal year ended June 30, 2021, with comparison to the previous year. Since the management's discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the College's basic financial statements and the footnotes.

### **Using This Report**

The purpose of the Statement of Net Position for the College is to report the financial position of the College at a point in time, the report date. The Statement of Net Position reports assets, liabilities, and net assets in a single column, separating current and noncurrent assets and current and noncurrent liabilities, as well as deferred inflow and outflow revenues. The net position reports investments in fixed assets net of accumulated depreciation, restricted net assets by restrictive covenants and the balance of net assets are reported as unrestricted net assets.

A primary purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to show whether the College is better or worse off as a result of the year's activities. When revenues exceed expenses, the result is an increase in net position. The Statement of Cash Flows presents the sources and uses of cash and cash equivalents and a reconciliation of these flows to net operating revenues.

The College follows the accrual method of accounting, reporting revenues and expenses as they occur rather than when cash is received or expended. The College engaged a firm in fiscal year 2001 to inventory and value all fixed assets. That evaluation serves as a basis for the cost and accumulated depreciation for fixed assets reported in the financial statements purchased prior to that year. The College records the cost of fixed assets when purchased and when disposed. Depreciation is recorded on all depreciable assets on a straight-line basis and according to the guidelines established by the College for depreciable lives. (See Note 1 for more information on these guidelines.)

### **Financial Highlights**

The College's net position on June 30, 2020, and 2021 were \$1,269,280 and \$495,794, respectively, a decrease of \$773,486.



## MANAGEMENT’S DISCUSSION AND ANALYSIS

Operating Revenues increased by \$2 million from \$10.9 million to \$13 million. Tuition and Fee revenues, a major component of operating revenues, which includes only tuition and fees paid directly by students increased by \$130,055 for fiscal year 2021. Federal Grants and Contracts revenue increased \$846,801 for the fiscal year; this increase is largely due to the CARES, CRRSAA, and ARP grants due to the COVID-19 pandemic. The Auxiliary Sales and Services had an increase of \$138,338 for 2021 due to being able to open our dorms and cafeteria service back up after the pandemic. Other Operating Revenues increased \$808,180 due to an allowable reimbursement of lost revenue from the CARES, CRRSAA and ARP grants during 2020 caused by the COVID-19 pandemic.

Operating expenses increased by \$3.4 million or 17% from \$19.7 million to \$23.1 million for the fiscal year 2021. This increase was mainly Compensation expense which increased \$1.7 million due to an increase in OTRS Pension expense. There was also an increase in Depreciation expense of \$642,143. Operating Expenses increased \$985,726 due to additional expenses related to the COVID-19 pandemic along with the Meat Facility Grant of \$600,000 which ended in December 2020.

Non-operating Revenues decreased \$675,116 for the fiscal year 2021. This was due to a decrease in State Appropriations of \$232,627 along with a decrease of Federal and State Grants of \$425,498 which is largely due to a decrease in Financial Aid given to students.

### Financial Analysis of the College as a Whole

#### Statement of Net Position

	2021	2020
Assets:		
Current assets	\$ 4,928,429	4,187,715
Capital assets, net	21,129,367	21,811,240
Other assets	26,405	26,405
Total assets	26,084,201	26,025,360
Deferred Outflow	6,532,941	2,971,869
Liabilities		
Current liabilities	1,372,939	1,343,165
Noncurrent liabilities	27,923,061	22,555,839
Total liabilities	29,296,000	23,899,004
Deferred Inflows	2,825,348	3,828,945
Net assets		
Invested in capital assets, net of debt	12,834,358	12,720,048
Restricted – expendable, debt service	26,405	26,405
Restricted – expendable, Grant funds	883,428	1,100,849
Unrestricted	(13,248,397)	(12,578,022)
Net Position, End of year	\$ 495,794	\$ 1,269,280



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Statement of Revenues, Expenses, and Changes in Net Assets

Graphic illustrations follow that report elements of the Statement of Revenues, Expenses, and Changes in Net Assets including Operating Revenues by source, Operating Expenses by natural classifications, and Non-operating Revenues. Previous year amounts are also reported for comparative purposes. See the financial highlights section previously reported in this analysis and the financial statements for additional analysis of these figures.

### Operating Revenues

Source of Revenue	Fiscal Year 2021	Fiscal Year 2020	Net Change
Tuition and fees	\$ 4,113,188	\$ 3,983,133	\$ 130,055
Federal grants and contracts	\$ 5,552,601	\$ 4,705,800	\$ 846,801
State grants and contracts	\$ 1,340,267	\$ 1,214,613	\$ 125,654
Sales and services of Auxiliary Activities	\$ 902,557	\$ 764,219	\$ 138,338
Other operating revenues	\$ 1,110,142	\$ 301,962	\$ 808,180

### Operating Expenses by Natural Classifications

Classification	Fiscal Year 2021	Fiscal Year 2020	Net Change
Compensation	\$ 12,338,319	\$ 10,638,920	\$ 1,699,399
Contractual services	\$ 2,353,643	\$ 2,351,816	\$ 1,827
Supplies and materials	\$ 2,054,316	\$ 1,890,434	\$ 163,882
Communication	\$ 125,119	\$ 122,736	\$ 2,383
Depreciation	\$ 1,734,901	\$ 1,092,758	\$ 642,143
Utilities	\$ 662,286	\$ 656,035	\$ 6,251
Scholarships and fellowships	\$ 2,015,510	\$ 2,106,816	\$ (91,306)
Other operating expense	\$ 1,891,842	\$ 906,115	\$ 985,727





## MANAGEMENT’S DISCUSSION AND ANALYSIS

### **Non-operating Revenues (Expenses)**

Revenues (Expenses)	Fiscal Year 2021	Fiscal Year 2020	Net Change
State appropriations	\$ 4,881,761	\$ 5,114,388	\$ (232,627)
State Payments - ARRA	\$ 0	\$ 0	\$ 0
Federal and state grants	\$ 3,298,478	\$ 3,723,976	\$ (425,498)
On-behalf Teachers’ Retirement System Contributions	\$ 647,149	\$ 655,077	\$ (7,928)
Investment income	\$ 17,514	\$ 24,865	\$ (7,351)
Interest expense	\$ (373,394)	\$ (371,682)	\$ (1,712)

### **Statement of Cash Flows**

Cash at June 30, 2021 was \$3,290,563 compared to \$2,345,118 at June 30, 2020, an increase of \$945,445 as explained below.

Cash used in operating activities decreased \$2,164,733 from \$8,212,625 to \$6,047,892, for the years ended June 30, 2020 and 2021, respectively. Inflows of cash included receipts from tuition and fees, grants and contracts, and auxiliary enterprise sales. Outflows of cash consisted of payments to employees and suppliers. This decrease in cash used in operating activities was the result of a decrease in cash received in grants & contracts along with a decrease in other operating receipts. In addition, a decrease in payments made to employees, helped bring about this change.

Cash provided by non-capital financing activities decreased by \$658,125 from \$8,838,364 in 2020 to \$8,180,239 in 2021. This decrease was primarily due to a decrease in state appropriation of \$232,627 and a decrease of \$425,498 for federal and state grants.

Cash used in capital and related financing activities, which includes receipts for the purchase of capital assets offset by the purchase of capital assets or payment of principal and interest, increased \$260,366. This is mainly due to an increase in the purchase of capital assets and capital appropriations.

Cash provided by investing activities decreased by \$7,351, due to a decrease in the interest rate earned by our investments.

### **Capital Assets**

As of June 30, 2021, the College had a net book value of fixed assets of \$21,129,367 compared to \$21,811,240 the previous year-end, a decrease of \$681,873. Investments for the current year included \$1,103,095 for the purchase of equipment, livestock, library books, and building and land improvements. Depreciation recorded for 2021 and 2020, was \$1,734,901 and \$1,092,758 respectively.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Capital Financing**

The College has secured financing for capital expenditures through three separate processes.

The College has one capital lease obligations through the OCIA to finance capital expenditures. The 2005/14A series was used to fund construction of the new Student Center, construction of various ADA infrastructure projects and to purchase a new integrated campus-wide ERP software system. The Oklahoma State Legislature appropriates revenues each year to fund the amount of principal and interest due for that year. The College is required to pay any principal and interest due and not appropriated by the legislature because of a lack of funding. The capital lease obligations at June 30, 2021 for the 2005/14A series were \$3,582,846 extending through the period ending 2030. For the year ended June 30, 2021, the Oklahoma State Regents for Higher Education made on-behalf payments of \$170,645 for the total principal and interest due for the year. Accordingly, the College did not make any payments this year.

Currently the College has six Equipment Master Lease/Purchase agreements with the ODFA (Oklahoma Development Finance Authority, an agency of the State of Oklahoma).

- The 2005A Master Lease/Purchase was for the purpose of financing \$2,951,180 in equipment related to the conservation of energy on the campus. In June 2015 the 2005A OCIA series was refunded to the 2015B ML. On June 30, 2021, the remaining principal obligation was \$728,416 and interest obligation were \$73,338, due through 2025.
- The 2010A Master Lease/Purchase was for the purpose of financing \$401,000 to remodel the College's Apartments. In May 2020 the 2010A Master Lease was refunded to the 2020A Master Lease. On June 30, 2021, the remaining principal obligation was \$115,667 and interest obligation were \$11,607, due through 2025.
- The 2011A Equipment Master Lease/Purchase was for the purpose of acquiring certain equipment items. The College obtained these funds for the purpose of financing \$550,000 to remodel two classroom buildings on campus and \$50,000 to purchase dorm furnishings. In June 2021 the 2011A Equipment Master Lease was refunded to the 2021A Master Lease Equipment. On June 30, 2021, the remaining principal obligation was \$208,000 and interest obligation were \$25,390, due through 2026.
- The 2011A Real Property Master Lease/Purchase was for the purpose of financing \$4,900,000 to remodel the Administration building, Pratt Hall, Gunning Hall, Baker Hall, for the construction of the Regents Court Apartments, and for certain equipment and furnishings. In October 2020 the 2011A Real Property Master Lease/Purchase was refunded to the 2020D Master Lease Real Property. On June 30, 2021, the remaining principal obligation was \$2,956,500 and the interest obligation was \$734,306, due through 2031.
- In 2017, the College refinanced its 2004 Revenue Bond with the 2016 Master Lease. On June 30, 2021, the remaining principal obligation was \$251,250 and the interest obligation was \$13,744, due through 2023.
- The 2019A Master Lease/Purchase Real Property was for the purpose of financing \$278,000 to replace the roof on Mitchell Hall and the roof of the Wanda Bass building. On June 30, 2021, the remaining principal obligation was \$214,333 and interest obligation were \$37,551, due through 2027.



