

**University Center of
Southern Oklahoma**

**Financial Statements
With Independent Auditors' Report**

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
University Center of Southern Oklahoma
Ardmore, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the University Center of Southern Oklahoma (the "Center"), collectively, a component unit of the State of Oklahoma, as of and for the years ended June 30, 2021 and 2020, 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 audits. We have also audited the financial statements of the discretely presented component unit Southern Oklahoma Higher Education Foundation, Inc. (the "Foundation"), a not-for-profit Oklahoma corporation organized to support the Center, as of and for the years ended June 30, 2021 and 2020. We conducted our audits of the Center 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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 Center and its discretely presented component unit, the Foundation, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

On July 1, 2021, the Center was transferred to Murray State College after the Governor of Oklahoma signed House Bill 2943 (the "Bill") into effect on May 18, 2021. Per the Bill, all real property, buildings, furniture, equipment, supplies, records, assets, current and future liabilities, fund balances, encumbrances, obligations, indebtedness, legal agreements, powers, duties and responsibilities associated with the Center were transferred to Murray State College. The Center was redesignated as the Murray State College at Ardmore. On July 1, 2021, the Foundation was dissolved and its remaining assets were transferred to Community Activities, Inc. of Ardmore. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages i through vii, and the schedules of the Center's pension and OPEB information as listed in the table of contents and on pages 40 through 45 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center'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 the Center's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 8, 2021

**University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Management's Discussion and Analysis

The discussion and analysis of University Center of Southern Oklahoma (UCSO) financial statements provides an overview of UCSO'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 UCSO's financial statements and footnotes. A comparative analysis of prior two years financial data is provided.

Financial Highlights

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

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report UCSO's net position and how they have changed. Net position is one way to measure UCSO's health. Over time, increases or decreases in UCSO'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.

Schedule A is prepared from UCSO's Statements of Net Position, and summarizes UCSO's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2021, with comparative totals at June 30, 2020 and 2019, respectively.

University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Financial Highlights (Continued)

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

Schedule A
 Net Position at June 30, 2021
 With Comparative Totals at June 30, 2020 and 2019
 (in thousands)

	2021	2020	2019
Current assets	\$ 645	\$ 597	\$ 723
Noncurrent assets			
Capital assets, net of depreciation	15,886	17,006	17,473
Other	1	7	8
Total assets	<u>16,532</u>	<u>17,610</u>	<u>18,204</u>
Deferred outflows	<u>290</u>	<u>129</u>	<u>255</u>
Current liabilities	153	220	191
Noncurrent liabilities	2,885	2,874	3,216
Total liabilities	<u>3,038</u>	<u>3,094</u>	<u>3,407</u>
Deferred inflows	<u>229</u>	<u>337</u>	<u>435</u>
Net position			
Net investment in capital assets	14,314	15,858	15,613
Restricted for capital projects	50	1	79
Restricted for OPEB	4	4	3
Unrestricted (deficit)	(813)	(1,555)	(1,078)
Total net position	<u>\$ 13,555</u>	<u>\$ 14,308</u>	<u>\$ 14,617</u>

At year ended June 30, 2021, total assets decreased by \$1.1 million from the year ended June 30, 2020, due primarily to the regular depreciation of capital assets. Total liabilities decreased by \$56 due to regular payments on the ODFA master lease debt offset by an overall increase in the total OTRS pension liability. Restricted for capital projects net position increased by \$49 in 2021 due to the increase in capital funding received from the Foundation.

At year ended June 30, 2020, total assets decreased by \$594 from the year ended June 30, 2019, due primarily to the regular depreciation of capital assets. Total liabilities decreased by \$313 due to regular payments on the ODFA master lease debt and an overall decrease in the total OTRS pension liability. Restricted for capital projects net position decreased by \$78 in 2020 due to the reduction in capital funding received from the Foundation.

University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Financial Highlights (Continued)

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

Schedule B is prepared from UCSO's Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2021, with comparative totals for the years ended June 30, 2020, and 2019.

Schedule B
 Operating Results for the Year Ended June 30, 2021
 With Comparative Totals for the Years Ended June 30, 2020 and 2019
 (in thousands)

	2021	2020	2019
Operating revenues and expenses			
Tuition and fees	\$ 294	\$ 412	\$ 621
Less operating expenses	(1,242)	(1,335)	(1,482)
Net operating loss	<u>(948)</u>	<u>(923)</u>	<u>(861)</u>
Nonoperating revenues (expenses)			
State appropriations	471	490	491
On-behalf OTRS contributions	34	37	40
Gifts	131	59	83
Debt forgiveness	124	-	-
Investment income	3	6	6
Interest expense/income	(45)	(48)	(56)
Net nonoperating revenues	<u>718</u>	<u>544</u>	<u>564</u>
Loss before other revenues/expenses	(230)	(379)	(297)
Other revenues	<u>(523)</u>	<u>71</u>	<u>136</u>
Decrease in net position	<u>\$ (753)</u>	<u>\$ (308)</u>	<u>\$ (161)</u>

Revenues

In FY21 tuition decreased by \$118, or 28.6% due to decreased enrollments at partner institutions and other revenues decreased by \$594, or 837%, due to the write-off of architectural expenses in construction in progress that was determined would no longer be pursued.

In FY20 tuition decreased by \$209, or 33.6% due to decreased enrollments at partner institutions and other revenues decreased by \$65, or 47.8%, due to reduced capital contributions from the Foundation.

**University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Financial Highlights (Continued)

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

Expenses

Operating expenses decreased by \$93 in 2021 over the year ended June 30, 2020, primarily as a result of decreased expenses across all categories.

Operating expenses decreased by \$147 in 2020 over the year ended June 30, 2019, primarily as a result of decreased compensation.

Schedule C summarizes UCSO's operating expenses for the years ended June 30, 2021, 2020, and 2019.

Schedule C
Operating Expenses for the Year Ended June 30, 2021
With Comparative Totals for the Years Ended June 30, 2020 and 2019
(in thousands)

	2021	2020	2019
Compensation and benefits	\$ 422	\$ 462	\$ 611
Contractual services	152	188	205
Supplies and materials	10	11	19
Utilities	70	70	71
Communications	12	12	13
Depreciation	505	512	516
Other	71	80	47
Total Operating Expenses	<u>\$ 1,242</u>	<u>\$ 1,335</u>	<u>\$ 1,482</u>

Statements 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.

Schedule D is prepared from UCSO's Statement of Cash Flows, and summarizes UCSO's cash flows for the year ended June 30, 2021, with comparative totals for the years ended June 30, 2020 and 2019, respectively.

**University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Financial Highlights (Continued)

Statements of Cash Flows (Continued)

Schedule D
Cash Flows for the Year Ended June 30, 2021
With Comparative Totals for the Years Ended June 30, 2020 and 2019
(in thousands)

	2021	2020	2019
Cash provided (used) by:			
Operating activities	\$ (583)	\$ (632)	\$ (408)
Noncapital financing activities	602	549	574
Capital and related financing activities	32	(47)	(519)
Investing activities	3	6	6
Net increase (decrease) in cash	54	(124)	(347)
Cash, beginning of year	575	699	1,046
Cash, end of year	<u>\$ 629</u>	<u>\$ 575</u>	<u>\$ 699</u>

Capital Assets and Debt Administration

For 2021, UCSO recorded a total of approximately \$19,716,000 in capital assets and approximately \$3,830,000 in accumulated depreciation. During the year ended June 30, 2021, UCSO acquired approximately \$9,000 in capital assets consisting of computer equipment.

