University Center at Ponca City

(A Component Unit of the State of Oklahoma)

Financial Statements

June 30, 2021
(With Independent Auditors' Report Thereon)

UNIVERSITY CENTER AT PONCA CITY

(A Component Unit of the State of Oklahoma)

FINANCIAL STATEMENTS

Table of Contents

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University Center at Ponca City (the "Center"), collectively, 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 the Center'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 these financial statements in accordance with accounting principles generally accepted in the United States; 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 opinions on these financial statements based on our audit. We have also audited the financial statements of the discretely presented component unit, University Center at Ponca City Foundation, Inc. (the "Foundation"), a not-for-profit Oklahoma corporation organized to support the Center, as of and for the year ended December 31, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 auditors consider internal control relevant to the Center'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 Center'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.

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Center as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 9 and the schedules of the Center's pension and OPEB information as listed in the table of contents on pages 37 through 41 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 27, 2021

Management's Discussion and Analysis

The discussion and analysis of University Center at Ponca City (the "Center") financial statements provides an overview of the Center's financial activities for the year ending June 30, 2021. Since this management's discussion and analysis is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the Center's financial statements and footnotes.

Using This Report

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

Financial Highlights

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

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

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

Table 1 is prepared from the Center's Statement of Net Position, and summarizes the Center's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2021, and 2020.

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

Table 1
Net Position
For the Year Ended June 30,

	2021	2020	% Inc. (Dec.)
Current and other assets	230,812	214,955	7%
Capital assets, net of depreciation	15,459	7,463	107%
Total assets	246,271	222,418	11%
Deferred outflows of resources:	192,322	104,901	83%
Current liabilities	40,562	19,768	105%
Noncurrent liabilities	604,122	450,672	34%
Total liabilities	644,684	470,440	37%
Deferred inflows of resources:	69,310	102,482	-32%
Net position			
Net investment in capital assets	15,459	7,463	107%
Restricted	-	1,937	-100%
Unrestricted (deficit)	(290,860)	(255,003)	14%
Total net position	(275,401)	(245,603)	12%

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

At year ended June 30, 2021, the Center ended the year with cash balances of $225,023 and capital assets recorded net of accumulated depreciation of $15,459. The increase of 107% of capital assets for the fiscal year is related to the acquisition of $14,055 of equipment.

Noncurrent liabilities had an increase of approximately $153,000 related to the increase of approximately $164,000 of net pension liability in the current year. This increase is primarily due to a lower return on the market value of assets, assumption changes and an unfunded cost-of-living increase that affected the funding level of the Oklahoma Teacher's Retirement System (OTRS).

The decrease in net position is primarily related to the previously described impact of the activity of the OTRS net pension liability. Overall net position decreased by approximately $30,000.

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

Table 2 is prepared from the Center's Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2021 and 2020.

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

	2021	2020	% Inc. (Dec.)
Operating revenues (expenses)			
Tuition and fees	97,348	113,938	-15%
Less operating expenses	(623,476)	(647,112)	-4%
Net operating expenses	(526,128)	(533,174)	-1%
Nonoperating revenues			
State appropriations	475,994	495,552	-4%
On-behalf OTRS contributions	20,336	21,809	-7%
Total nonoperating revenues	496,330	517,361	-4%
Loss before capital contributions	(29,798)	(15,813)	88%
Capital contributions	-	-	0%
Decrease in net position	(29,798)	(15,813)	88%

Revenues

The most significant revenue source of the Center is State appropriations comprising 96% of nonoperating revenues and 80% of total revenues for fiscal year 2021.

A decrease in tuition and fees of 27% is primarily a result in reduction collections from outstanding student fees compared to FY 2020.

Nonoperating revenues decreased in the current fiscal year due to a reduction of State appropriations of approximately $20,000 and a slight change in on-behalf payments related to OTRS pension and OPEB.

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

Expenses

The most significant expenses of the Center, for fiscal year 2021, are personnel compensation and contractual services.

Compensation expenses comprised 67% of operating expenses; with contractual services comprising 23% of operating expenses for the year.

Compensation expenses decrease by approximately $10,000 which primarily relates to a decrease in compensation due to reduced employment levels of the Center's.