## MANAGEMENT’S DISCUSSION AND ANALYSIS

In 2016 the College entered into an agreement with US Department of Education for repayment of \$593,853 for student financial aid. There was a down payment of \$148,463 that was financed through EOSC Foundation. The scheduled payments on this agreement were through 2022. As of June 30, 2021, the agreement was paid early and in full. The remaining balance of \$445,390 was financed through US Department of Education and was paid in full as of June 30, 2020.

### Net Assets

Investment in capital assets increased \$114,310 in 2021, to a balance of \$12.8 million. This increase is primarily a result of a decrease in noncurrent liabilities.

Restricted net assets for debt service remained the same for the year ended June 30, 2021. These net assets are comprised of cash and cash equivalents with restrictions for debt service funds. Restricted net assets for grant funds decreased by \$217,421 which is a result of a decrease in cash and grant receivables.

Unrestricted net assets include net assets other than restricted assets and capital assets. Unrestricted net assets increased by \$670,375 to \$13.2 million at June 30, 2021.

### **Net Position**

Net Position	Fiscal Year 2021	Fiscal Year 2020	Net Change
Invested in capital assets, net	\$ 12,834,358	\$ 12,720,048	\$ 114,310
Restricted for loans	\$ -	\$ -	\$ 0
Restricted for capital projects	\$ -	\$ -	\$ 0
Restricted for debt service	\$ 26,405	\$ 26,405	\$ 0
Restricted for Grant funds	\$ 883,428	\$ 1,100,849	\$ (217,421)
Unrestricted	\$ (13,248,397)	\$ (12,578,022)	\$ (670,375)

### Economic Outlook

During fiscal year 2010, the College, as well as most state agencies of Oklahoma, received reductions in state appropriations. In 2010-2012 the College received a reduction of \$486,076 in state funding. In 2013 and 2014 the College received small increases totaling \$153,507 and in FY15 the budget was flat. In 2016 state appropriations were cut tremendously. The cuts began in January 2016 and continued throughout the remaining 2016 fiscal year with a total of \$991,284. In 2018 and 2019 there was a decrease of \$322,865 and \$31,905, respectively. In 2020 there was an increase in state appropriations of \$158,944. During 2021 there was a 5% decrease in state appropriations totaling \$232,627.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The funding provided by the State of Oklahoma has a large impact on the Eastern Oklahoma State College economic position. Given the overall reductions in state appropriations and the related impact on the current budget base, the College continued to develop scenarios to hold down costs while preserving the ability to deliver quality instructional programs to our students. The EOSC Board of Regents has been able to maintain affordable tuition and fees during this time. The College is anticipating a 5.7% increase in state appropriations for fiscal year 2022. Due to the increase in state appropriations and our slight increase to our Fall 2021 student enrollment the future appears to hold stable. The College is diligent in safeguard its reserves so that it will be available in the upcoming years if needed. However, the College is continuing to look for ways to effectively allocate resources while supporting the excellent programs offered at EOSC, while at the same time looking for areas that expenses can be reduced with a minimal impact on student programs and services. EOSC continues to pursue additional sources of revenue to help support programs and educational opportunities.

### **Contacting the College's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance at Eastern Oklahoma State College, 1301 West Main, Wilburton, OK 74578.

## **Financial Statements**

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Statements of Net Position  
June 30, 2021

	EOSC	EOSC Development Foundation
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,974,035	\$ 315,195
Restricted cash and cash equivalents	316,528	-
Investments	-	5,733,087
Accounts receivable, net of allowance for doubtful accounts of \$2,845,970	1,048,085	-
Federal and state grants receivable	566,900	-
Inventories	22,881	-
Total Current Assets	4,928,429	6,048,282
<b>Noncurrent Assets</b>		
Perkins loans	26,405	-
Capital assets, net of accumulated depreciation	21,129,367	-
Total Noncurrent Assets	21,155,772	-
Total Assets	26,084,201	6,048,282
<b>Deferred Outflows of Resources</b>		
Deferred cost on OCIA lease restructuring	5,166	-
Deferred amounts related to pensions	6,022,041	-
Deferred amounts related to OPEB	505,734	-
Total Deferred Outflow of Resources	6,532,941	-
Total Assets and Deferred Outflows of Resources	\$ 32,617,142	\$ 6,048,282

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Statements of Net Position  
June 30, 2021

	EOSC	EOSC Development Foundation
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 164,834	\$ -
Accrued compensated absences	165,831	-
Accrued liabilities	99	-
Unearned revenue	223,244	-
Deposits held in custody for others	131,182	-
Current portion of noncurrent liabilities	687,749	-
Total Current Liabilities	1,372,939	-
<b>Noncurrent Liabilities, net of current portion</b>		
Accrued compensated absences	221,940	-
Obligations under capital leases and notes payable	7,493,504	-
Net OTRS pension liability	18,725,335	-
Total OPEB liability	1,482,282	-
Total Noncurrent Liabilities	27,923,061	-
Total Liabilities	29,296,000	-
<b>Deferred Inflows of Resources</b>		
Deferred gain on lease restructure	118,922	-
Deferred amounts related to pensions	1,483,591	-
Deferred amounts related to OPEB	1,222,835	-
Total Deferred Inflows of Resources	2,825,348	-
<b>Net Position</b>		
Net investments in capital assets	12,834,358	-
Restricted for:		
Nonexpendable	-	2,770,405
Expendable		
Instruction, scholarships and other	-	2,672,060
Grants	883,428	-
Debt service	26,405	-
Unrestricted	(13,248,397)	605,817
Total Net Position	495,794	6,048,282
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 32,617,142	\$ 6,048,282

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
**Statements of Revenues, Expenses and Changes in Net Position**  
For the Year Ended June 30, 2021

	<u>EOSC</u>	<u>EOSC Development Foundation</u>
<b>Operating Revenues</b>		
Tuition and fees, net of scholarship allowances	\$ 4,113,188	\$ -
Federal grants and contracts	5,552,601	-
State and local grants and contracts	1,340,267	-
Sales and services of auxiliary enterprises, net	902,557	-
Other operating revenues	1,110,142	-
Total Operating Revenues	<u>13,018,755</u>	<u>-</u>
<b>Operating Expenses</b>		
Compensation	12,338,319	-
Contract services	2,353,643	-
Supplies and materials	2,054,316	-
Scholarships and fellowships	2,015,510	366,888
Communications	125,119	-
Depreciation	1,734,901	-
Utilities	662,286	-
Support to college	-	267,329
Other operating expenses	1,891,842	60,306
Total Operating Expenses	<u>23,175,936</u>	<u>694,523</u>
<b>Operating (Loss)</b>	<u>(10,157,181)</u>	<u>(694,523)</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	4,881,761	-
Federal grants and contracts	3,298,478	-
Contributions and other receipts	-	445,671
OTRS on-behalf contributions	647,149	-
Investment income	17,514	1,131,628
Interest on capital asset-related debt	(373,394)	-
Net Nonoperating Revenues	<u>8,471,508</u>	<u>1,577,299</u>
Income (loss) before revenues, expenses, gains, losses, and transfers	(1,685,673)	882,776
State appropriations restricted for capital purposes	741,542	-
OCIA on-behalf appropriations	170,645	-
Change in Net Position	(773,486)	882,776
Net Position, beginning of year	<u>1,269,280</u>	<u>5,165,506</u>
Net Position, end of year	<u>\$ 495,794</u>	<u>\$ 6,048,282</u>

See Notes to the Financial Statements.



**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Statement of Cash Flows  
For the Year Ended June 30, 2021

	EOSC	EOSC Development Foundation
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 4,146,789	\$ -
Grants and contracts	7,037,595	-
Contributions	-	-
Auxiliary enterprise sales and service	906,784	
Payments to suppliers	(8,994,184)	-
Payments to employees for salaries and benefits, net on-behalf payments	(10,255,018)	-
Other operating receipts	1,110,142	(543,657)
Net Cash used in operating activities	(6,047,892)	(543,657)
<b>Cash Flows from Noncapital Financing Activities</b>		
Federal direct loan program receipts	1,599,780	
Federal direct loan program disbursements	(1,599,780)	
State appropriations	4,881,761	-
Non-operating grants	3,298,478	-
Net cash provided by noncapital financing activities	8,180,239	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Cash paid for capital assets	(1,103,095)	-
Principle paid on capital leases and bonds	(690,181)	-
Interest paid on capital leases and bonds	(202,749)	-
Contribution restricted from endowment	-	445,671
Disposition of assets	50,067	
Capital appropriations-state	741,542	-
Net cash provided by (used in) capital and related financing activities	(1,204,416)	445,671
<b>Cash Flows from Investing Activities</b>		
Interest received on investments	17,514	-
Proceeds from sale of investments	-	1,432,068
Purchases of investments	-	(1,388,673)
Net cash provided by (used in) investing activities	17,514	43,395
<b>Net increase (decrease) in cash and cash equivalents</b>	945,445	(54,591)
<b>Cash and Cash Equivalents, Beginning of Year</b>	2,345,118	369,786
<b>Cash and Cash Equivalents, End of Year</b>	\$ 3,290,563	\$ 315,195

See Notes to the Financial Statements.

