

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

Financial Statements

June 30, 2023
(With Independent Auditor's Report Thereon)



UNIVERSITY CENTER AT PONCA CITY

(A Component Unit of the State of Oklahoma)

FINANCIAL STATEMENTS

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Business Advisors

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of University Center at Ponca City (the Center), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The center's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and other analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.



Required Supplementary Information (Continued)

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University Center at Ponca City's internal control over financial reporting and compliance.

Hick & Company, PC

Tulsa, Oklahoma
October 27, 2023



University Center at Ponca City
Management's Discussion and Analysis
Year Ended June 30, 2023

Management's Discussion and Analysis

The discussion and analysis of University Center at Ponca City (the "Center") financial statements provides an overview of the Center's financial activities for the year ending June 30, 2023. Since this management's discussion and analysis is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the Center's financial statements and footnotes.

Using This Report

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

Financial Highlights

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

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

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

Table 1 is prepared from the Center's Statement of Net Position, and summarizes the Center's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2023, and 2022.

University Center at Ponca City
Management's Discussion and Analysis
Year Ended June 30, 2023

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

Table 1
 Net Position
 For the Year Ended June 30,

	2023	2022	% Inc. (Dec.)
Current and other assets	\$ 412,192	\$ 301,604	37%
Capital assets, net of depreciation	1,327,474	1,384,297	-4%
Total assets	<u>1,739,666</u>	<u>1,685,901</u>	3%
Deferred outflows of resources:	<u>68,224</u>	<u>76,990</u>	-11%
Current liabilities	56,502	57,875	-2%
Noncurrent liabilities	1,546,928	1,602,663	-3%
Total liabilities	<u>1,603,430</u>	<u>1,660,538</u>	-3%
Deferred inflows of resources:	<u>184,647</u>	<u>247,552</u>	-25%
Net position			
Net investment in capital assets	13,831	29,346	-53%
Restricted	1,287	-	100%
Unrestricted (deficit)	4,695	(174,545)	-103%
Total net position	<u>\$ 19,813</u>	<u>\$ (145,199)</u>	-114%

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

At year ended June 30, 2023, the Center ended the year with cash balances of \$407,012 and capital assets recorded net of accumulated depreciation & amortization of \$1,327,474. The decrease of 4% of capital assets for the fiscal year is accumulated depreciation and amortization of tangible and intangible assets.

The increase in unrestricted net position is primarily related to the OTRS net pension liability and the associated deferred inflow of resources. Overall net position increased by approximately \$165,000.

University Center at Ponca City
Management's Discussion and Analysis
Year Ended June 30, 2023

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

Table 2 is prepared from the Center's Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2023 and 2022.

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

	2023	2022	% Inc. (Dec.)
Operating revenues (expenses)			
Tuition and fees	\$ 84,578	\$ 85,879	-2%
Less operating expenses	<u>(417,122)</u>	<u>(445,789)</u>	-6%
Net operating expenses	<u>(332,544)</u>	<u>(359,910)</u>	-8%
Nonoperating revenues (expenses)			
State appropriations	505,552	495,552	2%
On-behalf OTRS contributions	12,471	13,866	-10%
Interest expense	<u>(20,467)</u>	<u>(19,306)</u>	6%
Total nonoperating revenues (expenses)	<u>497,556</u>	<u>490,112</u>	2%
Income (Loss) before capital contributions	165,012	130,202	27%
Capital contributions	<u>-</u>	<u>-</u>	0%
Increase (Decrease) in net position	<u>\$ 165,012</u>	<u>\$ 130,202</u>	27%

Revenues

The most significant revenue source of the Center is State appropriations comprising 98% of nonoperating revenues and 84% of total revenues for fiscal year 2023.

A decrease in tuition and fees of 2% is relatively consistent with student fees revenue for FY 2022.

Nonoperating revenues increased in the current fiscal year due to an increase of State appropriations of approximately \$10,000.