Table 3 summarizes the Center's operating expenses for the years ended June 30, 2021, and 2020.

Table 3
Operating Expenses

	Years Ended June 30, 2021	Years Ended June 30, 2020	Increase (Decrease)	% Change
Compensation and benefits	$ 420,614	$ 430,379	(9,765)	(2)%
Contractual services	145,350	151,187	(5,837)	(4)%
Supplies and materials	23,185	11,856	11,329	96%
Utilities	18,672	19,761	(1,089)	(6)%
Communications	4,245	2,204	2,041	93%
Depreciation	6,059	21,743	(15,684)	(72)%
Other	5,351	9,982	(4,631)	(46)%
	$ 623,476	$ 647,112	(23,636)	(4)%

Statement of Cash Flows

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

Table 4 is prepared from the Center's Statement of Cash Flows and summarizes the Center's cash flows for the years ended June 30, 2021 and 2020.

Table 4
Cash Flows
For the Year Ended June 30,

	2021	2020
Cash (used in) provided by:		
Operating activities	$ (458,133)	(497,670)
Noncapital financing activities	475,994	495,552
Net increase (decrease) in cash	17,861	(2,118)
Cash, beginning of year	207,162	209,280
Cash, end of year	$ 225,023	207,162

Capital Assets and Debt Administration

For 2021, the Center recorded a total of $337,979 in capital assets and $322,520 in accumulated depreciation. During the year ended June 30, 2021, the Center recognized $6,059 of depreciation expense.

Table 5
Capital Assets, Net
June 30, 2021

	2021
Equipment	$ 337,979
Less accumulated depreciation	(322,520)
Capital assets, net	$ 15,459

Further detailed information can be obtained in the notes to the financial statements (Notes 1 and 4).

Capital Assets and Debt Administration (Continued)

At June 30, 2021, the Center had an obligation of $39,290 for accrued compensated absences accrued by employees.

Table 6
Long-Term Liabilities
June 30, 2021

	2021
Accrued compensated absences	$ 39,290

Further detailed information can be obtained in the notes to the financial statements (Notes 1 and 5).

Other Financial Information

Economic Outlook

The Center is primarily funded by state appropriations. With 2020-21 COVID-19 pandemic, the UC witnessed a drastic reduction in the revenue collection of student fees for college courses, testing, and robotics offerings. The UC will be upgrading its back-end IT equipment, adding additional laptops to its inventory, and extending the reach of the wireless network to help create safe environments for future students. The Center is entering its 8th year without an operational revenue increase from the State of Oklahoma. The Center has sought new revenue and educational streams as a result. With an emphasis on emerging STEM opportunities in the future, the Center seeks to diversify itself from its overreliance on state funding. The Center will also be seeking public and private partnerships to assist with future projects.

The UC Foundation purchased laptops. The Center did complete upgrades to the back-end IT equipment, from FY22 funds. The Center is seeking a grant from the City of Ponca City for $20,000 to upgrade IT switches and Indoor/Outdoor Access Points to extend the reach of the wireless network to help create safe environments for future students. The Center did receive a 4.11% revenue increase from the State of Oklahoma for FY22.

The Center's management is not aware of any other matters that could significantly affect its financial position at this time.

Contacting the Program's Financial Management

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

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)
STATEMENTS OF NET POSITION

	June 30, 2021	*December 31, 2020*
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
Assets		
Current assets:		
Cash and cash equivalents	$ 225,023	154,835
Accounts receivable	5,183	-
Interest receivable	-	497
Prepaid expenses	-	5,081
Investments	-	473,335
Total current assets	230,206	633,748
Noncurrent assets:		
Investment	-	150,000
Net OPEB asset	606	-
Capital assets, net	15,459	1,212,837
Total noncurrent assets	16,065	1,362,837
Total assets	246,271	1,996,585
Deferred Outflows of Resources		
Deferred amounts related to pension	189,271	-
Deferred amounts related to OPEB	3,051	-
Total deferred outflows of resources	192,322	-
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 16,167	56,245
Unearned revenue	728	-
Current portion of compensated absences	23,667	-
Total current liabilities	40,562	56,245
Noncurrent liabilities:		
Compensated absences	15,623	-
Total OPEB liability	4,758	-
Net pension liability	583,741	-
Total noncurrent liabilities	604,122	-
Total liabilities	644,684	56,245
Deferred Inflows of Resources		
Deferred amounts related to pension	67,978	-
Deferred amounts related to OPEB	1,332	-
Total deferred inflows of resources	69,310	-
Net Position		
Net investment in capital assets	15,459	-
Restricted for:		
Donor restrictions	-	166,815
Unrestricted deficit	(290,860)	1,773,525
Total net position	$ (275,401)	1,940,340