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Statement of Cash Flows  
For the Year Ended June 30, 2021  
(Continued)

	EOSC	EOSC Development Foundation
<b>Reconciliation of operating loss to cash provided by (used in) operating activities</b>		
Operating loss/change in net assets, Foundation	\$ (10,157,181)	\$ 882,776
Adjustments to reconcile operating loss/change to net cash provided by (used in) operating activities		
Appreciation in funds held by others and investment	-	(1,074,359)
Foundation contributions restricted for endowment	-	(445,671)
Depreciation expense	1,734,901	-
State of Oklahoma on-behalf contributions to OTRS	647,149	-
Changes in assets and liabilities		
Student accounts receivable	72,738	-
Other receivables	144,727	93,597
Other assets	-	-
Inventories	(12,734)	-
Compensated absences	(13,077)	-
Accounts payable and accrued expenses	125,592	-
Unearned revenue and other	(39,137)	-
Net pension liability	6,013,799	-
Deferred outflows	(3,561,072)	-
Deferred inflows	(1,003,597)	-
	<u>\$ (6,047,892)</u>	<u>\$ (543,657)</u>
<b>Net Cash Used in Operating Activities</b>		
	<u>\$ (6,047,892)</u>	<u>\$ (543,657)</u>
<b>Noncash Investing, Noncapital Financing and Capital and Related Financing Activities</b>		
On-behalf principal and interest paid by OCIA	\$ 170,645	\$ -
<b>Reconciliation of Cash and Cash Equivalents to Statements of Net Position</b>		
Current Assets:		
Cash and cash equivalents	2,974,035	315,195
Noncurrent Assets:		
Restricted cash and cash equivalents	316,528	-
Net cash provided by capital and related financing activities	<u>\$ 3,290,563</u>	<u>\$ 315,195</u>

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
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**Note 1: Summary of Significant Accounting Policies**

**Nature of Operations**

Eastern Oklahoma State College (the “College”) is a 2-year, state supported College operating under the jurisdiction of the Board of Regents of Eastern Oklahoma State College (the “Board of Regents”) and the Oklahoma State Regents for Higher Education. The College is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State of Oklahoma as part of the higher education component unit. The College has two primarily campuses located in Wilburton and in McAlester.

**Reporting Entity**

The financial reporting entity, as defined by Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, 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.

Eastern Oklahoma State College Foundation, Inc. (the “Foundation”) is a legally separate, tax-exempt component unit of the College. The Foundation is organized for the purpose of receiving and administering gifts intended for the College. Although the College 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 College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements. Separate financial statements of the Foundation can be requested from the Foundation’s controller.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 958, “Not-for-Profit Entities.” As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences.

**Financial Statement Presentation**

The College’s financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments* (GASB 34), and GASB Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities* (GASB 35).

**Eastern Oklahoma State College**  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

**Financial Statement Presentation**

Under GASB 34 and GASB 35, the College is required to present a statement of net position classified between current and noncurrent assets and liabilities; a statement of revenues, expenses, and changes in net position with separate presentation for operating and non-operating revenues and expenses; and a statement of cash flows using the direct method.

**Basis of Accounting**

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College'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.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after October 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the College 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.

**Restricted Cash**

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

**Deposits and Investment**

The College 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 gains (losses) on the carrying values of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or purchase capital or other noncurrent assets are classified as restricted assets in the statements of net position. In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3 (GASB 40), the College has disclosed its deposit and investment policies related to the risks identified in GASB 40.

**Eastern Oklahoma State College**  
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**Note 1: Summary of Significant Accounting Policies** (Continued)

**Deposits and Investment** (Continued)

In accordance with GAAP authoritative guidance on fair value measurements and disclosures, the College's investments measured and reported at fair value are classified according to the following hierarchal input levels:

Level 1- Unadjusted quoted prices in active markets for identical assets.

Level 2- Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

Level 3- Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3. As of June 30, 2021, the College had no investments.

**Accounts Receivable and Other Receivables**

Accounts receivable consists of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Oklahoma. Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student loans receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts are written off for financial reporting purposes when deemed uncollectible. Recoveries of student accounts receivable previously written off are recorded when received.

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

**Capital Assets**

Capital assets are stated at cost, or fair value if acquired by gifts, less accumulated depreciation. For equipment, the College's capitalization policy includes all items with a unit cost of \$500 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 occurs. Livestock is stated at fair market value. Land and livestock are not depreciated.

**Eastern Oklahoma State College**  
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**Note 1: Summary of Significant Accounting Policies** (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are utilized by the College:

Land improvements	10 years
Buildings	30 years
Building improvements	10 years
Furniture, fixtures, and equipment	3 years
Infrastructure	20 years
Library materials	5 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

**Unearned Revenues**

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Amounts received from grant and contract sponsors that have not yet been earned, unless due to timing requirements, will be considered deferred revenue. Grant and contract sponsor amounts received but not recognized due to timing requirements will be reported as a deferred inflow of resources.

**Compensated Absences**

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

**Noncurrent Liabilities**

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

**Use of Estimates**

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

**Inventories**

Inventories consist of fuel and meat products, which are valued at the lower of cost (first-in, first-out basis) or market.

**Eastern Oklahoma State College**  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

**Net Position**

The College's net position is classified as follows:

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

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

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

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

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

**Income Taxes**

The College, 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 College may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511(a)(2)(B).

**Eastern Oklahoma State College**  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

**Classification of Revenues**

The College 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) 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 revenues, 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.

**Scholarship Discounts and Allowances**

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

**Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2021, the College's deferred outflows and deferred inflows of resources were comprised of deferred gain on OCIA lease restructure, related pension and OPEB sources.



**Eastern Oklahoma State College**  
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June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma 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.

**Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Oklahoma Teachers Retirement System (OTRS) and the Oklahoma Public Employees Retirement System (OPERS) and additions to/deductions from the plans' 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. Net OPEB liability or asset and plan deferrals are recognized as of the measurement date. Payments from the measurement date to the date of the statement of net position are reported as deferred outflows.

**Supplemental Retirement Benefit Plan**

In addition to OTRS, the College has a supplemental retirement benefit plan (SRB) for a former president. The SRB requires the College to pay approximately \$30,000 per year to the former president until his death. During 2017, the College established a pension liability for the estimated benefits in accordance with GASB 73.

**Eastern Oklahoma State College**  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

**New Accounting Pronouncements Adopted**

In January 2017, GASB issued Statement No. 84, Fiduciary Activities (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. Due to COVID-19, the effective date was postponed 1 year and therefore the College has now adopted GASB 84 effective July 1, 2020, for the June 30, 2021, reporting year. Implementation of this standard did not have an impact on the financial statements.

**New Accounting Pronouncements Not Yet Adopted**

In June 2017, GASB issued Statement No. 87, Leases (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Due to COVID-19, the required implementation date has been postponed 18 months. The college will adopt GASB 87 effective July 1, 2021, for the June 30, 2022, reporting year. The College has not determined the impact of GASB 87 on the financial statements.

**Subsequent Events**

Subsequent events have been evaluated through October 27, 2021, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the October 27, 2021 financial statements.

**Eastern Oklahoma State College**  
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**Note 2: Deposits and Investments**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The College'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 College'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 College requires that balances on deposit with financial institutions, including trustees related to the College's bond indenture and capital lease agreements, be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the College's name.

The carrying amount of the College's deposits was \$3,266,805. This amount consisted of deposits with the State Treasurer of \$3,255,023 at June 30, 2021.

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in obligations of the U.S. government, its agencies and instrumentalities, including agency senior debt and mortgage-backed pass-through securities, tri-party repurchase agreements, money market mutual funds, collateralized certificates of deposit, commercial paper, obligations of state and local governments, and State of Israel Bonds. Various other investments, as allowed by law, may be added to the *OK INVEST* portfolio, as the State Treasurer determines, without formal revision to its policy statement. Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* totaled \$1,205,236 at June 30, 2021.

**Eastern Oklahoma State College**  
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Notes to Financial Statements  
June 30, 2021

**Note 2: Deposits and Investments** (Continued)

**Custodial Credit Risk – Deposits** (Continued)

For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents. At June 30, 2021, the distribution of deposits in OK INVEST was as follows:

	June 30, 2021	
<u>OK INVEST Portfolio</u>	Cost	Market Value
U.S. Agency Bonds	\$ 477,992	\$ 478,217
Money Market Mutual Funds	52,599	52,599
Certificates of deposits	8,081	8,081
Mortgage backed agency securities	356,731	356,193
Municipal bonds	1,676	1,695
Foreign bonds	8,378	8,378
U.S. Treasury obligations	299,779	302,475
Total	\$ 1,205,236	\$ 1,207,638

Agencies and funds that are considered to be part of the State’s reporting entity in the State’s Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST.

Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State’s daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer’s website at <http://www.treasurer.state.ok.us>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day-to-day basis. OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to 10 years. OK INVEST maintains an overall weighted average maturity of no more than 4 years.

Participants in OK INVEST maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

**Eastern Oklahoma State College**  
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June 30, 2021

**Note 2: Deposits and Investments** (Continued)

**Custodial Credit Risk – Deposits** (Continued)

*Interest rate risk* is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher.

*Credit/default risk* is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest rate changes. The College 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**

All U.S. government obligations are held by the Federal Reserve Bank in the name of the College. Title 70, Section 4306 of the Oklahoma Statutes directs, authorizes, and empowers the College's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws.

**Eastern Oklahoma State College**  
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Notes to Financial Statements  
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**Note 2: Deposits and Investments** (Continued)

**Credit Risk** (Continued)

The Board of Regents has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer’s Office. Generally, these include direct obligations of the U.S. government and its agencies, certificates of deposit, and demand deposits. The Board of Regents has authorized endowment and similar funds to be invested in direct obligations of the U.S. government and its agencies, certificates of deposit, prime commercial paper, bankers’ acceptances, demand deposits, corporate debt (no bond below a *Single A* rating by Moody’s Investors Service or Standard & Poor’s Corporation may be purchased), convertible securities, and equity securities.

**Note 3: Accounts Receivable**

Accounts receivable consist of the following at June 30, 2021:

	2021
Student tuition and fees	\$ 3,997,508
Less allowance for doubtful accounts	<u>(2,949,423)</u>
 Total	 <u>\$ 1,048,085</u>

**Note 4: Loans Receivable**

Student loans made through the Federal Perkins Loan Program (the “Program”) comprise all of the loan’s receivable at June 30, 2021. There were no federal or institutional contributions to the program during 2021. The program provides for cancellation of a note at rates of 15% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the College’s loan funds for amounts cancelled under these provisions.