For 2020, UCSO recorded a total of approximately \$20,331,000 in capital assets and approximately \$3,325,000 in accumulated depreciation. During the year ended June 30, 2020, UCSO acquired approximately \$44,000 in capital assets consisting of computer equipment and land improvements.

At June 30, 2021, UCSO had long-term liabilities of approximately \$1,688,000, a decrease of approximately \$138,000 over 2020 long-term liabilities as a result of regularly scheduled payments of capital debt.

At June 30, 2020, UCSO had long-term liabilities of approximately \$1,826,000, a decrease of approximately \$25,000 over 2019 long-term liabilities as a result of regularly scheduled payments of capital debt and proceeds from the PPP loan received in 2020.

**University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Financial Highlights (Continued)

Capital Assets and Debt Administration (Continued)

Schedule E
Capital Assets, Net
June 30, 2021
With Comparative Totals at June 30, 2019 and 2018
(in thousands)

	2021	2020	2019
Land	\$ 1,036	\$ 1,036	\$ 1,036
Construction in progress	-	624	624
Buildings and improvements	16,564	16,564	16,564
Land improvements	43	43	-
Equipment	1,673	1,664	1,662
Library materials	400	400	400
Total	<u>19,716</u>	<u>20,331</u>	<u>20,286</u>
Less accumulated depreciation	<u>(3,830)</u>	<u>(3,325)</u>	<u>(2,813)</u>
Capital assets, net	<u>\$ 15,886</u>	<u>\$ 17,006</u>	<u>\$ 17,473</u>

Schedule F
Long-Term Liabilities
June 30, 2021
With Comparative Totals at June 30, 2020 and 2019
(in thousands)

	2021	2020	2019
OCIA capital lease payable	\$ 281	\$ 281	\$ 295
ODFA capital lease payable	1,283	1,421	1,556
PPP note payable	124	124	-
Total long-term liabilities	<u>\$ 1,688</u>	<u>\$ 1,826</u>	<u>\$ 1,851</u>

**University Center of Southern Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Other Financial Information

Economic Outlook

As of July 1, 2021, the Center was transferred to Murray State College after the Governor of Oklahoma signed House Bill 2943 into effect on May 18, 2021. Per the Bill, all real property, buildings, furniture, equipment, supplies, records, assets, current and future liabilities, fund balances, encumbrances, obligations, indebtedness, legal agreements, powers, duties and responsibilities associated with the Center were transferred to Murray State College. The current location was redesignated as Murray State College at Ardmore.

On July 1, 2021, the Foundation was dissolved and its remaining assets were transferred to Community Activities, Inc. of Ardmore.

Contacting the Program's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of UCSO's finances and to show UCSO's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Murray State College, One Murray Campus Drive, Tishomingo, Oklahoma 73460.

UNIVERSITY CENTER OF SOUTHERN OKLAHOMA
Statements of Net Position
June 30, 2021 and 2020

	2021		2020	
	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation Inc.	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation Inc.
ASSETS				
Current assets				
Cash and cash equivalents	\$ 629,334	\$ 29,991	\$ 574,667	\$ 68,747
Accounts receivable	15,334	-	22,120	-
Pledges receivable	-	-	-	225,000
Accrued interest receivable	185	-	395	-
Investments	-	-	-	264,418
Total current assets	644,853	29,991	597,182	558,165
Noncurrent assets				
Pledges receivable	-	-	-	-
Restricted net OPEB asset	1,018	-	6,551	-
Capital assets, net	15,885,844	-	17,005,986	-
Total noncurrent assets	15,886,862	-	17,012,537	-
Total Assets	16,531,715	29,991	17,609,719	558,165
DEFERRED OUTFLOWS				
Deferred outflows related to pension	284,518	-	128,437	-
Deferred outflows related to OPEB	5,319	-	1,039	-
Total Deferred Outflows	289,837	-	129,476	-
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	11,160	-	25,262	-
Current portion of noncurrent liabilities	141,901	-	194,641	-
Total current liabilities	153,061	-	219,903	-
Noncurrent liabilities				
Total OPEB liability	150,470	-	303,448	-
Total pension obligation	1,182,043	-	904,472	-
Accrued compensated absences	5,701	-	28,022	-
Note payable	124,300	-	76,185	-
Lease obligation payable to OCIA	281,003	-	281,003	-
Lease obligation payable to ODFA	1,141,057	-	1,280,787	-
Total noncurrent liabilities	2,884,574	-	2,873,917	-
Total Liabilities	3,037,635	-	3,093,820	-
DEFERRED INFLOWS				
Deferred gain on OCIA lease restructuring	9,327	-	10,354	-
Deferred inflows related to pension	217,199	-	323,293	-
Deferred inflows related to OPEB	2,236	-	3,335	-
Total Deferred Inflows	228,762	-	336,982	-
NET POSITION				
Net Investment in Capital Assets	14,314,457	-	15,857,931	-
Restricted:				
Capital projects	50,430	-	1,150	-
OPEB	4,039	-	4,161	-
Scholarships	-	15,057	-	519,480
Unrestricted (deficit)	(813,771)	14,934	(1,554,849)	38,685
Total Net Position	\$ 13,555,155	\$ 29,991	\$ 14,308,393	\$ 558,165

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

UNIVERSITY CENTER OF SOUTHERN OKLAHOMA
Statements of Revenues, Expenses and Changes in Net Position
For Years Ended June 30, 2021 and 2020

	2021		2020	
	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation Inc.	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation Inc.
OPERATING REVENUES				
Student tuition and fees	\$ 293,744	\$ -	\$ 412,532	\$ -
OPERATING EXPENSES				
Compensation and employee benefits	422,171	77,200	462,385	-
Contractual services	151,524	11,560	188,076	-
Supplies and materials	9,773	2,992	11,082	787
Utilities	70,191	-	70,415	-
Communications	12,081	-	12,252	-
Depreciation	504,921	-	511,523	-
Other operating expenses	71,017	-	79,670	-
Contributions to University Center & Partners	-	733,620	-	398,390
General and administrative	-	2,224	-	5,317
Scholarships awarded	-	38,750	-	25,033
Total operating expenses	<u>1,241,678</u>	<u>866,346</u>	<u>1,335,403</u>	<u>429,527</u>
Operating Loss	(947,934)	(866,346)	(922,871)	(429,527)
Nonoperating Revenues (Expenses)				
State appropriations	470,777	-	490,121	-
Grant	-	180,441	-	-
On-behalf OTRS contribution	33,945	-	36,607	-
Private gifts and other contributions	131,270	93,959	59,428	50,079
Gain on forgiveness of debt	124,300	-	-	-
Investment income	3,216	4,160	5,715	6,299
Net realized and unrealized gain on investments	-	59,612	-	10,458
Interest expense	(45,045)	-	(48,078)	-
Net nonoperating revenues	<u>718,463</u>	<u>338,172</u>	<u>543,793</u>	<u>66,836</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	(229,471)	(528,174)	(379,078)	(362,691)
Loss on disposal of CIP	(624,234)	-	-	-
Capital grants and gifts	87,083	-	42,700	-
OCIA on-behalf state appropriations	13,384	-	28,107	-
Net Change In Net Position	(753,238)	(528,174)	(308,271)	(362,691)
Net Position, Beginning of Year	<u>14,308,393</u>	<u>558,165</u>	<u>14,616,664</u>	<u>920,856</u>
Net Position, End of Year	<u>\$ 13,555,155</u>	<u>\$ 29,991</u>	<u>\$ 14,308,393</u>	<u>\$ 558,165</u>