See Independent Auditors' Report.
See accompanying notes to the financial statements.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended	*June 30, 2021*	*December 31, 2020*
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
Operating revenues:		
Student tuition and fees	$ 81,928	-
Other operating revenues	15,420	73,282
Total operating revenues	97,348	73,282
Operating expenses:		
Compensation and employee benefits	420,614	-
Contractual services	145,350	-
Supplies and materials	23,185	-
Utilities	18,672	-
Communications	4,245	-
Depreciation	6,059	41,020
Other operating expenses	5,351	63,708
General and administrative	-	21,983
Scholarships awarded	-	33,288
Total operating expenses	623,476	159,999
Operating loss	(526,128)	(86,717)
Non-operating revenues:		
State appropriations	475,994	-
OTRS on-behalf	20,336	-
Investment income	-	13,002
Net unrealized gain on investments	-	6,162
Contributions and other non-operating income	-	71,182
Total non-operating revenues	496,330	90,346
Changes in net position	(29,798)	3,629
Net position at beginning of year	(245,603)	1,936,711
Net position at end of year	$ (275,401)	1,940,340

See Independent Auditors' Report.
See accompanying notes to the financial statements.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

STATEMENT OF CASH FLOWS

Year Ended		*June 30, 2021*
		University Center at Ponca City
Cash flows from operating activities:		
Tuition and fees	$	79,791
Compensation and benefits		(348,334)
Cash paid to suppliers		(190,114)
Other operating receipts		524
Net cash used in operating activities		(458,133)
Cash flows from noncapital financing activities:		
State appropriations and contributions		475,994
Net cash provided by noncapital financing activities		475,994
Increase in cash and cash equivalents		17,861
Cash and cash equivalents at beginning of year		207,162
Cash and cash equivalents at end of year	$	225,023
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(526,128)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		6,059
OTRS on-behalf		20,336
Changes in assets, liabilities and deferrals:		
Accounts receivable		(1,335)
Accounts payable and accrued expenses		(3,490)
Unearned revenue		(802)
Net OPEB asset		3,339
Net pension liability		163,798
Total OPEB liability		(1,382)
Deferred amounts related to pensions		(117,305)
Deferred amounts related to OPEB		(3,288)
Accrued compensated absences		2,065
Net cash used in operating activities	$	(458,133)

See Independent Auditors' Report.
See accompanying notes to the financial statements.

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

Nature of Operations

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

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

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

Financial Statement Presentation

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

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

Reporting Entity

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

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

University Center at Ponca City Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the Center. The Foundation's operating year is from January 1 to December 31. Its financial statements are prepared on a calendar year end. The Foundation is organized for the purpose of receiving and administering gifts intended for the Center. Although the Center does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the Center by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Center, the Foundation is considered a component unit of the Center and is discretely presented in the Center's financial statements. Separate financial statements of the Foundation can be requested from the Foundation's executive director.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board ("FASB") standards over accounting for Not-for-Profit Organizations. 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 Center's financial reporting entity for these differences.

Basis of Accounting

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

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

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

Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an original maturity of 3 months or less to be cash equivalents. The cash equivalents are required to be fully collateralized by obligations of the United States government or its agencies at 102% or insured by federal deposit insurance. For year ended June 30, 2021, the Center did not have any qualifying cash equivalents.

Investments

The Center accounts for its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. 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. For year ended June 30, 2021, the Center did not have any qualifying investments.

Accounts Receivable

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

Capital Assets

Capital assets are recorded at cost on the date of the acquisition or acquisition value if acquired by gift. For equipment, the Center's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than 1 year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized; any renovations that are leasehold improvements useful life will be the shorter of the remaining term of the lease or estimated useful life.