University Center at Ponca City
Management's Discussion and Analysis
Year Ended June 30, 2023

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

Expenses

The most significant expenses of the Center, for fiscal year 2023, are personnel compensation and contractual services.

Compensation expenses comprised 53% of operating expenses; with contractual services comprising 22% of operating expenses for the year.

Compensation expenses decreased by approximately \$38,000 which primarily relates to a net pension liability and net OPEB liability from OTRS.

Table 3 summarizes the Center's operating expenses for the years ended June 30, 2023, and 2022.

Table 3
Operating Expenses

	Years Ended June 30,		Increase (Decrease)	% Inc. (Dec.)
	2023	2022		
Compensation and benefits	\$ 220,661	\$ 258,547	\$ (37,886)	-15%
Contractual services	90,101	87,762	2,339	3%
Supplies and materials	7,141	2,591	4,550	176%
Utilities	22,577	21,892	685	3%
Communications	3,059	4,200	(1,141)	-27%
Depreciation	64,872	63,262	1,610	3%
Other	8,711	7,535	1,176	16%
	<u>\$ 417,122</u>	<u>\$ 445,789</u>	<u>\$ (28,667)</u>	-6%

University Center at Ponca City
Management's Discussion and Analysis
Year Ended June 30, 2023

Statement of Cash Flows

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

Table 4 is prepared from the Center's Statement of Cash Flows and summarizes the Center's cash flows for the years ended June 30, 2023 and 2022.

Table 4
Cash Flows
For the Year Ended June 30,

	2023	2022
Cash (used in) provided by:		
Operating activities	\$ (321,538)	\$ (331,298)
Capital financing activities	(69,824)	(96,455)
Noncapital financing activities	505,552	495,552
Net increase in cash	114,190	67,799
Cash, beginning of year	292,822	225,023
Cash, end of year	\$ 407,012	\$ 292,822

Capital Assets and Debt Administration

For 2023, the Center recorded a total of \$1,733,132 in capital assets and \$405,658 in accumulated depreciation & amortization. During the year ended June 30, 2023, the Center's decrease in capital assets is directly attributable recognition of \$64,872 of accumulated depreciation and amortization of capital assets.

Table 5
Capital Assets, Net
June 30, 2023

	2023
Equipment	\$ 335,712
Intangible building	1,394,681
Intangible equipment	2,739
Total	1,733,132
Less accumulated depreciation & amortization	(405,658)
Capital assets, net	\$ 1,327,474

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

University Center at Ponca City
Management's Discussion and Analysis
Year Ended June 30, 2023

Capital Assets and Debt Administration (Continued)

At June 30, 2023, the Center had an obligation of \$34,283 for accrued compensated absences accrued by employees. The Center also implemented GASB 87 during fiscal year 2023 resulting in recognition of lease liabilities.

Table 6
 Long-Term Liabilities
 June 30, 2023

	2023
Lease liabilities	\$ 1,313,643
Accrued compensated absences	34,282
Total long-term liabilities	\$ 1,347,925

Further detailed information can be obtained in the notes to the financial statements (Notes 1, 5, 6).

Other Financial Information

Economic Outlook

The Center is primarily funded by state appropriations. The Center did receive a 4.11% revenue increase from the State of Oklahoma for FY22, a 2.02% increase for 2023, and 3.00% for FY24. Revenue increases have put the UC in a better position to fund and implement new Zoom Technology that will replace outdated Polycom systems that are currently in use. The UC is seeking new ways in which to increase student enrollment, concurrent student enrollment and participation. Retention of currently enrolled students remains a focus for the UC. Currently the UC is partnering with NOC and NWOSU. Zoom Technology will create opportunities to partner with other Colleges and Universities offering new programs and course offerings through distance learning.