As the College determines loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2021, the Program has a loan receivable of \$26,405. No allowance for uncollectable loans is considered necessary by management.

**Eastern Oklahoma State College**  
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**Note 5: Capital Assets**

Capital asset activity for the year ended June 30, 2021, was as follows:

	<b>Year Ended June 30, 2021</b>			
	Beginning Balances	Increases	Retirements/ Reclass	Ending Balance
<i>Capital Assts not being depreciated:</i>				
Land	\$ 1,238,008	\$ -	\$ -	\$ 1,238,008
Construction in Progress	3,540	-	(3,540)	-
Livestock	225,500	-	(31,650)	193,850
Total capital assets not being depreciated	<u>1,467,048</u>	<u>-</u>	<u>(35,190)</u>	<u>1,431,858</u>
<i>Capital Assts being depreciated:</i>				
Land Improvements	2,804,683	2,851	3,540	2,811,074
Buildings and Building Improvements	29,805,880	617,035	(305,842)	30,117,073
Infrastructure	716,815	-	-	716,815
Equipment	7,950,522	482,382	(218,970)	8,213,934
Library materials	247,549	828	(36,127)	212,250
Total capital assets being depreciated:	<u>41,525,449</u>	<u>1,103,096</u>	<u>(557,399)</u>	<u>42,071,146</u>
<i>Less Accumulated Depreciation for:</i>				
Land Improvements	(1,981,658)	(64,239)	-	(2,045,897)
Buildings and Building Improvements	(11,199,428)	(1,301,541)	292,198	(12,208,771)
Infrastructure	(671,492)	(1,970)	-	(673,462)
Equipment	(7,183,468)	(351,478)	214,196	(7,320,750)
Library materials	(145,211)	(15,673)	36,127	(124,757)
Total accumulated depreciation	<u>(21,181,257)</u>	<u>(1,734,901)</u>	<u>542,521</u>	<u>(22,373,637)</u>
Total capital assets being depreciated, net	<u>20,344,192</u>	<u>(631,805)</u>	<u>(14,878)</u>	<u>19,697,509</u>
Capital assets, net	<u>21,811,240</u>	<u>(631,805)</u>	<u>(50,068)</u>	<u>21,129,367</u>
<i>Capital Asset Summary</i>				
Capital assets not being depreciated	1,467,048	-	(35,190)	1,431,858
Total Capital Assets being depreciated	41,525,449	1,103,096	(557,399)	42,071,146
Total Capital Assets	42,992,497	1,103,096	(592,589)	43,503,004
Less accumulated depreciation	(21,181,257)	(1,734,901)	542,521	(22,373,637)
Capital Assets, net	<u>\$ 21,811,240</u>	<u>\$ (631,805)</u>	<u>\$ (50,068)</u>	<u>\$ 21,129,367</u>

**Eastern Oklahoma State College**  
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**Note 6: Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Balance at 6/30/2020	Additions	Reductions	Balance at 6/30/2021	Due Within One Year
Capital leases obligations:					
OCIA 2014A Series	\$ 3,582,846	\$ -	\$ -	\$ 3,582,846	\$ -
ODFA Master Lease 2015B	898,833	-	(170,417)	728,416	175,583
ODFA Master Lease 2020A	144,000	-	(28,334)	115,666	28,083
ODFA Master Lease 2011A - EQ	256,667	-	(256,667)	-	-
ODFA Master Lease 2021A/11A	-	208,000	-	208,000	40,333
ODFA Master Lease 2011A - RP	3,120,833	-	(164,333)	2,956,500	282,250
2019ML Real Property	245,417	-	(31,083)	214,334	32,167
ODFA Master Lease 2016B	375,667	-	(124,417)	251,250	129,333
Total Capital Leases	<u>8,624,263</u>	<u>208,000</u>	<u>(775,251)</u>	<u>8,057,012</u>	<u>687,749</u>
Other long-term debt					
EOSC Foundation	93,597	-	(93,597)	-	-
Bond Premium	153,574	21,102	(50,435)	124,241	-
Compensated absences	400,847	87,628	(100,704)	387,771	165,831
Total Other Liabilities	<u>648,018</u>	<u>108,730</u>	<u>(244,736)</u>	<u>512,012</u>	<u>165,831</u>
	<u>\$ 9,272,281</u>	<u>\$ 316,730</u>	<u>\$ (1,019,987)</u>	<u>\$ 8,569,024</u>	<u>\$ 853,580</u>

**Capital Lease Obligations**

**Oklahoma Capital Improvement Authority Lease Obligations**

In September 1999, the Oklahoma Capitol Improvement Authority (OCIA) issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the State Regents for Higher Education allocated \$1,000,000 to the College. Concurrently with the allocation, the College entered into an individual lease agreement with OCIA, representing the project being funded by the OCIA bonds.

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 \$7,671,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA for capital improvements being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 25 years.



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**Note 6: Long-Term Liabilities** (Continued)

**Capital Lease Obligations** (Continued)

**Oklahoma Capital Improvement Authority Lease Obligations** (Continued)

In 2014, the OCIA issued Bond Series 2014A that refunded a significant portion of the 2005F bonds. Consequently, the amortization of the 2005F bond issue was fully amortized in 2016. The lease agreement will no longer secure the 2005F bond issue but will now act as security for the 2014A bond issue over the term of the lease through the year 2031. This lease restructuring has resulted in a gain on restructuring that has been recorded as a gain of \$213,841 on restructuring as a deferred inflow of resources that will be amortized over a period of 18 years. The unamortized amount of the deferred lease restructuring gain at June 30, 2021, was \$118,922. Lease interest payments to OCIA totaling \$170,645 during the year ended June 30, 2021, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on- behalf state appropriations in the statement of revenues, expenses, and changes in net position.

College's property under the OCIA capital leases is summarized as follows:

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 8,214,037	\$ 831,819	\$ 9,045,856
Less accumulated depreciation	(2,093,182)	(831,819)	(2,925,001)
Total	<u>\$ 6,120,855</u>	<u>\$ -</u>	<u>\$ 6,120,855</u>

Future minimum lease payments under the College's obligations to the OCIA for the year ended June 30, 2021, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 333,984	\$ 170,645	\$ 504,629
2023	350,961	154,553	505,514
2024	359,993	137,449	497,442
2025	375,229	122,244	497,473
2026	393,620	103,805	497,425
Thereafter	1,769,059	220,615	1,989,674
Total	<u>\$ 3,582,846</u>	<u>\$ 909,311</u>	<u>\$ 4,492,157</u>

**Oklahoma Development Finance Authority Lease Obligations**

In May 2005, the College entered into a 20-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2005A. The College financed \$3,005,000 to upgrade the College's energy management systems.

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**Note 6: Long-Term Liabilities** (Continued)

**Oklahoma Development Finance Authority Lease Obligations** (Continued)

The lease agreement with ODFA provides for monthly payments to ODFA ranging from \$17,187 to \$17,292 for 20 years through May 15, 2025, or until the ODFA bonds and related interest are paid.

On June 17, 2015, the College entered into Master Equipment Lease Revenue Bonds, Series 2015B in the amount of \$1,689,000 to refinance the Series 2005A Master Lease Revenue Bonds. The lease agreement with ODFA provides for monthly payments to ODFA ranging from \$17,187 to \$17,292 for 10 years through May 15, 2025. Lease principal and interest payments to ODFA totaled \$204,812 during the year ended June 30, 2021.

The 2015B issuance resulted in a premium for the bonds of \$105,437 that is being amortized over 120 months. The unamortized balance of the premium at June 30, 2021, was \$42,174.

In September 2010, the College entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2010A. In June 2020, the College entered into a capital lease obligation Series 2020A in the amount of \$144,000 to refinance the 2010A College Apartment Remodel Bond. Lease payments over the term of the agreement, including interest, total \$161,808. Payments began July 15, 2020, and go through May 15, 2025, and will range from \$2,975 to \$2,710, monthly. The net present value of the savings for the refinance is \$6,299. The lease agreement with ODFA provides for monthly payments to ODFA ranging from \$2,793 to \$3,177 for 15 years through May 15, 2025, or until the ODFA bonds and related interest are paid. The monthly lease payments are funded through additional apartment rent realized after the project was completed. Lease principal and interest payments to ODFA totaled \$34,535 during the year ended June 30, 2021.

The 2020A refunding issuance resulted in a premium for the bonds of \$12,733 that is being amortized over 60 months. The unamortized balance of the premium at June 30, 2021, was \$10,186.

In May 2011, the College entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2011A. The College received a net amount of \$550,000 of the proceeds for improvements to the College's equipment. In June 2021, the 2011A Equipment Master Lease was refunded to the 2021A Master Lease Equipment. Lease principal and interest payments to ODFA totaled \$51,275 during the year ended June 30, 2021

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**Note 6: Long-Term Liabilities** (Continued)

**Oklahoma Development Finance Authority Lease Obligations** (Continued)

In 2011, the College entered into a 20-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2011A. The College financed \$4,900,000, for the building of Regents Courts (apartment style dorms) and the remodeling of the first floor of the Library, Gunning, Baker, and a portion of Pratt.

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. Lease principal and interest payments to ODFA totaling \$365,613 during the year ended June 30, 2021.

The 2021A refunding issuance resulted in a premium for the bonds of \$21,101 that is being amortized over 60 months. The unamortized balance of the premium on June 30, 2021, was \$16,881.

In 2020D refunding issuance resulted in a premium for the bonds of \$20,137 that is being amortized over 132 months. The unamortized balance of the premium on June 30, 2021, was \$18,305.

The Board of Regents authorized the College to issue the Student Facilities Revenue Bonds, Series 2004 (the "Series 2004 Bonds") dated May 1, 2004, in the amounts of \$2,200,000. The Series 2004 Bonds mature June 1 of each year beginning June 1, 2005, through June 1, 2024, in annual amounts varying from \$85,000 to \$160,000, interest rates ranging from 2.40% to 4.45%. The Series 1997 Bonds are payable from pledged revenues derived from a student union fee and other ancillary services, and the reserve account held by the bond trustees.