See Independent Auditors' Report.

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

Capital Assets, Continued

Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Center:

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

Noncurrent Liabilities

Noncurrent liabilities include estimated amounts for accrued compensated absences that will not be paid or used within the next fiscal year, the total OPEB liability, and the net pension liability.

Compensated Absences

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

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

See Independent Auditors' Report.

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

Net Position

The Center's net position is classified as follows:

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

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

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

Classifications of Revenues

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

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

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

Tax Status

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

See Independent Auditors' Report.

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

Deferred Outflows of Resources and Deferred Inflow of Resources

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

Pension & Other Postemployment Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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.

For purposes of measure the total OPEB liability and OPEB expense for the single employer health incurrence substantive plan. The measurement has been based on use of the alternative actuarial method in accordance with GASB Statement No. 75, *Other Postemployment Benefits* (GASB 75).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through October 27, 2021, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

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

New Accounting Pronouncements

Accounting Standards Adopted in Fiscal Year 2021

In May 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance (GASB 95). GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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. The Center adopted GASB 84 effective July 1, 2020, for the June 30, 2021, reporting year, which did not have a significant impact on the Center's financial statements.

In August 2018, GASB issued Statement No. 90, Majority Equity Interest (GASB 90). GASB 90 improves the consistency and comparability of reporting government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Center adopted GASB 90 effective July 1, 2020, for the June 30, 2021, reporting year, which did not have a significant impact on the Center's financial statements.

Accounting Standards Issued 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 June 15, 2021. Earlier application is encouraged. The Center has not determined the impact of GASB 87 on the financial statements.

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

New Accounting Pronouncements, Continued

Accounting Standards Issued Not Yet Adopted, Continued

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations (GASB 91). GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligation, and (3) related note disclosures. The Center will adopt GASB 91 effective July 1, 2021, for the June 30, 2022, reporting year. The Center does not expect GASB 91 to have a significant impact on the financial statements.

In January 2020, GASB issued Statement No. 92, Omnibus 2020 (GASB 92). GASB 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The Center will adopt GASB 92 effective July 1, 2021, for the June 30, 2022, reporting year. The Center does not expect GASB 92 to have a significant impact on the financial statements.

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates (GASB 93). GASB 93 is to address other accounting and financial reporting implications that result from the replacement of Interbank Offered Rates. The Center will adopt GASB 93 effective July 1, 2022, for the June 30, 2023, reporting year. The Center does not expect GASB 93 to have a significant impact on the financial statements.

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB 94). GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The Center will adopt GASB 94 effective July 1, 2022, for the June 30, 2023, reporting year. The Center does not expect GASB 94 to have a significant impact on the financial statements.

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

New Accounting Pronouncements, Continued

Accounting Standards Issued Not Yet Adopted, Continued

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Center will adopt GASB 96 effective July 1, 2022, for the June 30, 2023, reporting year. The Center has not determined the impact of GASB 96 on the financial statements.

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria and Accounting Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 (GASB 97). GASB 97 objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Center will adopt GASB 97 effective July 1, 2021, for the June 30, 2022, reporting year. The Center does not currently know how significant of an impact GASB 97 on the financial statements.

Note 2: Cash and Cash Equivalents

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

At June 30, 2021, the carrying amounts of the Center's deposits with the State Treasurer were $225,023. The Foundation had deposits at a financial institution with carrying amounts of $154,835 as of December 31, 2020.

See Independent Auditors' Report.

Note 3: Investments

As of June 30, 2021, the Center had no investments. The Foundation had investments consisting of mutual funds and certificates of deposits with maturities greater than 3 months when purchased. All of the foundation investments are reported at fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. In estimating fair value, the Foundation utilizes valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset. Fair values may not represent actual values of assets that could have been realized on the measurement date or that will be realized in the future. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Accounting Standards Codification Topic 820, "Fair Value Measurement," establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 inputs consist of unobservable inputs which are used when observable inputs are unavailable and reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The Foundation uses appropriate valuation methods based on the available inputs to measure the fair value of its assets and liabilities.