The UC upgraded its back-end IT equipment, adding additional laptops to its inventory, and extending the reach of the wireless network to help create safe environments for future students. The Center has sought new revenue and educational streams. With an emphasis on emerging STEM opportunities in the future, the Center seeks to diversify itself from its overreliance on state funding. The UC offers LEGO STEM Summer Academies for area youth. The academies will become part of the UC's mission of educational outreach. Scholarships from outside sources have increased STEM enrollment to full capacity creating additional revenue for the UC. In addition, the UC is exploring the creation of workshops and other community outreach programs. The UC continues to explore new revenue sources to ensure the fiscal viability of a thriving education center in Ponca City.

University Center at Ponca City
Management's Discussion and Analysis
Year Ended June 30, 2023

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

Contacting the Program's Financial Management

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

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

	<i>June 30, 2023</i>	<i>December 31, 2022</i>
	<u>University Center at Ponca City</u>	<u>University Center at Ponca City Foundation, Inc.</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 407,012	\$ 183,622
Accounts receivable	2,989	-
Prepaid expenses	-	2,662
Investments	-	961,954
Total current assets	<u>410,001</u>	<u>1,148,238</u>
Noncurrent assets:		
Investment	-	110,652
Net OPEB asset	2,191	-
Capital assets, net	1,327,474	1,293,896
Total noncurrent assets	<u>1,329,665</u>	<u>1,404,548</u>
Total assets	<u>1,739,666</u>	<u>2,552,786</u>
Deferred Outflows of Resources		
Deferred amounts related to pension	65,862	-
Deferred amounts related to OPEB	2,362	-
Total deferred outflows of resources	<u>68,224</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,382	\$ -
Unearned revenue	450	-
Current portion of noncurrent liabilities	49,670	-
Total current liabilities	<u>56,502</u>	<u>-</u>
Noncurrent liabilities:		
Compensated absences	26,560	-
Lease liability	1,124	-
Lease liability payable to related party	1,270,571	-
Total OPEB liability	7,509	-
Net pension liability	241,164	-
Total noncurrent liabilities	<u>1,546,928</u>	<u>-</u>
Total liabilities	<u>1,603,430</u>	<u>-</u>
Deferred Inflows of Resources		
Deferred amounts related to pension	183,743	-
Deferred amounts related to OPEB	904	-
Total deferred inflows of resources	<u>184,647</u>	<u>-</u>
Net Position		
Net investment in capital assets	13,831	-
Restricted for:		
Donor restrictions	-	173,498
OPEB	1,287	-
Unrestricted (deficit)	4,695	2,379,288
Total net position	<u>\$ 19,813</u>	<u>\$ 2,552,786</u>

See accompanying notes to the financial statements.

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

<i>Years Ended</i>	<i>June 30, 2023</i>	<i>December 31, 2022</i>
	University Center at Ponca City	University Center at Ponca City Foundation, Inc.
Operating revenues:		
Student tuition and fees	\$ 84,522	\$ -
Other operating revenues	56	114,196
Total operating revenues	<u>84,578</u>	<u>114,196</u>
Operating expenses:		
Compensation and employee benefits	220,661	-
Contractual services	90,101	-
Supplies and materials	7,141	-
Utilities	22,577	-
Communications	3,059	-
Depreciation	64,872	49,277
Other operating expenses	8,711	64,991
General and administrative	-	13,542
Scholarships awarded	-	23,492
Total operating expenses	<u>417,122</u>	<u>151,302</u>
Operating loss	<u>(332,544)</u>	<u>(37,106)</u>
Non-operating revenues (expenses):		
State appropriations	505,552	-
OTRS on-behalf	12,471	-
Interest expense	(20,467)	-
Investment income (loss)	-	(11,289)
Gain on sale of assets	-	598,900
Contributions and other non-operating income	-	44,711
Net non-operating revenues	<u>497,556</u>	<u>632,322</u>
Changes in net position	165,012	595,216
Net position at beginning of year	<u>(145,199)</u>	<u>1,957,570</u>
Net position at end of year	<u>\$ 19,813</u>	<u>\$ 2,552,786</u>

See accompanying notes to the financial statements.