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

UNIVERSITY CENTER OF SOUTHERN OKLAHOMA
Statements of Cash Flows
For Years Ended June 30, 2021 and 2020

	2021		2020	
	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation Inc.	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation Inc.
Cash Flows From Operating Activities				
Tuition and fees	\$ 300,530	\$ -	\$ 414,541	\$ -
Compensation and benefits	(569,016)	(77,200)	(673,255)	-
Cash paid to suppliers	(314,355)	(16,776)	(373,456)	(6,104)
Cash paid to University Center & Partners		(733,620)		(398,390)
Cash paid for scholarships	-	(38,750)	-	(25,033)
Net Cash Used In Operating Activities	(582,841)	(866,346)	(632,170)	(429,527)
Cash Flows From Noncapital Financing Activities				
State appropriations	470,777	-	490,121	-
Gifts and contributions	131,270	499,400	59,428	375,079
Net Cash Provided by Noncapital Financing Activities	602,047	499,400	549,549	375,079
Cash Flows From Capital and Related Financing Activities				
Purchases of capital assets	(9,013)	-	(1,487)	-
Capital contributions	87,083	-	-	-
Proceeds from debt	124,300	-	124,300	-
Repayment of capital leases and debt	(137,917)	-	(135,000)	-
Interest expense	(32,418)	-	(35,119)	-
Net Cash Provided By (Used In) Capital and Related Financing Activities	32,035	-	(47,306)	-
Cash Flows From Investing Activities				
Proceeds from sales and maturities of investments	-	324,030	-	-
Interest income received	3,426	4,160	5,854	6,299
Net Cash Provided By Investing Activities	3,426	328,190	5,854	6,299
Net Increase (Decrease) in Cash and Cash Equivalents	54,667	(38,756)	(124,073)	(48,149)
Cash and Cash Equivalents, Beginning of Year	574,667	68,747	698,740	116,896
Cash and Cash Equivalents, End of Year	\$ 629,334	\$ 29,991	\$ 574,667	\$ 68,747

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

UNIVERSITY CENTER OF SOUTHERN OKLAHOMA
Statements of Cash Flows, Continued
For Years Ended June 30, 2021 and 2020

	2021		2020	
	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation Inc.	University Center of Southern Oklahoma	Southern Oklahoma Higher Education Foundation Inc.
Reconciliation of Operating Loss to				
Cash Used in Operating Activities				
Operating loss	\$ (947,934)	\$ (866,346)	\$ (922,871)	\$ (429,527)
Adjustments to reconcile operating loss to net cash used in operating activities				
Depreciation expense	504,921	-	511,523	-
On-behalf OTRS	33,945	-	36,607	-
Changes in assets and liabilities				
Accounts receivable	6,786	-	2,009	-
Deferred outflows related to pensions & OPEB	(160,361)	-	125,218	-
Accounts payable and accrued expenses	(14,102)	-	(7,237)	-
OPEB asset	5,533	-	1,614	-
OPEB obligation	(152,978)	-	(233,847)	-
Net pension obligation	277,571	-	(50,403)	-
Deferred inflows related to pensions & OPEB	(107,193)	-	(97,424)	-
Accrued compensated absences	(29,029)	-	2,641	-
Net Cash Used in Operating Activities	<u>\$ (582,841)</u>	<u>\$ (866,346)</u>	<u>\$ (632,170)</u>	<u>\$ (429,527)</u>
Noncash Investing, Noncapital				
Financing, and Capital and Related				
Financing Transactions				
Interest on capital debt paid by state agency on behalf of the Center	<u>\$ 13,384</u>	<u>\$ -</u>	<u>\$ 13,716</u>	<u>\$ -</u>
Principal on capital debt paid by state agency on behalf of the Center	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,391</u>	<u>\$ -</u>

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

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

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

Nature of Operations

The University Center of Southern Oklahoma (the "Center") is located in Ardmore, Oklahoma, and was established in accordance with Title 70, Section 3213 et seq. of the Oklahoma Statutes as the Ardmore Higher Education Program. 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 Ardmore 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 the Ardmore 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. Cooperating institutions which have been authorized by the State Regents to provide courses and programs in the Center are: East Central University, Murray State College, Southeastern Oklahoma State University, and Langston University.

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

Financial Statement Presentation

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

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.

See Independent Auditors' Report.

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

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

Reporting Entity (Continued)

The accompanying financial statements include the accounts and funds of the Center. The Center is a state agency and a non-institution member of the State of Oklahoma Higher Education System, which is under the governance of the 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.

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

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

Basis of Accounting

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. The cash and cash equivalents are fully collateralized by obligations of the United States government or its agencies at 102% or insured by federal deposit insurance. Funds invested through the State Treasurer's Cash Management Program are considered cash and cash equivalents.

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

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

Investments

The Center accounts for its investments at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Changes in unrealized gain (loss) on the carrying value of investments are reported in the statements of revenues, expenses, and changes in net position.

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. The Center determines its allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are past due, the Center's previous loss history, and the condition of the general economy and the industry as a whole.

Capital Assets

Capital assets, with an individual cost of \$500 or more, are capitalized at cost at the date of acquisition when purchased by the Center or at estimated value when acquired other than by purchase. Depreciation is computed on the straight-line method over the estimated useful lives of the capital assets, generally 5 to 10 years for library materials and equipment and 3 years for software. Leasehold improvements are amortized over the life of the lease.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of capital lease obligations with contractual maturities greater than one year; estimated amounts for accrued compensated absences that will not be paid or used within the next fiscal year; net pension obligation and other post-employment benefit obligations.

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 staff and faculty earn vacation at the rate of 10 hours per month for the first four years of employment, 12 hours per month during the fifth year to the ninth year, and 13.33 hours per month during the tenth year to the nineteenth year, and 16.66 hours per month, thereafter. A maximum of 480 hours of vacation may be accrued.

See Independent Auditors' Report.

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

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.

Restricted for capital projects – Restricted for capital projects net position include resources in which the Center is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted for scholarships – Restricted for scholarships net position include resources in which the Center is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted for OPEB – This represents the amount of net OPEB asset that exceeds the associated amount of deferred inflows of resources that are related to the net OPEB asset.

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.

See Independent Auditors' Report.

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

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

Classifications of Revenues

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

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

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

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. The Center's deferred outflows and deferred inflows of resources were related to lease obligation, pension, and OPEB sources.

Pensions and OPEB

For purposes of measuring the net pension and net OPEB asset, 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.

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.

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

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

Estimates

The preparation of financial statements in conformity with GAAP 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. The significant estimates used in the preparation of these financial statements include the depreciation of capital assets, on-behalf Teachers' Retirement System contributions made by the State of Oklahoma, accrued pension obligation, and OPEB asset and obligation. Estimation of the accrued pension obligation and OPEB asset and obligation involves the use of actuarial assumptions, including selection of a discount rate, projected salary increases, and projected annuity increases.

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.