On June 15, 2016, the College entered into capital lease obligation Series 2016B in the amount of \$844,000 to refinance the 2004 Student Facilities Revenue Bonds. Lease payments over the term of the agreement, including interest, total \$960,686. Payments began July 15, 2016, and go through May 15, 2023, and will range from \$11,608 to \$12,327, monthly. The net present value of the savings for the refinance is \$122,505.

The 2016B issuance resulted in a premium for the bonds of \$64,269 that is being amortized over 84 months. The unamortized balance of the premium at June 30, 2021, was \$26,779.

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. Lease principal and interest payments to ODFA totaling \$138,153 during the year ended June 30, 2021.

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**Note 6: Long-Term Liabilities** (Continued)

**Oklahoma Development Finance Authority Lease Obligations** (Continued)

In May 2019, the College entered into an 8-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the Oklahoma State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2019A. The College financed \$278,000 for the roof replacement on Mitchell Hall and Wanda Bass buildings. Lease payments over the term of the agreement, including interest, total \$339,885. Payments begin June 2020 and go through May 2027 and will range from \$2,500 to \$3,333 monthly.

The 2019 issuance resulted in a premium for the bonds of \$32,000 that is being amortized over 96 months. The unamortized balance of the premium on June 30, 2021, was \$24,000.

The College's property under the ODFA capital leases is summarized as follows:

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 12,344,081	\$ 29,851	\$ 12,373,932
Less accumulated depreciation	(3,212,776)	(25,058)	(3,237,834)
Total	<u>\$ 9,131,305</u>	<u>\$ 4,793</u>	<u>\$ 9,136,098</u>

Future minimum lease payments under the College's obligations to the ODFA for the year ended June 30, 2021, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,021,734	\$ 355,655	\$ 1,377,389
2023	1,044,044	314,548	1,358,592
2024	945,243	270,973	1,216,216
2025	955,812	233,060	1,188,872
2026	768,203	191,762	959,965
Thereafter	3,321,976	439,408	3,761,384
Total	<u>\$ 8,057,012</u>	<u>\$ 1,805,406</u>	<u>\$ 9,862,418</u>

**Other Property Under Capital Leases**

The College's property under the other capital leases is summarized as follows:

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 303,750	\$ 161,594	\$ 465,344
Less accumulated depreciation	(144,281)	(88,877)	(233,158)
Total	<u>\$ 159,469</u>	<u>\$ 72,717</u>	<u>\$ 232,186</u>

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**Note 6: Long-Term Liabilities** (Continued)

**Other Long-Term Obligations**

**Eastern Oklahoma State College Development Foundation, Inc.**

During the year ended June 30, 2017, the College entered into an agreement dated October 26, 2016, whereby the Foundation advanced \$148,500 to the College to pay a portion of the debt owed to the Department of Education. The agreement requires 3 payments of \$21,835, 1 payment of \$32,738, and 1 payment of \$63,827, including interest at a rate of 3%. The note was paid-off as of June 30, 2021.

**Note 7: Retirement Plans**

Substantially all of the College's academic and nonacademic personnel are covered by the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employee retirement system. Certain eligible employees also participate in the Supplemental Retirement Plan, a single-employer defined benefit plan. The College does not maintain the accounting records, hold the investments for, or administer the OTRS plan.

**Summary of Net Position Obligation**

	Net Pension Obligation	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Benefit Obligation	\$ 198,853	\$ -	\$ -	\$ 7,103
OTRS Pension	<u>18,526,482</u>	<u>6,022,041</u>	<u>1,483,591</u>	<u>3,092,862</u>
Total	<u>\$ 18,725,335</u>	<u>\$ 6,022,041</u>	<u>\$ 1,483,591</u>	<u>\$ 3,099,965</u>

**Plan Description**

The College 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](http://www.ok.gov/OTRS).

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**Note 7: Retirement Plans** (Continued)

**Oklahoma Teachers' Retirement System**

**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 benefits 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% 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).

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**Note 7: Retirement Plans** (Continued)

**Contributions**

The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 7.70% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program; see Note (7). Contributions to the pension plan from the College were \$915,049. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$645,425 was recognized by the College; 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, 2021, the College reported a liability of \$18,526,482 for its proportionate share of the net pension liability. The net pension liability was measured as of 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, 2020. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2020. Based upon this information, the College's proportion was .1952% percent.

For the year ended June 30, 2021, the College recognized pension expense of \$3,092,862. At June 30, 2021, the College 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	\$ 901,905	\$ 313,780
Changes of assumptions	2,272,040	267,662
Net difference between projected and actual earnings on pension plan investments	1,596,989	-
Changes in College's proportionate share of contributions	329,167	897,065
Differences between College Contributions and proportionate share of contributions	6,891	5,084
College contributions subsequent to the measurement date	915,049	-
Total	<u>\$ 6,022,041</u>	<u>\$ 1,483,591</u>

**Eastern Oklahoma State College**  
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**Note 7: Retirement Plans** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

The \$915,049 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ 410,396
2023	801,094
2024	1,166,631
2025	1,058,294
2026	186,986
Total	<u>\$ 3,623,401</u>

**Actuarial Assumptions** - The total pension liability as of June 30, 2021, was determined based on an actuarial valuation prepared as of June 30, 2017, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.25%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 2.25 percent wage inflation, plus 0.75 percent productivity increase rate, 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



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**Note 7: Retirement Plans** (Continued)

**Actuarial Assumptions** (Continued)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	43.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	22.0%	2.5%
Real Estate*	9.0%	4.5%
Alternative Assets	6.5%	6.2%
Total	<u>100.0%</u>	

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

**Discount Rate** - A single discount rate of 7.00% was used to measure the total pension liability as of June 30, 2020. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.00%. 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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employers' net pension liability	\$ <u>14,726,561</u>	\$ <u>18,526,482</u>	\$ <u>13,393,782</u>

**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](http://www.ok.gov/OTRS).

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**Note 7: Retirement Plans** (Continued)

**Supplemental Retirement Benefit Plan (SRB)**

**Plan description**

In 1995 the College, through its board of regents, entered into an agreement to provide supplemental retirement benefits to its then president. The agreement called for the College to establish an annuity for the former president which would be paid monthly from his retirement date until death, with up to 3.5% in annual cost of living increases allowable. The annuity account was opened in 1995 with a \$154,000 first time payment, the amount projected as necessary to fund the supplemental retirement benefits over the former president’s lifetime.

In 2000 the former president retired and began to draw on the annuity established in 1995. In late 2009, the College was informed that the annuity account was near insolvency and that supplemental payments would be necessary to fulfill the commitment for the benefits of the former president. After determining it has a legal obligation to do so, the College began making supplemental payments to this account.

**Funding Policy**

Benefits are funded on a “pay as you go” basis, so there are no assets accumulated to pay these benefits. During the fiscal year ended June 30, 2021, the College made benefit payments of \$28,361.

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

At June 30, 2021, the College reported a liability of \$198,852 for its net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. For the year ended June 30, 2021, the College recognized pension expense of \$7,103.

**Schedule of Changes in Total Pension Liability**

The College’s changes in total pension liability are as follows as of June 30,2021:

Beginning net pension liability	\$ 220,110
Interest	4,930
Change of assumptions	3,699
Difference between actual and expected experience	(1,526)
Benefit payments	<u>(28,361)</u>
Ending net pension liability	<u>\$ 198,852</u>

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**Note 7: Retirement Plans** (Continued)

**Actuarial Assumptions**

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

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Discount Rate – 2.04% (Based on Bond Buyers General Municipal Bond Index)
- Mortality Rates after Retirement – RP-2000 Combined Mortality Table projected to 2020.

**Sensitivity of the Net Pension Liability to Change in the Discount Rate**

The following presents the net pension liability of the employers calculated using the discount rate each year, 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 or 1-percentage-point higher than the current rate:

	1% Decrease (1.04%)	Current Discount Rate (2.04%)	1% Increase (3.04%)
Employers' net pension liability	\$ 208,834	\$ 198,852	\$ 189,757

**Note 8: Post Retirement Plans: OTRS – OPEB**

**Supplemental Health Insurance Program**

**Plan Description**

The College 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/OTRS](http://www.ok.gov/OTRS).

**Benefits Provided**

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

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**Note 8: Post Retirement Plans: OTRS – OPEB (Continued)**

**Contributions**

Employer and employee contributions are made based upon the OTRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 8; 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 0.15% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were \$1,724.

**OPEB Liabilities (Assets), OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2021, the College reported an asset of \$19,341 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of 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, 2020. The College's proportion of the net OPEB asset was based on the College'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, 2020. Based upon this information, the College's proportion was .1952% percent.

For the year ended June 30, 2021, the College recognized OPEB expense of 2,339. At June 30, 2021, the College 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	\$ -	42,490
Changes of assumptions	41,848	-
Net difference between projected and actual earnings on OPEB plan investments	42,243	1,326
Changes in College's proportionate share of contributions	2,190	
Differences between College contributions and proportionate share of contributions	7,142	15
College contributions subsequent to the measurement date	1,724	-
Total	<u>\$ 95,147</u>	<u>43,831</u>

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**Note 8: Post Retirement Plans: OTRS – OPEB** (Continued)

**OPEB Liabilities (Assets), OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

The \$1,724 reported as deferred outflows of resources related to OPEB resulting from college contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$ (1,146)
2023	10,792
2024	17,509
2025	15,700
2026	5,516
Thereafter	1,221
Total	<u>\$ 49,592</u>

**Actuarial Assumptions**

The total OPEB liability (asset) as of June 30, 2021, was determined based on an actuarial valuation prepared as if June 30, 2020, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.25%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 2.25 percent wage inflation, plus 0.75 percent productivity increase rate, 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

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**Note 8: Post Retirement Plans: OTRS – OPEB (Continued)**

**Actuarial Assumptions** (Continued)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	43.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	22.0%	2.5%
Real Estate*	9.0%	4.5%
Alternative Assets	6.5%	6.2%
Total	<u>100.0%</u>	

\* 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% was used to measure the total OPRB liability (asset) as of June 30, 2020. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00%. 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.

**Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate**

The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.0%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Employers' net OPEB liability (asset)	\$ <u>70,211</u>	\$ <u>(19,341)</u>	\$ <u>(95,280)</u>

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**Note 8: Post Retirement Plans: OTRS – OPEB (Continued)**

**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/OTRS](http://www.ok.gov/OTRS).

**Note 9: Post Retirement Plans – OPEB**

**Plan Description**

The College's defined benefit OPEB plan, EOSC Retiree Benefits Plan, provides OPEB to eligible retirees and their dependents. The College's Board of Trustees 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 College provides medical, dental, and vision benefits to eligible retirees and their dependents through the State of Oklahoma Employees Group Insurance Division. The retiree pays the full contribution rate for the retiree's coverages and for any other elected dependent dental and vision coverages. 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 College.

**Employees Covered by Benefit Terms**

At June 30, 2021, the following employees were covered by the benefit terms:

Active employees	155
Inactive or beneficiaries currently receiving benefit payments	<u>21</u>
Total	<u><u>176</u></u>

**Total OPEB Liability**

The College's total OPEB liability of \$1,482,282 was as of June 30, 2021 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

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

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**Note 9: Post Retirement Plans – OPEB (Continued)**

**Actuarial Assumptions** (Continued)

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 2.04%, based on published Bond Pay Go-20 bond index
- Retirement Age: 63
- Healthcare cost trend rates - Level 5.00% per year
- Mortality Rates - RPA-2000 Mortality Table projected to 2020
- Pre-Retirement Termination – Table T-3 of the Actuary’s Pension Handbook.

Age	Annual Termination Rate
25	5.3%
30	4.8%
35	4.5%
40	3.8%
45	3.2%
50	1.5%
55	0.3%
60	0.0%

**Changes in OPEB Liability**

The following table reports the components of changes in total OPEB liability:

	<u>Total OPEB Liability</u>
Balance Beginning of Year	\$ <u>1,394,575</u>
<b>Changes for the year</b>	
Service cost	130,320
Interest expense	28,184
Changes of assumptions	26,487
Difference between expected and actual expenses	15,840
Benefits paid	<u>(113,124)</u>
<b>Net Changes</b>	<u>87,707</u>
<b>Balance End of Year</b>	<u>\$ 1,482,282</u>



**Eastern Oklahoma State College**  
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**Note 9: Post Retirement Plans – OPEB (Continued)**

**Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate**

The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 2.04%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (1.04%) or 1-percentage-point higher (3.04) than the current rate:

	1% Decrease 1.04%	Current Discount Rate 2.04%	1% Increase 3.04%
Employers' net OPEB liability (asset)	\$ 1,598,626	\$ 1,482,282	\$ 1,398,428

**Sensitivity of the Total OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate**

The following presents the total OPEB liability (asset) of the employer calculated using the healthcare cost trend rate of 5.00%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease 4.00%	Healthcare Cost Trend Rates 5.00%	1% Increase 6.00%
Employers' net OPEB liability (asset)	\$ 1,339,883	\$ 1,482,282	\$ 1,653,463

**OPEB Expense**

For the year ended June 30, 2021, the College recognized OPEB expense of \$62,912. The College also reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 14,709	\$ 1,089,548
Changes of assumptions	376,537	89,456
Total	\$ 391,246	\$ 1,179,004

**Eastern Oklahoma State College**  
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**Note 9: Post Retirement Plans – OPEB (Continued)**

**OPEB Expense** (Continued)

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

2022	\$ (95,592)
2023	(95,592)
2024	(95,592)
2025	(95,592)
2026	(95,592)
Thereafter	<u>(309,782)</u>
Total	<u>\$ (787,742)</u>

**Note 10: Related Party Transactions**

The Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in carrying out its activities. The Foundation paid \$1,200 to the College for the services received and \$36,186 for management services for the year ended June 30, 2021.

**Note 11: Commitments and Contingencies**

**Federal Awards**

The College participates in a number of federally assisted grant and contract programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time, although it is believed by the College that the amount, if any, would not be significant.

The College participates in the Federal Direct Student Loan Program (“Direct Loan Program”). The Direct Loan Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the year ended June 30, 2021, approximately \$1,599,780 of Direct Loan Program loans were provided to College students.

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**Note 11: Commitments and Contingencies** (Continued)

**Other**

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2021, that management believes would result in a material loss to the College in the event of an adverse outcome.

**Note 12: Risk Management**

The College 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, workers' compensation, and unemployment. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The College, 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 College 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.

The College also participates in the College Association of Liability Management (CALM) Workers' Compensation Plan for its workers' compensation coverage. CALM is an interlocal cooperative act agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through CompSource. CALM is a political subdivision of the State of Oklahoma and is governed by a board of trustees elected from members of the participating colleges and universities.

**Eastern Oklahoma State College  
Development Foundation, Inc.**

Notes to Financial Statements  
June 30, 2021 and 2020

**Note 13: Eastern Oklahoma State College Foundation, Inc.**

**Note A: Summary of Significant Accounting Policies**

**Nature of Operations**

Eastern Oklahoma State College Development Foundation, Inc. (the Foundation) is a nonprofit organization incorporated in the State of Oklahoma in 1973 and operates to receive and administer gifts for the sole benefit of Eastern Oklahoma State College (the College).

Distribution of amounts is subject to the approval of the Board of Trustees or the appropriate fund sponsor and the availability of monies. Accordingly, the accompanying financial statements reflect only transactions for which appropriate approvals have been received by the Foundation as of the financial reporting date.

**Basis of Presentation**

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

Board Designated Net Assets - Net assets without donor restrictions subject to self-imposed limits by action of the governing board. Board designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

Net assets with Donor Imposed Restrictions - Net assets subject to donor-imposed stipulations that can be met either by actions of the Foundation or the passage of time. Contributions with donor-imposed restrictions that are met in the same period as the contribution are accounted for as unrestricted contributions.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year's presentation. The reclassification had no effect on the previously reported change in net assets.

**Cash and Cash Equivalents**

The Foundation defines cash and cash equivalents to be all cash and certificates of deposit with original maturities of three months or less. Cash equivalents of \$315,195 and \$369,786 as of June 30, 2021 and 2020, respectively, were held in financial institutions.

**Eastern Oklahoma State College  
Development Foundation, Inc.**

Notes to Financial Statements  
June 30, 2021 and 2020

**Note 13: Eastern Oklahoma State College Foundation, Inc.** (Continued)

**Note A: Summary of Significant Accounting Policies** (Continued)

**Investments**

Investments consist of marketable debt and equity securities and certificates of deposit with original maturities of more than three months. Investments are carried at fair value based on the quoted market prices of the underlying securities.

**Contributions**

The Foundation reports gifts of cash and other assets as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as net assets with donor restrictions. When the donor restrictions expire, such as when the Foundation expends the funds in accordance with the donor's wishes, restricted net assets are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Tax Status**

The Foundation is a nonprofit corporation and is an exempt organization as defined in Internal Revenue Code Section 501(c)(3). The Foundation has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and qualified for deductible contributions under Section 170(b)(1)(A)(vi). The Foundation receives limited income that is unrelated to its exempt purpose and is taxable under the Internal Revenue Code.

**Concentrations of Credit Risk**

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist primarily of cash and cash equivalents and short-term investments. The Foundation places its cash and certificates of deposit with high quality financial institutions. The Foundation's management believes that it is not exposed to any significant credit risk with regards to those accounts.

**Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures in the notes thereto. Actual results could differ from those estimates.

**Eastern Oklahoma State College  
Development Foundation, Inc.**

Notes to Financial Statements  
June 30, 2021 and 2020

**Note 13: Eastern Oklahoma State College Foundation, Inc.** (Continued)

**Note A: Summary of Significant Accounting Policies** (Continued)

**Subsequent Events**

Subsequent events have been evaluated through October 13, 2021, which is the date the financial statements were issued.

**Note B: Cash and Cash Equivalents**

The Foundation maintains several bank accounts. The table below is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured at June 30, 2021 and 2020. FDIC regulations state time and savings accounts are insured up to a \$250,000 maximum.

Category 1 – Insured by FDIC or collateralized with securities held by the Foundation or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent in the Foundation’s name.

Category 3 – Uninsured and uncollateralized

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Custody (Category 1)</u>	<u>Credit Risk (Category 2)</u>	<u>Uninsured (Category 3)</u>
June 30, 2021				
<u>Demand Deposits</u>				
BancFirst	\$ 60,407	\$ 60,407	\$ -	\$ -
Community State Bank	174,849	174,849	-	-
First National Bank	101,523	101,523	-	-
Total Deposits	<u>\$ 336,779</u>	<u>\$ 336,779</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2020				
<u>Demand Deposits</u>				
BancFirst	\$ 135,773	\$ 135,773	\$ -	\$ -
Community State Bank	64,696	64,696	-	-
First National Bank	183,265	183,265	-	-
Total Deposits	<u>\$ 383,734</u>	<u>\$ 383,734</u>	<u>\$ -</u>	<u>\$ -</u>

**Eastern Oklahoma State College  
Development Foundation, Inc.**

Notes to Financial Statements  
June 30, 2021 and 2020

**Note 13: Eastern Oklahoma State College Foundation, Inc. (Continued)**

**Note C: Investments**

Investments consist of the following at June 30, 2021:

<b>Investments</b>	<u>Cost</u>	<u>Fair Value</u>
Equity funds	\$ 2,488,788	\$ 3,232,799
Fixed income funds	1,370,074	1,408,445
Alternative investments	543,971	602,191
Certificate of deposit	225,577	225,577
Money market funds	<u>264,075</u>	<u>264,075</u>
	<u>\$ 4,892,485</u>	<u>\$ 5,733,087</u>

Investments consist of the following at June 30, 2020:

<b>Investments</b>	<u>Cost</u>	<u>Fair Value</u>
Equity funds	\$ 2,719,018	\$ 2,611,239
Fixed income funds	1,286,028	1,377,557
Alternative investments	374,941	358,636
Certificate of deposit	221,783	221,783
Money market funds	<u>132,908</u>	<u>132,908</u>
	<u>\$ 4,734,678</u>	<u>\$ 4,702,123</u>

Investment income consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 85,387	\$ 122,447
Realized gains and (losses)	197,404	142,974
Unrealized gains and (losses)	872,655	(94,187)
Investment management fees	<u>(23,968)</u>	<u>(21,763)</u>
	<u>\$ 1,131,478</u>	<u>\$ 149,471</u>

**Note D: Related Party Transactions**

Based upon an exchange of service agreement, the Foundation pays the College for the necessary staffing, office space, furniture, equipment, utilities, telephone and technology services. Thus, the Foundation has no employees or fixed assets at June 30, 2021.