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

STATEMENT OF CASH FLOWS

<i>Year Ended</i>	<i>June 30, 2023</i>
	<u>University Center at Ponca City</u>
Cash flows from operating activities:	
Tuition and fees	\$ 83,532
Compensation and benefits	(270,589)
Cash paid to suppliers	(134,537)
Other operating receipts	56
Net cash used in operating activities	<u>(321,538)</u>
Cash flows from noncapital financing activities:	
State appropriations and contributions	<u>505,552</u>
Net cash provided by noncapital financing activities	<u>505,552</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(8,049)
Principal paid on capital debt and leases	(41,308)
Interest paid on capital debt and leases	<u>(20,467)</u>
Net cash used in capital and related financing activities	<u>(69,824)</u>
Increase in cash and cash equivalents	114,190
Cash and cash equivalents at beginning of year	<u>292,822</u>
Cash and cash equivalents at end of year	<u>\$ 407,012</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (332,544)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	64,872
OTRS on-behalf	12,471
Changes in assets, liabilities and deferrals:	
Accounts receivable	(588)
Accounts payable and accrued expenses	(2,500)
Unearned revenue	(402)
Net OPEB asset	4,190
Net pension liability	(14,646)
Total OPEB liability	8
Deferred amounts related to pensions	(49,668)
Deferred amounts related to OPEB	(4,471)
Accrued compensated absences	<u>1,740</u>
Net cash used in operating activities	<u>\$ (321,538)</u>

See accompanying notes to the financial statements.

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

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

Nature of Operations

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

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

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

Financial Statement Presentation

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

Reporting Entity

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

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

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 System, which is under the governance of the State Regents. The Center is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State as part of the higher education component unit.

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

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board ("FASB") standards over accounting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Center's financial reporting entity for these differences.

Basis of Accounting

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

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

Cash Equivalents

For purposes of the statements of cash flows, the Center considers all highly liquid investments with an original maturity of 3 months or less to be cash equivalents. The cash equivalents are required to be fully collateralized by obligations of the United States government or its agencies at 102% or insured by federal deposit insurance. For year ended June 30, 2023, the Center did not have any qualifying cash equivalents.

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

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 gains (losses) on the carrying values of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or purchase capital or other noncurrent assets are classified as restricted assets in the statements of net position. For year ended June 30, 2023, the Center did not have any qualifying investments.

Accounts Receivable

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

Capital Assets

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

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

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

Leases assets (intangible) are capitalized when a lease liability is recorded. Leased assets are amortized over the life of the associated lease contract or the table provided above whichever period is shorter.

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

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

Noncurrent Liabilities

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

Compensated Absences

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

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

Net Position

The Center's net position is classified as follows:

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

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

University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2023

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

Net Position, (Continued)

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

Classifications of Revenues

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

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

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

Tax Status

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

Deferred Outflows of Resources and Deferred Inflow of Resources

Deferred outflows are the consumption of net position by the Center that are applicable to a future reporting period. Deferred inflows are the acquisition of net position by the Center that are applicable to a future reporting period. At June 30, 2023, the Center's deferred outflows and deferred inflows of resources were related to pension and OPEB sources.

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

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

Leases

The Center is a party as lessee for various noncancellable long-term leases of a building and equipment. The corresponding lease payables, are recorded in an amount equal to the present value of the expected future minimum lease payments, respectively, discounted by an applicable interest rate. For development of the applicable rate the Center generally uses an estimate based on municipal bond rate yield curves as the discount rate for leases unless the rate that the lessor/vendor charges is known.

Pension & Other Postemployment Benefits

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

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

Estimates

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

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through October 27, 2023, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 2: Cash and Cash Equivalents

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

At June 30, 2023, the carrying amounts of the Center's deposits with the State Treasurer were \$407,012. The Foundation had deposits at a financial institution with carrying amounts of \$183,622 as of December 31, 2022.