<u>Fair Value Measured on a Recurring Basis</u>

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Note 3: Investments (Continued)

Certificates of Deposit
The carrying amounts approximate fair value due to their short maturities.

Mutual Funds

The fair values of investments in mutual funds are based upon quoted market prices for identical assets and are classified as Level 1.

The following table presents the fair value measurements of assets recognized in the accompanying statements of net position at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020, for the Foundation:

Types of Investment	Fair Value Hierarchy	Assets Fair Value
Mutual funds	Level 1	$ 116,122
Certificates of deposit	Level 2	507,213
		$ 623,335

Note 4: Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
Capital assets, depreciable				
Equipment	$ 323,924	14,055	-	337,979
Total capital assets	323,924	14,055	-	337,979
Less accumulated depreciation				
Equipment	(316,461)	(6,059)	-	(322,520)
Total accumulated depreciation	(316,461)	(6,059)	-	(322,520)
Other capital assets, net	$ 7,463	7,996	-	15,459
Total cost of capital assets	$ 323,924	14,055	-	337,979
Less accumulated depreciation	(316,461)	(6,059)	-	(322,520)
Capital assets, net	$ 7,463	7,996	-	15,459

See Independent Auditors' Report.

Note 4: Capital Assets (Continued)

The following is a summary of changes in capital assets for the Foundation for the year ended December 31, 2020:

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020
Capital assets, depreciable				
Buildings and improvements	$ 1,599,771	-	-	1,599,771
Less accumulated depreciation				
Buildings and improvements	(345,914)	(41,020)	-	(386,934)
Capital assets, net	$ 1,253,857	$ (41,020)	$ -	$ 1,212,837

Note 5 : Compensated Absences

The following is a summary of compensated absences transactions of the Center for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2020	Current Portion June 30, 2021
Accrued compensated absences	$ 37,225	11,752	(9,687)	39,290	23,667

Note 6: Employee Retirement Benefits

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

Oklahoma Teachers' Retirement System

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

See Independent Auditors' Report.

Note 6: Employee Retirement Benefits (Continued)

Oklahoma Teachers' Retirement System, Continued

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 5 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 3 highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest 5 consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to $40,000 or $25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

- 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 10 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 Internal Revenue Code (IRC).

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

Note 6: Employee Retirement Benefits (Continued)

Oklahoma Teachers' Retirement System, 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 Center were $24,917 for the year ended June 30, 2021. The State also made on-behalf contributions to OTRS, of which $20,336 was recognized by the Center; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the Center reported a liability of $583,741 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 Center's proportion of the net pension liability was based on the Center's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers for the year ended June 30, 2020. Based upon this information, the Center's proportion was 0.00615%.

For the year ended June 30, 2021, the Center recognized pension expense of $91,746. At June 30, 2021, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 28,418	$ 9,887
Changes of assumptions	71,588	8,434
Net difference between projected and actual earnings on pension plan investments	50,319	-
Changes in Center's proportionate share of contributions	13,798	49,515
Differences between Center contributions and proportionate share of contributions	231	142
Center contributions subsequent to the measurement date	24,917	-
Total	$ 189,271	67,978

See Independent Auditors' Report.

Note 6: Employee Retirement Benefits (Continued)

Oklahoma Teachers' Retirement System, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued - The $24,917 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Year ended June 30:		
2022	$	13,708
2023		16,649
2024		31,590
2025		29,828
2026		4,601
Total	$	96,376

Actuarial Assumptions- The net pension liability as of June 30, 2021, was determined based on an actuarial valuation prepared as of 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

Note 6: Employee Retirement Benefits (Continued)

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2020, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
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	100.00%	

**The Real Estate total expected return is a combination of US Direct Real Estate (unleveraged) and U.S. 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 Center calculated using the discount rate of 7.0%, as well as what the Center'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%)
Centers' net pension liability	$ 779,096	$ 583,741	$ 422,017

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

See Independent Auditors' Report.