Of the \$629,334 and \$574,667 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2021 and June 30, 2020, respectively, \$187,940 and \$216,263, respectively, represent amounts held within OK INVEST an internal investment pool. 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 that establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. An evaluation of the use and purpose of the Center's participation in the internal investment pool the amount on deposit with OK INVEST are treated as demand accounts and reported as cash equivalents.

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 2: Cash and Cash Equivalents (Continued)

The Foundation had deposits at a financial institution with carrying amounts of \$29,991 and \$68,747 as of June 30, 2021 and 2020, respectively.

Note 3: Investments

As of June 30, 2021 and 2020, the Center had no investments. The Foundation's investments consisted of the following:

Type of Investment	Fair Value Hierarchy	2021	2020
Short-term investment fund with Vanguard	Level 1	\$ -	\$ 102,868
Index investment funds with Vanguard	Level 2	-	161,550
Total investments		<u>\$ -</u>	<u>\$ 264,418</u>

Note 4: Pledges Receivable

The following is a summary of the pledges receivable as June 30, 2021 and 2020:

	2021	2020
Pledges receivable in:		
Less than one year	<u>\$ -</u>	<u>225,000</u>
	<u>\$ -</u>	<u>225,000</u>

The Foundation has raised substantial contribution pledges for the purpose of funding the construction of a new building for the Center and to help cover the start-up costs of the new nursing program with Langston University. The funds are to be provided by various businesses and foundations in the Ardmore area. The pledges have been recognized as contribution revenue during the year the pledges were made and were fully collected during the year ended June 30, 2021.

See Independent Auditors' Report.

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 5: Capital Assets

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

	2021			Balance June 30, 2021
	Balance June 30, 2020	Additions	Retirements	
Capital assets not being depreciated				
Land	\$ 1,036,385	-	-	1,036,385
Construction in progress	624,234	-	(624,234)	-
Total capital assets, not being depreciated	<u>1,660,619</u>	<u>-</u>	<u>(624,234)</u>	<u>1,036,385</u>
Other capital assets				
Buildings and improvements	16,563,723	-	-	16,563,723
Land improvements	42,700	-	-	42,700
Equipment	1,663,798	9,013	-	1,672,811
Library materials	399,829	-	-	399,829
Total capital assets	<u>18,670,050</u>	<u>9,013</u>	<u>-</u>	<u>18,679,063</u>
Less accumulated depreciation				
Buildings and improvements	(1,484,621)	(415,070)	-	(1,899,691)
Land improvements	(2,135)	(4,270)	-	(6,405)
Equipment	(1,450,337)	(79,711)	-	(1,530,048)
Library materials	(387,590)	(5,870)	-	(393,460)
Total accumulated depreciation	<u>(3,324,683)</u>	<u>(504,921)</u>	<u>-</u>	<u>(3,829,604)</u>
Other capital assets, net	<u>15,345,367</u>	<u>(495,908)</u>	<u>-</u>	<u>14,849,459</u>
Total cost of capital assets	20,330,669	9,013	(624,234)	19,715,448
Less accumulated depreciation	<u>(3,324,683)</u>	<u>(504,921)</u>	<u>-</u>	<u>(3,829,604)</u>
Capital assets, net	<u>\$ 17,005,986</u>	<u>(495,908)</u>	<u>(624,234)</u>	<u>15,885,844</u>

See Independent Auditors' Report.

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 5: Capital Assets (Continued)

The following is a summary of the changes in capital assets for the year ended June 30, 2020:

	2020			Balance June 30, 2020
	Balance June 30, 2019	Additions	Retirements	
Capital assets not being depreciated				
Land	\$ 1,036,385	-	-	1,036,385
Construction in progress	624,234	-	-	624,234
Total capital assets, not being depreciated	<u>1,660,619</u>	<u>-</u>	<u>-</u>	<u>1,660,619</u>
Other capital assets				
Buildings and improvements	16,563,723	-	-	16,563,723
Land improvements	-	42,700	-	42,700
Equipment	1,662,311	1,487	-	1,663,798
Library materials	399,829	-	-	399,829
Total capital assets	<u>18,625,863</u>	<u>44,187</u>	<u>-</u>	<u>18,670,050</u>
Less accumulated depreciation				
Buildings and improvements	(1,069,551)	(415,070)	-	(1,484,621)
Land improvements	-	(2,135)	-	(2,135)
Equipment	(1,363,712)	(86,625)	-	(1,450,337)
Library materials	(379,897)	(7,693)	-	(387,590)
Total accumulated depreciation	<u>(2,813,160)</u>	<u>(511,523)</u>	<u>-</u>	<u>(3,324,683)</u>
Other capital assets, net	<u>15,812,703</u>	<u>(467,336)</u>	<u>-</u>	<u>15,345,367</u>
Total cost of capital assets	20,286,482	44,187	-	20,330,669
Less accumulated depreciation	<u>(2,813,160)</u>	<u>(511,523)</u>	<u>-</u>	<u>(3,324,683)</u>
Capital assets, net	<u>\$ 17,473,322</u>	<u>(467,336)</u>	<u>-</u>	<u>17,005,986</u>

The cost and related accumulated depreciation of assets held under lease obligations was as follows as of June 30:

	2021	2020
Buildings	\$ 6,580,896	\$ 6,580,896
Less accumulated depreciation	<u>(754,061)</u>	<u>(589,539)</u>
	<u>\$ 5,826,835</u>	<u>\$ 5,991,357</u>

See Independent Auditors' Report.

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 6 : Noncurrent Liabilities

The following is a summary of noncurrent liability transactions of the Center for the years ended June 30, 2021 and 2020:

	2021			Balance June 30, 2021	Current Portion June 30, 2021
	Balance June 30, 2020	Additions	Deductions		
OCIA capital lease obligation	\$ 281,003	\$ -	\$ -	\$ 281,003	\$ -
ODFA master lease payable	1,421,250	-	(137,917)	1,283,333	140,000
PPP note payable	124,300	124,300	(124,300)	124,300	-
Accrued compensated absences	36,631	16,110	(45,139)	7,602	1,901
	<u>\$ 1,863,184</u>	<u>\$ 140,410</u>	<u>\$ (307,356)</u>	<u>\$ 1,696,238</u>	<u>\$ 141,901</u>

	2020			Balance June 30, 2020	Current Portion June 30, 2020
	Balance June 30, 2019	Additions	Deductions		
OCIA capital lease obligation	\$ 295,394	\$ -	\$ (14,391)	\$ 281,003	\$ -
ODFA master lease payable	1,556,250	-	(135,000)	1,421,250	137,917
PPP note payable	-	124,300	-	124,300	48,115
Accrued compensated absences	33,990	21,522	(18,881)	36,631	8,609
	<u>\$ 1,885,634</u>	<u>\$ 145,822</u>	<u>\$ (168,272)</u>	<u>\$ 1,863,184</u>	<u>\$ 194,641</u>

See notes 10 and 11 for noncurrent liability for net pension obligation and total OPEB liability.

Note 7: Oklahoma Capital Improvement Authority Leases

In November 2005, the OCIA issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents for Higher Education allocated \$600,000 to the Center. Concurrently, with the allocation, the Center entered into a lease agreement with OCIA, for the project being funded by OCIA bonds. The lease agreement provides for the Center to make periodic principal and interest payments to OCIA over the respective terms of the agreement, which is 25 years. The proceeds of the bonds and subsequent lease are to provide capital improvements for the Center. The Center expects to receive state appropriations in amounts equal to the required lease payments.