**Eastern Oklahoma State College  
Development Foundation, Inc.**

Notes to Financial Statements  
June 30, 2021 and 2020

**Note 13: Eastern Oklahoma State College Foundation, Inc.** (Continued)

**Note D: Related Party Transactions** (Continued)

During fiscal year ended June 30, 2017 the Foundation made a loan in the amount of \$148,500 at an interest rate of 3% to the College. At June 30, 2021 and 2020, the loan balance at year-end was \$0 and \$93,597, respectively.

**Note E: Fair Value Measurements**

The Foundation uses quoted market prices to determine the fair value of an asset or liability when available. If quoted market prices are not available, the Foundation determines fair value using valuation techniques that use market-based or independently sourced market data, such as interest rates.

The following methods and assumptions were used to estimate the fair value of assets and liabilities in the financial statements.

*Cash and Cash Equivalents:* The carrying amount approximates the fair value due to the short maturity of such amounts.

*Investments:* Investments in cash and cash equivalents, publicly traded securities and mutual funds are stated at market value based on quoted market prices. Investments common trust funds, certificates of deposit, government agency bonds and mortgage-backed securities are stated at market price as determined by the fund manager or quoted market prices in non-active markets. Other investments are stated at fair value based upon current market conditions and other factors deemed relevant to the valuation as provided by the independent valuation specialist and or Foundation management.

*Accounts Payable and Other Liabilities:* The carrying amount approximates fair value due to the short maturity of those amounts.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities.



**Eastern Oklahoma State College  
Development Foundation, Inc.**

Notes to Financial Statements  
June 30, 2021 and 2020

**Note 13: Eastern Oklahoma State College Foundation, Inc.** (Continued)

**Note E: Fair Value Measurements** (Continued)

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements at fair value on a recurring basis and the level within the fair market value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020.

	2021			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Equity funds	\$ 3,232,799	\$ -	\$ -	\$ 3,232,799
Fixed income funds	-	1,408,445	-	1,408,445
Alternative investments	602,191	-	-	602,191
Certificate of deposit	-	225,577	-	225,577
Money market funds	264,075	-	-	264,075
	\$ 4,099,065	\$ 1,634,022	\$ -	\$ 5,733,087
	2020			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Equity funds	\$ 2,611,239	\$ -	\$ -	\$ 2,611,239
Fixed income funds	-	1,377,557	-	1,377,557
Alternative investments	358,636	-	-	358,636
Certificate of deposit	-	221,783	-	221,783
Money market funds	132,908	-	-	132,908
	\$ 3,102,783	\$ 1,599,340	\$ -	\$ 4,702,123

The following is a description of methodologies used for instruments measured at fair value on a recurring basis:

*Investments:* Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include equity securities, mutual funds and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 investments include equity securities with similar characteristics or discounted cash flows. Level 2 investments include equity securities, corporate and other bonds, U.S. government securities, marketable alternative assets, inflation hedging and opportunistic and other investments. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy and include corporate and other bonds and marketable and nonmarketable alternative assets.

**Eastern Oklahoma State College  
Development Foundation, Inc.**

Notes to Financial Statements  
June 30, 2021 and 2020

**Note 13: Eastern Oklahoma State College Foundation, Inc. (Continued)**

**Note F: Net Assets**

Net assets with donor restrictions subject to expenditures consist of the following at June 30:

	2021	2020
Scholarships	\$ 1,395,319	\$ 867,282
Departmental support	1,276,741	1,385,402
	\$ 2,672,060	\$ 2,252,684

Net assets with donor restrictions not subject to expenditures consist of the following at June 30:

	2021	2020
Scholarships	\$ 2,770,405	\$ 2,761,202

Net assets released from restrictions were as follows at June 30:

	2021	2020
Scholarships	\$ 366,888	\$ 242,504
Departmental support	267,329	310,877
Other	2,613	-
	\$ 636,830	\$ 553,381

**Note G: Endowments**

The Foundation endowments consist of approximately 240 individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law:* In accordance with the requirements of FAS 117-1 and the Oklahoma Uniform Prudent Management of Institutional Funds Act (OUPMIFA), the Foundation will report the market value of an endowment as perpetual in nature. As a result, the Foundation classifies as net assets with donor restrictions (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, (3) all realized and unrealized gains and losses of the endowment, (4) less any income distribution in accordance with the spending policy which will be classified as restricted. In accordance with OUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

**Eastern Oklahoma State College  
Development Foundation, Inc.**

Notes to Financial Statements  
June 30, 2021 and 2020

**Note 13: Eastern Oklahoma State College Foundation, Inc.** (Continued)

**Note G: Endowments** (Continued)

- (1) The duration and preservation of the fund;
- (2) The purpose of the foundation and the donor-restricted endowment fund; General economic conditions;
- (3) The possible effect of inflation and deflation;
- (4) The expected total return from income and the appreciation of investments;
- (5) Other resources of the foundation;
- (6) The investment policies of the foundation.

*Return Objectives and Risk Parameters:* The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives:* To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives while reducing risk to acceptable levels.

*Spending Policy and How the Investment Objectives Relate to Spending Policy:* The Foundation has a policy of appropriating for distribution each year the equivalent of up to 5% of its endowment fund's fair value as of the immediately preceding July 1. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,442,465	\$ 5,442,465
Board-designated endowment funds	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$ 5,442,465</u>	<u>\$ 5,442,465</u>

**Eastern Oklahoma State College  
Development Foundation, Inc.**

Notes to Financial Statements  
June 30, 2021 and 2020

**Note 13: Eastern Oklahoma State College Foundation, Inc.** (Continued)

**Note G: Endowments** (Continued)

Changes in Endowment Net Assets for the year ending June 30, 2021:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 5,013,886	\$ 5,013,886
Investment return	-	619,738	619,738
Contributions	-	445,671	445,671
Appropriation of endowment assets for expenditure	-	(636,830)	(636,830)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 5,442,465</u>	<u>\$ 5,442,465</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 5,013,886	\$ 5,013,886
Board-designated endowment funds	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$ 5,013,886</u>	<u>\$ 5,013,886</u>

Changes in Endowment Net Assets for the year ending June 30, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 4,812,546	\$ 4,812,546
Investment return	-	66,849	66,849
Contributions	-	687,872	687,872
Appropriation of endowment assets for expenditure	-	(553,381)	(553,381)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 5,013,886</u>	<u>\$ 5,013,886</u>

**Eastern Oklahoma State College  
Development Foundation, Inc.**

Notes to Financial Statements  
June 30, 2021 and 2020

**Note 13: Eastern Oklahoma State College Foundation, Inc. (Continued)**

**Note H: Liquidity and Availability of Financial Assets**

The Foundation manages its liquid resources by focusing on fundraising efforts to ensure that it has adequate contributions to cover the programs that are being conducted. The table below reflects the Foundation's financial assets, as of June 30, 2021 and 2020, expected to be available within one year to meet the cash needs for general expenditures.

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents	\$ 315,195	\$ 369,786
Investments held for endowments	<u>5,733,087</u>	<u>4,702,123</u>
	<u>6,048,282</u>	<u>5,071,909</u>
Less those unavailable for general expenditure within one year, due to:		
Donor-imposed restrictions subject to expenditures		
Donor restriction for scholarships	1,395,319	867,282
Donor restriction for departmental support	1,276,741	1,385,402
Donor-imposed restrictions not subject to appropriation or expenditures		
Donor restriction for scholarships	<u>2,770,405</u>	<u>2,761,202</u>
	<u>5,442,465</u>	<u>5,013,886</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 605,817</u>	<u>\$ 58,023</u>

## **Required Supplementary Information**

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Schedules of Required Supplementary Information  
Schedule of College's Proportionate Share of the Net Pension Liability  
Oklahoma Teachers Retirement System  
Last 10 Fiscal Years\* (Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.1952%	0.1900%	0.2039%	0.2111%	0.2078%	0.2252%	0.2262%
College's proportionate share of the net pension liability	\$ 18,526,482	\$ 12,579,132	\$ 12,324,270	\$ 13,980,193	\$ 17,341,303	\$ 13,674,951	\$ 12,171,485
College's covered payroll	\$ 8,443,761	\$ 8,084,613	\$ 8,040,984	\$ 8,130,782	\$ 8,322,346	\$ 8,728,536	\$ 8,599,447
College's proportionate share of the net pension liability as a percentage of its covered payroll	219%	156%	153%	172%	208%	157%	142%
Plan fiduciary net position as a percentage of the total pension liability	63.47%	71.56%	72.74%	69.32%	62.24%	70.31%	72.43%

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

**Notes to Schedule:**

Information to present a 10 year history is not readily available.

Employer contribution rate: 9.50%

Employer rate for Federal and other external source match: 7.70%

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Schedules of Required Supplementary Information  
Schedule of the College's Pension Contributions  
Oklahoma Teachers Retirement System  
Last 10 Fiscal Years (Dollar amounts in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 915,049	\$ 949,012	\$ 896,693	\$ 872,873	\$ 877,121	\$ 915,049	\$ 949,012
Contributions in relation to the contractually required contribution	<u>915,049</u>	<u>949,012</u>	<u>896,693</u>	<u>872,873</u>	<u>877,121</u>	<u>915,049</u>	<u>949,012</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 8,291,434	\$ 8,443,761	\$ 8,084,613	\$ 8,040,984	\$ 8,130,782	\$ 8,291,434	\$ 8,443,761
Contributions as a percentage of covered payroll	11.04%	11.24%	11.09%	10.86%	10.79%	11.04%	11.24%

**Notes to Schedule:**

Employer contributions rate: 9.50%

Employer rate for Federal and other external source match: 7.70%

Information to present a 10 year history is not readily available.