Note 3: Investments

As of June 30, 2023, the Center had no investments. The Foundation had investments consisting of mutual funds and certificates of deposits with maturities greater than 3 months when purchased, as well as mutual funds, annuities, corporate bonds, and real estate investment trusts. All of the foundation investments are reported at fair value.

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

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

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

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 3: Investments (Continued)

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

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

Fair Value Measured on a Recurring Basis

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

Certificates of Deposit

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

Mutual Funds

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

The following table presents the fair value measurements of assets recognized in the accompanying statements of net position at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023, for the Foundation:

<u>Type of Investment</u>	<u>Fair Value Hierarchy</u>	<u>Fair Value</u>
Mutual funds	Level 1	\$ 110,652
Certificates of deposit	Level 2	961,954
		<u>\$ 1,072,606</u>

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 4: Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
Capital assets being depreciated				
Intangible Building	\$ 1,394,681	\$ -	\$ -	\$ 1,394,681
Intangible Equipment	2,739	-	-	2,739
Equipment	327,663	8,049	-	335,712
Total capital assets	<u>1,725,083</u>	<u>8,049</u>	<u>-</u>	<u>1,733,132</u>
Less accumulated depreciation				
Equipment	(290,519)	(14,605)	-	(305,124)
Total accumulated depreciation	<u>(290,519)</u>	<u>(14,605)</u>	<u>-</u>	<u>(305,124)</u>
Less accumulated depreciation				
Intangible Building	(49,810)	(49,810)	-	(99,620)
Intangible Equipment	(457)	(457)	-	(914)
Total accumulated amortization	<u>(50,267)</u>	<u>(50,267)</u>	<u>-</u>	<u>(100,534)</u>
Other capital assets, net	<u>\$ 1,384,297</u>	<u>\$ (56,823)</u>	<u>\$ -</u>	<u>\$ 1,327,474</u>
Total cost of capital assets	\$ 1,725,083	\$ 8,049	\$ -	\$ 1,733,132
Less accumulated depreciation	(340,786)	(64,872)	-	(405,658)
Capital assets, net	<u>\$ 1,384,297</u>	<u>\$ (56,823)</u>	<u>\$ -</u>	<u>\$ 1,327,474</u>

The following is a summary of changes in capital assets for the Foundation for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022
Capital assets, depreciable				
Buildings and improvements	\$ 1,750,351	\$ -	\$ (15,285)	\$ 1,735,066
Equipment	16,150	19,911	-	36,061
	<u>1,766,501</u>	<u>19,911</u>	<u>(15,285)</u>	<u>1,771,127</u>
Less accumulated depreciation				
Buildings and improvements	(427,954)	(49,277)	-	(477,231)
Capital assets, net	<u>\$ 1,338,547</u>	<u>\$ (29,366)</u>	<u>\$ (15,285)</u>	<u>\$ 1,293,896</u>

Note 5: Long-Term Obligations

The following is a summary of long-term obligations of the Center for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023	Current Portion June 30, 2023
Lease liabilities	\$ 1,354,951	\$ -	\$ (41,308)	\$ 1,313,643	\$ 41,948
Accrued compensated absences	32,542	9,463	(7,723)	34,282	7,722
Total Long-term Obligations	<u>\$ 1,387,493</u>	<u>\$ 9,463</u>	<u>\$ (49,031)</u>	<u>\$ 1,347,925</u>	<u>\$ 49,670</u>

University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2023

Note 6 : Leases

The Center as a lessee, has entered into lease agreements involving a building and equipment summarized below.

Leases of equipment: Annual installments totaling \$576
with interest rate of 2.12%, with a 60 month term.

\$ 1,667

Leases of buildings and office space: Annual installments totaling \$61,200
with interest rate of 1.51%, with 28 years of remaining useful life term.