In 2011, the OCIA issued Bond Series 2010A and 2010B to partially refund the Series 2005F Revenue Bonds. The advance partial refunding was to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service. As a result, the total liability of the remaining 2005F bonds combined with the new 2010A and 2010B bond issues will be more than the original outstanding liability for the 2005F bonds. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring that has been recorded as a charge of \$49,173 on restructuring as a deferred cost that will be amortized over a period of 6 years, beginning in fiscal year 2011. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$2,429, which also approximates the economic cost of the lease restructuring.

See Independent Auditors' Report.

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 7: Oklahoma Capital Improvement Authority Leases (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 ended 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 restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$502,345, which also approximates the economic gain of the lease restructuring.

During the years ended June 30, 2021 and 2020, OCIA made lease principal and interest payments totaling \$13,384 and \$28,107, respectively, on behalf of the Center. These on-behalf payments have been recorded as restricted state appropriations in the Center's statements of revenues, expenses, and changes in net position.

During the years ended June 30, 2021 and 2020, the Center recognized \$1,027 of amortization each year on the deferred gain on lease restructuring on the OCIA Series 2014A and 2014B lease obligation, leaving a balance of the unamortized deferred gain of \$9,327 and \$10,354, respectively. The unamortized deferred gain is included in the deferred inflows in the accompanying financial statements.

Future minimum lease payments under the Center's obligation to OCIA are as follows as of June 30, 2021:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 13,384	\$ 13,384
2023	26,194	13,384	39,578
2024	27,526	12,122	39,648
2025	28,234	10,780	39,014
2026	29,429	9,588	39,017
2027-2031	<u>169,620</u>	<u>25,444</u>	<u>195,064</u>
Total future minimum lease payments	<u>\$ 281,003</u>	<u>\$ 84,702</u>	<u>\$ 365,705</u>

Note 8: Oklahoma Development Finance Authority Leases

In 2015, the Center entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2014H in the amount of \$1,735,000. Total lease payments over the term of the agreement beginning March 15, 2015, through November 15, 2029, will be \$2,121,579. Payments will be made monthly ranging from approximately \$3,200 to \$14,400. Proceeds from the obligation are being used to construct the new Classroom building. A bond issuance discount of \$4,009 is being amortized over the term of the agreement. The balance of the unamortized discount was \$2,276 and \$2,546 as of June 30, 2021 and 2020, respectively.

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 8: Oklahoma Development Finance Authority Leases (Continued)

Future minimum lease payments under the Center's obligation to ODFA are as follows as of June 30, 2021:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 140,000	\$ 29,660	\$ 169,660
2023	142,917	26,860	169,777
2024	147,917	24,002	171,919
2025	150,000	21,044	171,044
2026	152,917	17,825	170,742
2027-2030	549,582	32,854	582,436
Total future minimum lease payments	<u>\$ 1,283,333</u>	<u>\$ 152,245</u>	<u>\$ 1,435,578</u>

Note 9: Paycheck Protection Program Note Payable

In 2020, the Center entered into a note payable obligation with BancFirst through the U.S. Small Business Administration's Paycheck Protection Program that was established by the Federal CARES Act in the amount of \$124,300. Through the PPP program, if the proceeds are used to cover qualifying expenses such as payroll, mortgage, and utilities, the loan may be partially or fully forgiven. If not forgiven, the total payments over the term of the agreement beginning May 1, 2020, through May 1, 2022, will be \$125,280. Payments will be made monthly in the amount of \$6,960 beginning December 1, 2020. This loan was forgiven by the U.S. Small Business Administration on April 28, 2021, and the Center recognized gain on forgiveness of debt of \$124,300 for the year ended June 30, 2021.

In 2021, the Center entered into a note payable obligation with BancFirst through the U.S. Small Business Administration's Paycheck Protection Program Round 2 that was established by the Federal CARES Act in the amount of \$124,300. Through the PPP program, if the proceeds are used to cover qualifying expenses such as payroll, mortgage, and utilities, the loan may be partially or fully forgiven. If not forgiven, the total payments over the term of the agreement beginning March 4, 2021, through February 4, 2026, will be \$126,592. Payments will be made monthly in the amount of \$2,944 beginning August 4, 2022.

Note 10: Employee Retirement Benefits

Summary of Net Pension Obligation as of and for the Years Ended June 30:

	2021			
	Net Pension Obligation	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Obligation	\$ 207,665	-	-	30,064
OTRS Pension Obligation	974,378	284,518	217,199	74,457
Total	<u>\$ 1,182,043</u>	<u>284,518</u>	<u>217,199</u>	<u>104,521</u>

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 10: Employee Retirement Benefits (Continued)

	2020			
	Net Pension Obligation	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Obligation	\$ 199,601	-	-	30,065
OTRS Pension Obligation	704,871	128,437	323,293	(7,374)
Total	\$ 904,472	128,437	323,293	22,691

Defined Contribution Plan

The contract with the Teachers Insurance Annuity Association – College Retirement Equities Fund (TIAA/CREF), which provided for a funded plan for employee retirement was frozen at June 30, 2007. The TIAA/CREF plan is a defined contribution plan qualified under Internal Revenue Code Section 401(a). Effective July 1, 2007, the Center entered into an employee retirement plan with American Fidelity Assurance, which is a defined contribution plan qualified under Internal Revenue Code Section 403(b). Eligible employees covered by the plan include all personnel hired prior to July 1, 2006, whose employment is continuous and on a full-time equivalency basis. Participation in the American Fidelity plan provides an annuity in the name of the employee based upon contributions made by the Center. The Center's minimum contribution rate is currently 10% of base salary less \$9,000 and contributions vest as they are made. Employees make no contributions to this plan.

The Center's total payroll for the years ended June 30, 2021 and 2020, was approximately \$333,000 and \$434,000 respectively. Total covered payroll, which refers to all compensation paid by the Center to active employees covered by American Fidelity, amounted to \$60,000 in both 2021 and 2020. The Center contributed approximately \$4,400 in 2021 and 2020, which represents 7.3% of covered payroll, respectively, for each year. As of June 30, 2021, there were no related-party investments between American Fidelity and the Center.

Defined Benefit Plan

Plan Description – The Center contributes to a single-employer public employee retirement system through the Supplemental Retirement Plan (the Plan), sponsored by the State Regents. The Plan was adopted on July 1, 1985, and was substantially replaced by the funded TIAA/CREF plan adopted in July 1991. The Plan provides employees who retire from the Oklahoma Teacher's Retirement System (OTRS) a guarantee-based monthly retirement allowance. This guaranteed allowance is determined by the average of the highest three years of salary times 2% for each of the first 25 years of service in Oklahoma's system of public education, plus an additional 0.5% for each year of service prior to July 1, 1985, and 1% for each of year of service after July 1, 1985, up to a maximum of 60% of final salary entitlement. The Plan pays the difference, if any, between the guaranteed retirement allowance and the combined benefits under OTRS, TIAA/CREF and social security. Benefits vest upon retirement. There is currently 1 retired employee receiving benefits and no active employees, as the Plan is closed to any new entrants. The annual benefit amount may be amended by the Board of Trustees.

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 10: Employee Retirement Benefits (Continued)

Defined Benefit Plan (Continued)

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 and 2020, the Center made benefit payments of \$22,000 for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021 and 2020, the Center reported a liability of \$207,665 and \$199,601, respectively, for its net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020.