Note 7: Other Post-employment Benefit Plans

The Center participates in two employee OPEB plans as follows:

Name of Plan/System	Type of Plan
Supplemental Health Insurance Plan (OTRS)	Cost Sharing Multiple Employer—Defined Benefit Plan
Implicit Rate Subsidy Plan	Single Employer—Defined Benefit Plan

A summary of all the amounts recorded in the Center's financial statements for the plans as of and for the year ended June 30, 2021, is as follows:

	Plan Totals
Net OPEB asset:	
Supplemental health insurance	$ 606
Total OPEB liability:	
Implicit rate subsidy	$ 4,758
Deferred outflows of resources:	
Supplemental health insurance	$ 3,051
Deferred inflows of resources:	
Supplemental health insurance	$ 1,332
OPEB (benefit) expense:	
Supplemental health insurance	$ 98
Implicit rate subsidy	(1,382)
	$ (1,284)

Supplemental Health Insurance Plan

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

See Independent Auditors' Report.

Note 7: Other Post-employment Benefit Plans (Continued)

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 the Employee Group Insurance Division of the State of Oklahoma (EGID), provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions - Employer and employee contributions are made based upon the OTRS Plan provisions contained in Title 70, as amended. However the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 6; 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 0.13% of normal cost, as determined by an actuarial valuation for 2021. Contributions allocated to the OPEB plan from the Center were $47.

OPEB Liabilities(Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2021, the Center reported an asset of $606 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2020. The Center's proportion of the net OPEB asset was based on the Center's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers for the year ended June 30, 2020. Based upon this information, the Center's proportion was 0.0612% .

For the year ended June 30, 2021, the Center recognized OPEB (benefit) expense of $98. At June 30, 2021, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,332
Changes of assumptions	1,312	-
Net difference between projected and actual earnings on OPEB plan investments	1,325	-
Changes in proportion	132	-
Center contributions during measurement date	235	-
Center contributions subsequent to the measurement date	47	-
Total	$ 3,051	$ 1,332

See Independent Auditors' Report.

Note 7: Other Post-employment Benefit Plans (Continued)

The $47 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB 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:

Year ended June 30:		
2022	$	(11)
2023		364
2024		574
2025		512
2026		191
Thereafter		42
Total	$	1,672

Actuarial Assumptions- The net OPEB asset as of June 30, 2021, was determined based on an actuarial valuation prepared as of 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

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
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	100.00%	

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

See Independent Auditors' Report.

Note 7: Other Post-employment Benefit Plans (Continued)

Discount Rate- A single discount rate of 7.00% was used to measure the net OPEB 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 asset of the Center 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:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
The Center's net OPEB liability (asset)	$ 2,201	$ (606)	$ (2,988)

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

Postemployment Health Insurance Implicit Rate Subsidy Plan

Plan description - The Center offers post-employment benefit (OPEB) options for health and dental benefits for retired employees under the age of 65 and their dependents that elect to make required benefit payments on a monthly basis. These benefits are provided through a substantive plan with EGID, which serves as administer of the plan. A substantive plan is one in which the plan terms are understood by the state, its component units, and the plan members. This understanding is based on communications between the employer and plan member and the historical pattern of practice with regard to the sharing of benefit costs. All of the Center's employees may become eligible for those post-retirement benefits if they are retired members under the age of 65 of the Oklahoma Teachers Retirement System. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

See Independent Auditors' Report.

Note 7: Other Post-employment Benefit Plans (Continued)

Benefits provided - The plan covers all current retirees of the Center under the age of 65 who elected postretirement medical coverage through EGID and future retired employees under the age of 65 of the State of Oklahoma fully insured health plan. In accordance with Title 74 § 1316.3 the benefit levels are the same as those afforded to active employees; this creates an implicit rate subsidy. The benefits offered by the Center to retirees include health and dental benefits. The retiree retains coverage with EGID, by making an election within 30 days of termination of service and have 10+ years of creditable service in OTRS.

The amount of benefit payments during fiscal year June 30, 2021, were $0.

Employees Covered by Benefit Terms

Active Employees	4
Inactive not yet receiving benefits	0
Inactive or beneficiaries receiving benefits	0
Total	4

Total OPEB Liability – The total OPEB liability of $4,758 was determined based on an alternative actuarial valuation performed as of June 30, 2021, which is also the measurement date.