\$1,311,976

Fiscal Year	Lessee Principal & Interest	
	Principal	Interest
2024	41,948	19,828
2025	42,598	19,177
2026	43,258	18,518
2027	43,348	17,852
2028	44,016	17,184
2029-2033	230,474	75,526
2034-2038	248,797	57,203
2039-2043	268,577	37,423
2024-2048	289,930	16,070
2049	60,697	505
	\$ 1,313,643	\$ 279,286

Note 7: Employee Retirement Benefits

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

Oklahoma Teachers’ Retirement System

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

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 7: Employee Retirement Benefits (Continued)

Oklahoma Teachers' Retirement System, Continued

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

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after 5 years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the 3 highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest 5 consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code (IRC).
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 7: Employee Retirement Benefits (Continued)

Oklahoma Teachers' Retirement System, Continued

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 7.70% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program; see Note 7. Contributions to the pension plan from the Center were \$18,651 for the year ended June 30, 2023. The State also made on-behalf contributions to OTRS, of which \$12,471 was recognized by the Center; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the Center reported a liability of \$241,164 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The Center's proportion of the net pension liability was based on the Center's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers for the year ended June 30, 2022. Based upon this information, the Center's proportion was 0.00294%.

For the year ended June 30, 2023, the Center recognized pension benefit of \$33,192. At June 30, 2023, 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	\$ 7,726	\$ 3,017
Changes of assumptions	16,272	-
Net difference between projected and actual earnings on pension plan investments	22,959	-
Changes in Center's proportionate share of contributions	-	180,548
Differences between Center contributions and proportionate share of contributions	254	178
Center contributions subsequent to the measurement date	18,651	-
Total	\$ 65,862	\$ 183,743

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 7: Employee Retirement Benefits (Continued)

Oklahoma Teachers' Retirement System, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued - The \$18,651 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension benefit as follows:

Year ended June 30:			
2024	\$	(37,888)	
2025		(35,520)	
2026		(46,242)	
2027		(10,699)	
2028		(6,183)	
Total	\$	(136,532)	

Actuarial Assumptions - The net pension liability as of June 30, 2023, was determined based on an actuarial valuation prepared as of June 30, 2022 using the following actuarial assumptions:

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.3%	4.9%
International Equity	16.7%	5.5%
Domestic Fixed Income	22.0%	1.3%
Real Estate**	10.0%	3.5%
Private Equity	8.0%	7.6%
Private Debt	5.0%	4.6%
Total	100.00%	

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

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 7: Employee Retirement Benefits (Continued)

Oklahoma Teachers' Retirement System, Continued

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the Center calculated using the discount rate of 7.0%, as well as what the Center's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Centers' net pension liability	\$ 339,560	\$ 241,164	\$ 160,271

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

Note 8: Other Post-employment Benefit Plans

The Center participates in two employee OPEB plans as follows:

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

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 8: Other Post-employment Benefit Plans (Continued)

A summary of all the amounts recorded in the Center's financial statements for the plans as of and for the year ended June 30, 2023, is as follows:

	Plan <u>Totals</u>
Net OPEB asset:	
Supplemental health insurance	\$ 2,191
Total OPEB liability:	
Implicit rate subsidy	\$ 7,509
Deferred outflows of resources:	
Supplemental health insurance	\$ 2,362
Deferred inflows of resources:	
Supplemental health insurance	\$ 904
OPEB (benefit) expense:	
Supplemental health insurance	\$ (72)
Implicit rate subsidy	8
	<u>\$ (64)</u>

Supplemental Health Insurance Plan

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

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

Contributions - Employer and employee contributions are made based upon the OTRS Plan provisions contained in Title 70, as amended. However the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 6; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.12% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the Center were \$209.