**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Schedules of Required Supplementary Information  
Schedule of College's Change in Total Pension Liability  
Supplemental Retirement Annuity  
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning net pension liability	\$ 220,110	\$ 228,858	\$ 235,608	\$ 259,235	\$ 264,248
Interest	4,930	7,964	9,142	7,907	9,460
Change of assumptions	3,699	14,854	5,049	(11,638)	7,547
Difference between actual and expected experience	(1,526)	(3,205)	7,420	8,465	6,341
Benefit payments	(28,361)	(28,361)	(28,361)	(28,361)	(28,361)
Ending net pension liability	<u>\$ 198,852</u>	<u>\$ 220,110</u>	<u>\$ 228,858</u>	<u>\$ 235,608</u>	<u>\$ 259,235</u>
Discount rate used	3.05%	2.21%	3.43%	3.88%	3.05%

**Notes to Schedule:**

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

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Schedules of Required Supplementary Information  
Schedule of the College's Proportionate Share of the Net OPEB Liability (Asset)  
Supplemental Health Insurance Program  
Last 10 Fiscal Years\* (Dollar amounts in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net OPEB liability (asset)	0.1952%	0.1900%	0.2039%	0.2111%
College's proportionate share of the net OPEB liability (asset)	\$ (19,341)	\$ (117,500)	\$ (131,778)	\$ (94,157)
College's covered payroll	\$ 8,443,761	\$ 8,084,613	\$ 8,040,984	\$ 8,130,782
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-0.23%	-1.45%	-1.64%	-1.16%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	102.30%	115.07%	115.41%	110.40%

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

**Notes to Schedule:**

Only the current and prior fiscal years are presented because 10-year data is not yet available.

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Schedules of Required Supplementary Information  
Schedule of the College's Contributions  
Supplemental Health Insurance Program  
Last 10 Fiscal Years\* (Dollar amounts in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,724	\$ 1,788	\$ 6,048	\$ 13,860
Contributions in relation to the contractually required contribution	<u>1,724</u>	<u>1,788</u>	<u>6,048</u>	<u>13,860</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 8,291,434	\$ 8,443,761	\$ 8,084,613	\$ 8,040,984
Contributions as a percentage of covered payroll	0.02%	0.02%	0.07%	0.17%

**Notes to Schedule:**

Only the current and prior fiscal year is presented because 10 year data is not yet available.

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Schedules of Required Supplementary Information  
Schedule of Changes in Net OPEB Liability and Related Ratios  
Last 10 Fiscal Years

	2021	2020	2019	2018
<b>Total OPEB liability</b>				
Service cost	\$ 130,320	\$ 122,189	\$ 142,516	\$ 284,427
Interest	28,184	33,141	56,748	65,045
Changes in assumptions	26,487	405,118	11,189	(131,852)
Differences between expected and actual experience	15,840	(40,326)	(638,622)	(833,844)
Benefit payments, including refunds of member contributions	(113,124)	(91,756)	(68,203)	(53,817)
<b>Net change in total OPEB liability</b>	<u>87,707</u>	<u>428,366</u>	<u>(496,372)</u>	<u>(670,041)</u>
Total OPEB liability - <i>Beginning</i>	<u>1,394,575</u>	<u>966,209</u>	<u>1,462,581</u>	<u>2,132,622</u>
Total OPEB liability - <i>Ending (a)</i>	<u><u>1,482,282</u></u>	<u><u>1,394,575</u></u>	<u><u>966,209</u></u>	<u><u>1,462,581</u></u>
<b>Covered employee payroll</b>	\$ 5,914,842	\$ 8,443,761	\$ 8,084,613	\$ 8,040,984
<b>Net OPEB liability (asset) as a percentage of covered - employee payroll</b>	25.06%	16.52%	11.95%	18.19%
Discount Rate used	2.04%	2.21%	3.43%	3.88%

**Notes to Schedule:**

Only these fiscal years are presented because 10 year data is not yet available.



**HINKLE &  
COMPANY**

Strategic <sup>PC</sup>  
Business Advisors

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

Board of Regents  
Eastern Oklahoma State College  
Wilburton, 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 Eastern Oklahoma State College, a component unit of the State of Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Eastern Oklahoma State College's basic financial statements, and have issued our report thereon dated October 27, 2021.

**Internal Control over Financial Reporting**

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

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Eastern Oklahoma State College'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*.

### **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.

Hick & Company, PC

Tulsa, Oklahoma  
October 27, 2021





**HINKLE &  
COMPANY**  
Strategic PC  
Business Advisors

**Independent Auditors' Report on Compliance  
for Each Major Federal Program; Report on Internal Control  
over Compliance; and Report on Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

Board of Regents  
Eastern Oklahoma State College  
Wilburton, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited the Eastern Oklahoma State College compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Eastern Oklahoma State College's major federal programs for the year ended June 30, 2021. The Eastern Oklahoma State College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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### **Opinion on Each Major Federal Program**

In our opinion, the Eastern Oklahoma State College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

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

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

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

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





**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Eastern Oklahoma State College as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 27, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Hick & Company, PC*

Tulsa, Oklahoma  
October 27, 2021



**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Schedule of Expenditures of Federal Awards  
Period Ended June 30, 2021

Federal Grantor/Pass through Grantor Program or Cluster Title	CFDA Number	Grant Member Pass-Through Identity Number	Federal Expenditures	Subrecipient Expenditures
<b>Student Financial Aid Cluster:</b>				
<b>U.S. Department of Education</b>				
Federal Pell Grant	84.063	NA	\$ 2,716,190	\$ -
Federal Supplemental Education Opportunity Grant	84.007	NA	67,400	-
Federal Work study	84.033	NA	54,089	-
Federal Direct Loans	84.268	NA	1,599,780	-
<b>Total Student Financial Aid Cluster</b>			<u>4,437,459</u>	<u>-</u>
<b>TRIO Cluster</b>				
<b>U.S. Department of Education</b>				
TRIO - Student Support Services	84.042	P042A200703	334,664	-
<b>Total TRIO Cluster</b>			<u>334,664</u>	<u>-</u>
<b>Other Federal Award Programs</b>				
<b>U.S. Department of Education</b>				
Title III - NASNTI - Pathways to Success	84.031A	P031X200012	168,384	-
<b>Total NASNTI</b>			<u>168,384</u>	<u>-</u>
<b>U.S. Department of Education</b>				
CARES Relief Act - Student	84.425E	P425E203035	537,319	-
CARES Relief Act - Institutional	84.425F	P425F202150	1,130,646	-
CARES Relief Act - Strengthening Institutions	84.425L	P425L200669	128,297	-
<b>Total CARES Act</b>			<u>1,796,262</u>	<u>-</u>
<b>U.S. Department of Education</b>				
Gear Up for Success	84.334A	P334A110137	23,522	-
Gear Up for Success	84.334A	P334A170103	2,342,876	-
<b>Total Gear Up for Success</b>			<u>2,366,398</u>	<u>-</u>
<b>U.S. Small Business Administration</b>				
Small Business Development	59.037	NA	99,979	-
<b>Total Small Business Development</b>			<u>99,979</u>	<u>-</u>
<b>U.S. Department of Labor Pass-Through Programs From:</b>				
Oklahoma Department of Mine Health and Safety Administration - Mine Safety Grant	17.600	NA	395,386	-
<b>Total Mine Safety Grant</b>			<u>395,386</u>	<u>-</u>
<b>U.S. Department of Labor Pass-Through Programs From:</b>				
Oklahoma City Community College NASTI - Academic Excellence	17.282	P031X200012	129,576	-
<b>Total Mine Safety Grant</b>			<u>129,576</u>	<u>-</u>
<b>U.S. Department of Education Pass-Through Programs From:</b>				
Oklahoma Department of Vocational Education Carl Perkins - Post Secondary	84.048	NA	18,405	-
<b>Total Carl Perkins Post Secondary</b>			<u>18,405</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>				
<b>Pass Through Programs From:</b>				
Oklahoma Department of Human Services Tomorrows Hope	93.243	NA	11,526	-
<b>Total Tomorrow's Hope</b>			<u>11,526</u>	<u>-</u>
<b>Total Other</b>			<u>4,985,916</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 9,758,039</u>	<u>\$ -</u>

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

**Note A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of Eastern Oklahoma State College under programs for the federal government for the year ended June 30, 2021. 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 Eastern Oklahoma State College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Eastern Oklahoma State College.

**Note B: Summary of Significant Accounting Policies**

1. 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.
2. Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The College administers the origination and disbursement of the loans to eligible students or parents. The College is not responsible for the collection of these loans.
3. The College has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021

**Section I--Summary of Auditors' Results**

1. The opinion expressed in the independent accountants' report was:  
 Unmodified     Qualified     Adverse     Disclaimed
  
2. The independent accountants' report on internal control over financial reporting described:  
Significant deficiencies  Yes     None reported  
Material weaknesses?  Yes     No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?  Yes     No
  
4. The independent auditors' report on internal control over compliance for major federal awards programs disclosed:  
Significant deficiencies?  Yes     None reported  
Material weaknesses?  Yes     No
  
5. The opinion expressed in the independent auditors' report on compliance for major federal awards was:  
 Unmodified     Qualified     Adverse     Disclaimed
  
6. The audit disclosed findings required to be reported by the Uniform Guidance?  Yes     No

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021

**Section I--Summary of Auditors' Results** (Continued)

7. Identification of major programs:

<u>Cluster/Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Pell Grant	84.063
Federal Supplemental Education Opportunity Grants	84.007
Federal Work Study	84.033
Federal Direct Loans	84.268
GEAR Up for Success	84.334
CARES Act Program Cluster	84.425

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

9. The University qualified as a low-risk auditee as that term is defined in Uniform Guidance.  Yes  No

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

None to report for the June 30, 2021, period.

**Section III--Findings Required to be Reported in Accordance with the Uniform Guidance**

None to report for the June 30, 2021, period.

**Eastern Oklahoma State College**  
A Component Unit of the State of Oklahoma  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021

No matters are reportable.