Actuarial Assumptions- The total OPEB liability in the June 30, 2021, valuation was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 2.16%; based on the June 30, 2021, Bond Buyer Index
- Retirement Age – Average retirement age of 62
- Healthcare Cost Trend Rates

Year	Rate
2021	6.40%
2022	6.30%
2023	6.10%
2024	6.00%
2025	5.50%
2026	5.00%
2027+	5.00%

Note 7: Other Post-employment Benefit Plans (Continued)

Postemployment Health Insurance Implicit Rate Subsidy Plan (Continued)

Changes in Total OPEB Liability –

	Total OPEB Liability
Balances Beginning of Year	$ 6,140
Changes for the Year:	
Service cost	(1,396)
Interest expense	14
Benefits paid	-
Net Changes	(1,382)
Balances End of Year	$ 4,758

OPEB Expense - For the year ended June 30, 2021, the Center recognized OPEB benefit of $1,382.

Sensitivity of the Center's proportionate share of the total OPEB liability to changes in the discount rate- The following presents the Center's total OPEB liability, as well as what the Center's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Center's total OPEB liability	$ 5,401	$ 4,758	$ 4,131

Sensitivity of the District's proportionate share of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the Center's total OPEB liability, as well as what the Center's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.40% decreasing to 4.00%) or 1 percentage point higher (7.40% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (5.40% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (6.40% decreasing to 5.00%)	1% Increase (7.40% decreasing to 6.00%)
The Center's total OPEB liability	$ 3,838	$ 4,758	$ 5,897

See Independent Auditors' Report.

Note 8: Related Party Transactions

The Center and the Foundation have a lease agreement for the University Center building. The Center, as lessee, leases the building from the Foundation. The lease is on a year-to-year basis. Rental expense was approximately $61,000 for the year ended June 30, 2021. See Note 5 of the Foundation's report for additional information regarding the lease agreement.

For the year ended June 30, 2021, the Foundation paid the Center's students approximately $33,000 for scholarships and supports. The Foundation also paid expense of approximately $15,000 for the purchase of supplies and equipment on behalf of the Center.

Note 9: Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, and property loss and general liability insurance coverage. The Center purchases commercial employee life insurance. The Center, as a state agency, participates in the Oklahoma State and Education Employees' Group Insurance Board (the Plan), a public entity risk pool. The Center pays an annual premium to the Plan for its employee health insurance coverage. The Plan is self-insured and self-sustaining through member premiums. The Center carried insurance with the State Insurance Fund for other risks of loss, including workers' compensation and employee accident insurance. Settlement claims resulting from these risks have not exceeded insurance coverage in the past 2 years.

Note 10: Contingencies and Uncertainties

The novel coronavirus ("COVID-19"), which was declared a global health emergency in January 2020 and a pandemic in March 2020, has caused significant changes in political and economic conditions around the world, including disruptions and volatility in the global capital markets. In response, the State of Oklahoma and local municipalities, including the City of Ponca City, Oklahoma, have taken various preventative or protective actions, such as imposing restrictions on business operations and advising or requiring individuals to limit or forgo their time outside of their homes. These issues impacted the operations of the Center during the year ended June 30, 2021, including instituting remote work requirements for some employees and remote classroom learning for the Center's students. The Center's management has considered the economic implications of the COVID-19 pandemic in making critical and significant accounting estimates included in the June 30, 2021, financial statements.

Note 10: Contingencies and Uncertainties (Continued)

The extent to which the COVID-19 pandemic may impact the Center will depend on future developments which are uncertain, such as the duration of the outbreak, additional governmental mandates issued to mitigate the spread of the disease, business closures, economic disruptions, and the effectiveness of actions taken to contain and treat the virus. Accordingly, the COVID-19 pandemic may have a negative impact on the Center's future operations, the size and duration of which is difficult to predict. The Center's management will continue to actively monitor the situation and may take further actions altering operations that the Center's management determines are in the best interests of its employees, stakeholders, and students, or as required by federal, state, or local authorities.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Teachers' Retirement System

*Last 7 Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015
The Center's proportion of the net pension liability	0.00615%	0.00635%	0.00658%	0.00751%	0.00713%	0.00627%	0.00761%
The Center's proportionate share of the net pension liability	$ 583,741	$ 419,943	$ 397,782	$ 496,945	$ 595,205	$ 380,947	$ 409,367
The Center's covered-employee payroll	$ 315,363	$ 317,242	$ 301,263	$ 329,116	$ 318,947	$ 275,474	$ 299,478
The Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	185%	132%	132%	151%	187%	138%	137%
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 presented for each fiscal year were determined as of June 30 of the prior year.