For the years ended June 30, 2021 and 2020, the Center recognized pension expense of \$30,064 and \$30,065, respectively.

Schedule of Changes in Total Pension Liability – The Center’s changes in total pension liability are as follows for the years ended June 30:

	2021	2020
Beginning net pension liability	\$ 199,601	\$ 191,536
Interest	7,965	7,966
Change of assumptions	19,448	19,448
Difference between actual and expected experience	2,651	2,651
Benefit payments	<u>(22,000)</u>	<u>(22,000)</u>
Ending net pension liability	<u>\$ 207,665</u>	<u>\$ 199,601</u>

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

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Discount Rate – 2.21% (Based on Bond Buyers General Obligation Municipal Bond Index)
- Mortality Rates after Retirement – RPA-2000 Mortality Table projected to 2020.

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 10: Employee Retirement Benefits (Continued)

Defined Benefit Plan (Continued)

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:

June 30, 2021	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Employers' net pension liability	\$ 222,216	207,665	198,306
June 30, 2020	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Employers' net pension liability	\$ 213,587	199,601	190,605

Oklahoma Teachers Retirement System

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

Benefits Provided – OTRS provides retirement, disability, and death benefits to members of the plan. Benefit provisions include:

- Members who join the System after July 1, 1991, become fully vested in retirement benefits earned to date after five years of credited service. Members who join the System on or after November 1, 2017, become fully vested after seven years of credited service. Any member who has attained age fifty-five (55) or who has completed thirty (30) years of creditable service, or for any person who initially became a member prior to July 1, 1992, whose age and number of years of creditable service total eighty (80) may be retired upon proper application for retirement on forms established by the System and executing a retirement contract. Any person who became a member after June 30, 1992, but prior to November 1, 2011, whose age and number of years of creditable service total ninety (90) may be retired upon proper application for retirement and executing a retirement contract. Any person who becomes a member on or after November 1, 2011, who attains the age of sixty-five (65) years or who reaches a normal retirement date having attained a minimum age of sixty (60) years may be retired upon proper application for retirement and executing a retirement contract.

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 10: Employee Retirement Benefits (Continued)

Oklahoma Teachers Retirement System (Continued)

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

Contributions – The contributions requirements of the Plan are at an established rate 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 9.50% 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 further information in Note 11. Contributions to the pension plan from the Center were \$33,180 and \$49,914 for the years ended June 30, 2021 and 2020, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$33,945 and \$36,607, during 2021 and 2020, respectively, was recognized by the Center. These on-behalf payments did not meet the criteria of a special funding situation.

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 10: 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 – At June 30, 2021 and 2020, the Center reported a liability of \$974,378 and \$704,871, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019. The Center’s proportion of the net pension liability was based on the Center’s contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2020 and 2019. Based upon this information, the Center’s proportion was 0.0103% and 0.0107% for June 30, 2021 and 2020, respectively.

For the years ended June 30, 2021 and 2020, the Center recognized pension expense (income) of \$74,457 and \$(7,374), respectively.

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	\$ 47,435	16,503
Changes of assumptions	119,495	14,077
Net difference between projected and actual earnings on pension plan investments	83,992	-
Changes in proportion and differences between Center contributions and proportionate share of contributions	416	186,619
Center contributions subsequent to the measurement date	33,180	-
Total	<u>\$ 284,518</u>	<u>217,199</u>

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 10: Employee Retirement Benefits (Continued)

Oklahoma Teachers Retirement System (Continued)

At June 30, 2020, 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	\$ 36,184	30,206
Changes of assumptions	37,007	23,788
Net difference between projected and actual earnings on pension plan investments	4,780	-
Changes in proportion and differences between Center contributions and proportionate share of contributions	552	269,299
Center contributions subsequent to the measurement date	49,914	-
Total	<u>\$ 128,437</u>	<u>323,293</u>

The \$33,180 and \$49,914 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date for June 30, 2021 and 2020, respectively, will be recognized as a reduction of the net pension liability in the years ended June 30, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2021:		Year ended June 30, 2020:	
2022	\$ (46,056)	2021	\$ (79,816)
2023	(5,436)	2022	(94,556)
2024	35,280	2023	(53,416)
2025	42,882	2024	(12,046)
2026	7,469	2025	(4,936)
	<u>\$ 34,139</u>		<u>\$ (244,770)</u>

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 10: Employee Retirement Benefits (Continued)

Oklahoma Teachers Retirement System (Continued)

Actuarial Assumptions – The net pension liability as of June 30, 2021 and 2020, was determined based on an actuarial valuation prepared as of June 30, 2020 and 2019, respectively, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Inflation – 2.25% (2020) and 2.50% (2019)
- Future Ad Hoc Cost-of-Living Increase - None
- Salary Increases - Composed of 2.25% (2020) and 3.25% (2019) inflation, including 0.75% (2020) and 2.50% (2019) price inflation, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return – 7.0% (2020) and 7.50% (2019)
- 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 and 2019, are summarized in the following tables:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
<u>2020</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)

See Independent Auditors' Report.

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 10: Employee Retirement Benefits (Continued)

Oklahoma Teachers Retirement System (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
<u>2019</u>		
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10.0%	6.1%
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% and 7.50% was used to measure the total pension liability as of June 30, 2020 and June 30, 2019, respectively. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.00% and 7.50%. 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 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:

For June 30, 2021	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Center's net pension liability	\$ 1,300,464	974,378	704,430
For June 30, 2020	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Center's net pension liability	\$ 993,240	704,871	463,636

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University Center of Southern Oklahoma
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Years Ended June 30, 2021 and 2020

Note 10: Employee Retirement Benefits (Continued)

Oklahoma Teachers Retirement System (Continued)

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 obtained at www.ok.gov/TRS.

Note 11: Other Post-employment Benefits

Summary of Other Post-employment Benefits as of and for the Years Ended June 30:

	2021			OPEB
	Net OPEB Obligation (Asset)	Deferred Outflows	Deferred Inflows	Expense (Income)
Health Insurance Program	\$ 150,470	-	-	(152,978)
OTRS Supplemental Health Program	(1,018)	5,319	2,236	216
Total	<u>\$ 149,452</u>	<u>5,319</u>	<u>2,236</u>	<u>(152,762)</u>
	2020			OPEB
	Net OPEB Obligation (Asset)	Deferred Outflows	Deferred Inflows	Expense (Income)
Health Insurance Program	\$ 303,448	-	-	(233,847)
OTRS Supplemental Health Program	(6,551)	1,039	3,335	(826)
Total	<u>\$ 296,897</u>	<u>1,039</u>	<u>3,335</u>	<u>(234,673)</u>

Health Insurance Program:

Plan Description – The Center’s defined benefit OPEB plan, Retiree Health Insurance Program, provides OPEB to eligible retirees and their dependents. The Center’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 Center provides medical, dental, and vision benefits to eligible retirees and their dependents through the State of Oklahoma Employee Insurance Group Division. The Center pays the full contribution rate for the current retiree’s coverages and the current eligible employee for the plan. This plan is no longer available to new employees. 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 not eligible for the previous direct subsidy plan may still stay on the insurance plan, but must pay the full contribution rate for the retiree’s coverages and for any other elected dependent dental and vision coverages on their own.

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 11: Other Post-employment Benefits (Continued)

Health Insurance Program (Continued)

Benefits Provided, Continued - 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 Center.