University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2023

Note 8: Other Post-employment Benefit Plans (Continued)

Supplemental Health Insurance Plan, (Continued)

OPEB Liabilities(Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2023, the Center reported an asset of \$2,191 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2022. The Center's proportion of the net OPEB asset was based on the Center's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers for the year ended June 30, 2022. Based upon this information, the Center's proportion was 0.00501% .

For the year ended June 30, 2023, the Center recognized OPEB benefit of \$72. At June 30, 2023, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 729
Changes of assumptions	661	-
Net difference between projected and actual earnings on OPEB plan investments	916	-
Changes in proportion	304	-
Center contributions during measurement date	272	175
Center contributions subsequent to the measurement date	209	-
Total	\$ 2,362	\$ 904

The \$209 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB benefit as follows:

Year ended June 30:		
2024	\$	237
2025		180
2026		(87)
2027		907
2028		8
Thereafter		3
Total	\$	1,248

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 8: Other Post-employment Benefit Plans (Continued)

Supplemental Health Insurance Plan, (Continued)

Actuarial Assumptions - The net OPEB asset as of June 30, 2023, was determined based on an actuarial valuation prepared as of June 30, 2022 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.25%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 2.25 percent wage inflation, plus 0.75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return - 7.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five year experience study for the period ending June 30, 2019
- Mortality Rates 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, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38.3%	4.9%
International Equity	16.7%	5.5%
Domestic Fixed Income	22.0%	1.3%
Real Estate**	10.0%	3.5%
Private Equity	8.0%	7.6%
Private Debt	5.0%	4.6%
Total	<u>100.00%</u>	

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

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

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 8: Other Post-employment Benefit Plans (Continued)

Supplemental Health Insurance Plan, (Continued)

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
The Center's net OPEB liability (asset)	\$ 91	\$ (2,191)	\$ (4,124)

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

Postemployment Health Insurance Implicit Rate Subsidy Plan

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

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

The amount of benefit payments during fiscal year June 30, 2023, were \$0.

Employees Covered by Benefit Terms

Active Employees	3
Inactive not yet receiving benefits	0
Inactive or beneficiaries receiving benefits	0
Total	3

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 8: Other Post-employment Benefit Plans (Continued)

Postemployment Health Insurance Implicit Rate Subsidy Plan (Continued)

Total OPEB Liability - The total OPEB liability of \$7,509 was determined based on an alternative actuarial valuation performed as of June 30, 2023, which is also the measurement date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2023, valuation was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate - 3.51%; based on the June 30, 2022, Bond Buyer Index (same as state implicit rate plan)
- Retirement Age - Average retirement age of 62
- Healthcare Cost Trend Rates

<u>Year</u>	<u>Rate</u>
2023	6.10%
2024	5.00%
2025	4.50%
2026	5.00%
2027	5.00%
2028	5.00%
2029+	5.00%

Changes in Total OPEB Liability -

	<u>Total OPEB Liability</u>
Balances Beginning of Year	\$ 7,501
Changes for the Year:	
Service cost	514
Interest expense	263
Additional Cost	(769)
Net Changes	8
Balances End of Year	\$ 7,509

OPEB Expense - For the year ended June 30, 2023, the Center recognized OPEB expense of \$8.

University Center at Ponca City
Notes to Financial Statements
Year Ended June 30, 2023

Note 8: Other Post-employment Benefit Plans (Continued)

Postemployment Health Insurance Implicit Rate Subsidy Plan (Continued)

Sensitivity of the Center's proportionate share of the total OPEB liability to changes in the discount rate - The following presents the Center's total OPEB liability, as well as what the Center's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Center's total OPEB liability	\$ 8,037	\$ 7,509	\$ 7,012

Sensitivity of the District's proportionate share of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the Center's total OPEB liability, as well as what the Center's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.10% decreasing to 4.00%) or 1 percentage point higher (7.10% decreasing to 6.00%) than the current healthcare cost trend rates:

	1% Decrease (5.10% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (6.10% decreasing to 5.00%)	1% Increase (7.10% decreasing to 6.00%)
The Center's total OPEB liability	\$ 7,248	\$ 7,509	\$ 7,868

Note 9: Related Party Transactions

The Center and the Foundation have a lease agreement for the University Center building. The Center, as lessee, leases the building from the Foundation. See Note 6 for leases reported in the Center's financial statements. See Note 5 of the Foundation's report for additional information regarding the lease agreement.