Note to Schedule: Only the last 7 fiscal years are presented because 10-year data is not yet available.

See Independent Auditors' Report.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

SCHEDULE OF THE CENTER'S CONTRIBUTIONS
Oklahoma Teachers' Retirement System

Last 7 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 24,917	29,903	29,936	28,173	31,266	30,300	26,170
Contributions in relation to the contractually required contribution	24,917	29,903	29,936	28,173	31,266	30,300	26,170
Contribution deficiency (excess)	$ -	-	-	-	-	-	-
The Center's covered-employee payroll	$ 262,778	315,363	317,242	301,263	329,116	318,947	275,474
Contributions as a percentage of covered-employee payroll	9.48% *	9.48% *	9.44% *	9.35%	9.5%	9.5%	9.5%

* The fund implemented GASB 75 for OPEB effective July 1, 2017; therefore, this amount represents the net percentage for the GASB 68 contribution to OTRS. When combined with the supplemental health insurance plan percentage for OPEB contributions to OTRS, the total amount contributed to OTRS is approximately 10%.

Note to Schedule: Only the last 7 fiscal years are presented because 10-year data is not yet available.

See Independent Auditors' Report.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
Supplemental Health Insurance Plan

*Last 4 Fiscal Years**

	2021	2020	2019	2018
The Center's proportion of the net OPEB asset	0.00612%	0.06380%	0.00659%	0.00751%
The Center's proportionate share of the net OPEB asset	$ (606)	(3,945)	(4,260)	(3,348)
The Center's covered-employee payroll	$ 315,363	317,242	301,263	329,116
The Center's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	(0.19)%	(1.24)%	(1.41)%	(1.02)%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	102.30%	115.07%	115.41%	110.40%

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

Note to Schedule: Only the last 4 fiscal years are presented because 10-year data is not yet available.

See Independent Auditors' Report.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

SCHEDULE OF THE CENTER'S CONTRIBUTIONS
Supplemental Health Insurance Plan

Last 4 Fiscal Years

	2021	2020	2019	2018
Contractually required contribution	$ 47	56	202	447
Contributions in relation to the contractually required contribution	47	56	202	447
Contribution deficiency (excess)	$ -	-	-	-
The Center's covered-employee payroll	$ 262,778	315,363	317,242	301,263
Contributions as a percentage of covered payroll	0.02%	0.02%	0.06%	0.15%

Note to Schedule: Only the last 4 fiscal years are presented because 10-year data is not yet available.

See Independent Auditors' Report.

UNIVERSITY CENTER AT PONCA CITY
(A Component Unit of the State of Oklahoma)

SCHEDULE OF CHANGES IN
THE TOTAL OPEB LIABILITY AND RELATED RATIOS
Postemployment Health Insurance Implicit Rate Subsidy Plan

Last 4 Fiscal Years

	2021	2020	2019	2018
Total OPEB liability:				
Service cost	$ (1,396)	2,760	408	343
Interest	14	14	14	13
Net change in total OPEB liability	(1,382)	2,774	422	356
Total OPEB liability, beginning	6,140	3,366	2,944	2,588
Total OPEB liability, ending	$ 4,758	6,140	3,366	2,944
Covered employee payroll	$ 203,588	242,158	234,046	234,046
Total OPEB liability as a percentage of covered-employee payroll	2.3%	2.5%	1.4%	1.3%

Note to Schedule: Only the last 4 fiscal years are presented because 10-year data is not yet available.

See Independent Auditors' Report.

INFORMATION REQUIRED BY
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the University Center at Ponca City (the "Center"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2021. Our report includes a reference to the financial statements of the University Center at Ponca City Foundation, Inc. (the "Foundation"), the Center's discretely presented component unit, as described in our report on the Center's financial statements. Our report includes a paragraph disclaiming an opinion on required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center'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.

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED

Internal Control Over Financial Reporting, Continued

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 27, 2021