Employees covered by benefit terms:

At June 30, 2021 and 2020, the following employees were covered by the benefit terms:

	2021	2020
Active Employees	0	8
Inactives or beneficiaries currently receiving payments	2	3
	2	11

Total OPEB Liability – The Center’s total OPEB liability of \$150,470 and \$303,448 in 2021 and 2020, respectively, was determined based on an alternative actuarial valuation performed as of June 30, 2021 and 2020, respectively, which is the measurement date.

Actuarial Assumptions – The total OPEB liability as of June 30, 2021 and 2020, was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 2.16 % and 2.21%, based on June 30, 2021 and 2020, Bond Buyers Index
- Retirement Age: 62
- Healthcare cost trend rates

Year	Rate
2020	5.3%
2021	6.4%
2022	6.3%
2023	6.1%
2024	6.0%
2025	5.5%
2026+	5.0%

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University Center of Southern Oklahoma
Notes to Financial Statements
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Note 11: Other Post-employment Benefits (Continued)

Health Insurance Program (Continued)

Changes in Total OPEB Liability – The following table reports the components of changes in total OPEB liability:

	2021	2020
Beginning total OPEB liability	\$ 303,448	\$ 537,295
Service cost	8	5,673
Interest	6,554	11,874
Change of assumptions	(159,540)	(251,394)
Ending total OPEB liability	<u>\$ 150,470</u>	<u>\$ 303,448</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Center calculated using the discount rate of 2.16 % and 2.21% for 2021 and 2020, respectively, 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% and 1.21%) or 1 percentage point higher (3.16% and 3.21%) than the current rate:

June 30, 2021	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
Center's total OPEB liability	\$ 169,030	\$ 150,470	\$ 134,902
June 30, 2020	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
Center's total OPEB liability	\$ 333,598	\$ 303,448	\$ 277,887

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University Center of Southern Oklahoma
Notes to Financial Statements
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Note 11: Other Post-employment Benefits (Continued)

Health Insurance Program (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the total OPEB liability of the Center calculated using the healthcare cost trend rate of 5.30% for each year ended June 30, 2021 and 2020, as well as what the Center's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (4.30%) or 1 percentage point higher (6.30%) than the current rate:

June 30, 2021	1% Decrease 4.30%	Healthcare Cost Trend Rate 5.30%	1% Increase 6.30%
Center's total OPEB liability	\$ 134,530	\$ 150,470	\$ 169,067
June 30, 2020	1% Decrease 4.30%	Healthcare Cost Trend Rate 5.30%	1% Increase 6.30%
Center's total OPEB liability	\$ 276,079	\$ 303,448	\$ 335,331

OTRS Supplemental Health Program

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

Benefits Provided – OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Employee Group Insurance Division of the State of Oklahoma, 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 9; 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% for 2021 and 2020, of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the Center were \$62 and \$94 for 2021 and 2020, respectively.

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 11: Other Post-employment Benefits (Continued)

OTRS Supplemental Health Program (Continued)

Net OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2021 and 2020, the Center reported an asset of \$1,018 and \$6,551, respectively, for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020 and 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2020 and 2019, respectively. 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 as of June 30, 2020 and 2019. Based upon this information, the Center's proportion was 0.0103% and 0.0107% for 2021 and 2020, respectively.

For the years ended June 30, 2021 and 2020, the Center recognized OPEB expense (income) of \$(216) and \$(826), respectively.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	2,236
Changes of assumptions	2,203	-
Net difference between projected and actual earnings on OPEB plan investments	2,223	-
Changes in Center's proportionate share of contributions	407	-
Differences between Center contributions and proportionate share of contributions	424	-
Center contributions subsequent to the measurement date	62	-
Total	<u>\$ 5,319</u>	<u>2,236</u>

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 11: Other Post-employment Benefits (Continued)

OTRS Supplemental Health Program (Continued)

At June 30, 2020, the Center 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	\$ -	2,395
Net difference between projected and actual earnings on OPEB plan investments	-	940
Changes in Center's proportionate share of contributions	404	-
Differences between Center contributions and proportionate share of contributions	541	-
Center contributions subsequent to the measurement date	94	-
Total	\$ 1,039	3,335

The \$62 and \$94 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 years ended June 30, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (income) as follows:

Year ended June 30, 2021:		Year ended June 30, 2020:	
2022	\$ 33	2021	\$ (987)
2023	661	2022	(987)
2024	1,014	2023	(339)
2025	906	2024	25
2026	334	2025	(85)
Thereafter	73	Thereafter	(17)
	\$ 3,021		\$ (2,390)

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University Center of Southern Oklahoma
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Note 11: Other Post-employment Benefits (Continued)

OTRS Supplemental Health Program (Continued)

Actuarial Assumptions - The net OPEB asset as of June 30, 2021 and 2020, was determined based on an actuarial valuation prepared as of June 30, 2020 and 2019, respectively, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Inflation – 2.25% (2020) and 2.50% (2019)
- Future Ad Hoc cost-of-living increases - None
- Salary Increases - Composed of 2.25% (2020) and 3.25% (2019) inflation, including 0.75% (2020) and 2.50% (2019) price inflation, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return – 7.00% (2020) and 7.50% (2019)
- 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 and 2019, are summarized in the following tables:

Asset Class	Target Asset Allocation	Real Rate of Return
<u>2020</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>100.00%</u>	

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

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University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 11: Other Post-employment Benefits (Continued)

OTRS Supplemental Health Program (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
<u>2019</u>		
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10.0%	6.1%
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 7.0% and 7.5% was used to measure the net OPEB asset as of June 30, 2020 and 2019, respectively. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.0% and 7.5%. 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 net OPEB asset. The projection of cash flows used to determine this single discount rate assumed that plan member and the Center 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 Asset to Changes in the Discount Rate - The following presents the net OPEB asset calculated using the discount rate each year, as well as what the Plan's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

June 30, 2021	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Center's net OPEB (asset) liability	\$ 3,695	(1,018)	(5,015)
June 30, 2020	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Center's net OPEB asset	\$ (2,195)	(6,551)	(10,273)

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 obtained at www.ok.gov/TRS.

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Note 12: Coronavirus Relief Fund

The Foundation received \$180,144 of coronavirus Relief Fund passed through Chickasaw Nation during 2021. The grant was to be used for personnel costs, debt, personal protective equipment, distance learning, and certain other qualified costs. The Foundation used the entire grant for qualifying expenses.

Note 13: Related-Party Transactions

The Center and Foundation have an agreement for providing the Foundation with services including office space and part-time service of Center staff. In exchange, the Foundation provides the Center with program support that includes, but is not limited to, administration of scholarships and other academic and program enhancements. During the years ended June 30, 2021 and 2020, the Foundation awarded scholarships totaling approximately \$39,000 and \$25,000, respectively, to students. Also, the Foundation contributed approximately \$734,000 and \$398,000 to the Center's debt, building, and partner institutions during the years ended June 30, 2021 and 2020, respectively.

Note 14: 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 three years.

Note 15: Lease Commitments

The Center, as lessor, leases an educational facility from the Board of Education, Independent School District No. 19, Carter County, Oklahoma. The lease is on a year-to-year basis. Rental expense of approximately \$12,000 was paid to the School District during each year ended June 30, 2021 and 2020.

Note 16: Contingencies

Community Activities, Inc. of Ardmore, Oklahoma holds an endowment fund for the benefit of the Center at June 30, 2020. The market value of the endowment at June 30, 2020, is approximately \$1,043,000, and is not reflected in the accompanying financial statements. The Center received from Community Activities, Inc. of Ardmore capital and maintenance contributions of \$18,000 in 2020. Community Activities, Inc. of Ardmore no longer holds the endowment fund for the benefit of the Center at June 30, 2021.

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Years Ended June 30, 2021 and 2020

Note 17: 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. The implementation did not have a significant impact on the 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. The implementation did not have a significant impact on the financial statements.

Note 18: 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.

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.

See Independent Auditors' Report.

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 18: Accounting Standards Issued Not Yet Adopted (Continued)

In January 2020, GASB issued Statement No. 92, Omnibus 2020 (GASB 92). GASB 92 enhance comparability in accounting and financial reporting and to improve 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 an IBOR. 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.

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

See Independent Auditors' Report.

University Center of Southern Oklahoma
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 18: Accounting Standards Issued Not Yet Adopted (Continued)

(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 19: Subsequent Events

Management performed an evaluation of the Center's activities through October 8, 2021, the audit report date. On July 1, 2021, the Center was transferred to Murray State College after the Governor of Oklahoma signed House Bill 2943 into effect on May 18, 2021. Per the Bill, all real property, buildings, furniture, equipment, supplies, records, assets, current and future liabilities, fund balances, encumbrances, obligations, indebtedness, legal agreements, powers, duties and responsibilities associated with the Center were transferred to Murray State College. The Center was redesignated as the Murray State College at Ardmore. On July 1, 2021, the Foundation was dissolved and its remaining assets were transferred to Community Activities, Inc. of Ardmore.

Note 20: Risks 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 Ardmore, 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 also obtained a PPP loan in May 2020 of approximately \$124,000 that has since been forgiven during FY21. The Center also obtained a 2nd PPP loan in March 2021 for approximately \$124,000. 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.

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 and stakeholders, or as required by federal, state, or local authorities.

See Independent Auditors' Report.

REQUIRED SUPPLEMENTARY INFORMATION

University Center of Southern Oklahoma

Schedules of Required Supplementary Information
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 7 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021
Center's proportion of the net pension liability	0.0195%	0.0172%	0.0159%	0.0137%	0.0126%	0.0107%	0.0103%
Center's proportionate share of the net pension liability	\$ 1,051,600	1,047,014	1,324,421	909,475	763,339	704,871	974,378
Center's covered employee payroll	\$ 754,983	688,693	573,272	477,747	464,323	431,075	434,205
Center's proportionate share of the net pension liability as a percentage of its covered employee payroll	139%	152%	231%	190%	164%	164%	224%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%	69.32%	72.74%	71.56%	63.47%

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

Notes to Schedule:

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

University Center of Southern Oklahoma

Schedules of Required Supplementary Information
SCHEDULE OF THE CENTER'S PENSION CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 7 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 71,927	67,422	57,331	54,063	50,246	49,914	33,180
Contributions in relation to the contractually required contribution	<u>71,927</u>	<u>67,422</u>	<u>57,331</u>	<u>54,063</u>	<u>50,246</u>	<u>49,914</u>	<u>33,180</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Center's covered employee payroll	\$ 688,693	573,272	477,747	464,323	431,075	434,205	333,473
Contributions as a percentage of covered employee payroll	10.44%	11.76%	12.00%	11.64%	11.66% *	11.50% *	9.95% *

* 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 11.74%, 11.54%, and 9.97% for the years ended June 30, 2019, 2020, and 2021, respectively.

Notes to Schedule:

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

University Center of Southern Oklahoma

Schedules of Required Supplementary Information
SCHEDULE OF THE CENTER'S CHANGE IN PENSION LIABILITY
SUPPLEMENTAL RETIREMENT ANNUITY
Last 5 Fiscal Years

	2017	2018	2019	2020	2021
Beginning net pension liability, restated	\$ 212,519	\$ 211,436	\$ 201,486	\$ 191,536	\$ 199,601
Interest	7,608	6,449	6,449	7,966	7,965
Change of assumptions	6,456	(9,951)	(9,951)	19,448	19,448
Difference between actual and expected experience	6,853	15,552	15,552	2,651	2,651
Benefit payments	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)
Ending net pension liability	<u>\$ 211,436</u>	<u>\$ 201,486</u>	<u>\$ 191,536</u>	<u>\$ 199,601</u>	<u>\$ 207,665</u>

Notes to Schedule:

Only the last 5 fiscal years are presented because the 10-year data is not yet available.

University Center of Southern Oklahoma

Schedules of Required Supplementary Information
**SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
 SUPPLEMENTAL HEALTH INSURANCE PROGRAM (OTRS)
 Last 4 Fiscal Years***

	2018	2019	2020	2021
Center's proportion of the net OPEB asset	0.0137%	0.0126%	0.0107%	0.0103%
Center's proportionate share of the net OPEB asset	\$ (6,128)	\$ (8,165)	\$ (6,551)	\$ (1,018)
Center's covered payroll	\$ 477,747	\$ 464,323	\$ 431,075	\$ 434,205
Center's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	1.28%	1.76%	1.52%	0.23%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%	115.41%	115.07%	102.30%

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

Notes to Schedule:

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

University Center of Southern Oklahoma

Schedules of Required Supplementary Information
**SCHEDULE OF THE CENTER'S OPEB CONTRIBUTIONS
 SUPPLEMENTAL HEALTH INSURANCE PROGRAM (OTRS)
 Last 4 Fiscal Years**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 858	\$ 339	\$ 94	\$ 62
Contributions in relation to the contractually required contribution	<u>858</u>	<u>339</u>	<u>94</u>	<u>62</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's covered employee payroll	\$ 464,323	\$ 431,075	\$ 434,205	\$ 333,473
Contributions as a percentage of covered employee payroll	0.18%	0.08%	0.02%	0.02%

Notes to Schedule:

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

University Center of Southern Oklahoma

Schedules of Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Health Insurance Program
Last 4 Fiscal Years

	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 14,735	\$ 14,735	\$ 5,673	\$ 8
Interest	13,341	13,341	11,874	6,554
Change in assumptions	(42,857)	(42,857)	(251,394)	(159,540)
Differences between expected and actual experience	85,405	85,405	-	-
Benefit payments, including refunds of member contributions	(20,686)	(20,686)	-	-
Net change in total OPEB liability	49,938	49,938	(233,847)	(152,978)
Total OPEB liability - beginning	437,419	487,357	537,295	303,448
Total OPEB liability - ending	\$ 487,357	\$ 537,295	\$ 303,448	\$ 150,470
Covered employee payroll	\$ 464,323	\$ 431,075	\$ 434,205	\$ 333,473
Total OPEB liability as a percentage of covered-employee payroll	104.96%	124.64%	69.89%	45.12%

Notes to Schedule:

Only 4 years are presented because 10-year data is not yet available.

The discount rate used for 2021 is 2.16%

The Center switched to the alternative measurement method in 2020 and the discount rate changed to 2.21%

UNIVERSITY CENTER OF SOUTHERN OKLAHOMA

**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***

To the Board of Trustees
University Center of Southern Oklahoma
Ardmore, 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 of Southern Oklahoma (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 8, 2021. Our report includes a reference to the financial statements of Southern Oklahoma Higher Education Foundation, Inc. (the "Foundation"), the Center's discretely presented component unit, as described in our report on the Center's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation. 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)

**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 8, 2021