For the year ended June 30, 2023, the Foundation paid the Center's students approximately \$23,500 for scholarships and supports.

University Center at Ponca City

Notes to Financial Statements

Year Ended June 30, 2023

Note 10: Risk Management

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

*Last 9 Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The Center's proportion of the net pension liability	0.00294%	0.00501%	0.00615%	0.00635%	0.00658%	0.00751%	0.00713%	0.00627%	0.00761%
The Center's proportionate share of the net pension liability	\$ 241,164	\$ 255,810	\$ 583,741	\$ 419,943	\$ 397,782	\$ 496,945	\$ 595,205	\$ 380,947	\$ 409,367
The Center's covered-employee payroll	\$ 167,821	\$ 262,778	\$ 315,363	\$ 317,242	\$ 301,263	\$ 329,116	\$ 318,947	\$ 275,474	\$ 299,478
The Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	144%	97%	185%	132%	132%	151%	187%	138%	137%
Plan fiduciary net position as a percentage of the total pension liability	70.05%	80.80%	63.47%	71.56%	72.74%	69.32%	62.24%	70.31%	72.43%

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

Note to Schedule: Only the last 9 fiscal years are presented because 10-year data is not yet available.

See Independent Auditor's Report.

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

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

Last 9 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 18,651	\$ 15,748	\$ 24,917	\$ 29,903	\$ 29,936	\$ 28,173	\$ 31,266	\$ 30,300	\$ 26,170
Contributions in relation to the contractually required contribution	<u>18,651</u>	<u>15,748</u>	<u>24,917</u>	<u>29,903</u>	<u>29,936</u>	<u>28,173</u>	<u>31,266</u>	<u>30,300</u>	<u>26,170</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Center's covered-employee payroll	\$ 198,526	\$ 167,821	262,778	315,363	317,242	301,263	329,116	318,947	275,474
Contributions as a percentage of covered-employee payroll	9.39%	9.38%	9.48%	9.48%	9.44%	9.35%	9.5%	9.5%	9.5%

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

Note to Schedule: Only the last 9 fiscal years are presented because 10-year data is not yet available.

See Independent Auditor's Report.

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

**SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF
THE NET OPEB ASSET**

Supplemental Health Insurance Plan

*Last 6 Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
The Center's proportion of the net OPEB asset	0.00501%	0.00501%	0.00612%	0.06380%	0.00659%	0.00751%
The Center's proportionate share of the net OPEB asset	\$ (2,191)	\$ (6,381)	\$ (606)	\$ (3,945)	\$ (4,260)	\$ (3,348)
The Center's covered-employee payroll	\$ 167,821	\$ 262,778	\$ 315,363	\$ 317,242	\$ 301,263	\$ 329,116
The Center's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	(1.31)%	(2.43)%	(0.19)%	(1.24)%	(1.41)%	(1.02)%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.31%	129.91%	102.30%	115.07%	115.41%	110.40%

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

Note to Schedule: Only the last 6 fiscal years are presented because 10-year data is not yet available.

See Independent Auditor's Report.

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

SCHEDULE OF THE CENTER'S CONTRIBUTIONS
Supplemental Health Insurance Plan

Last 6 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 209	\$ 195	\$ 47	\$ 56	\$ 202	\$ 447
Contributions in relation to the contractually required contribution	<u>209</u>	<u>195</u>	<u>47</u>	<u>56</u>	<u>202</u>	<u>447</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Center's covered-employee payroll	\$ 198,526	167,821	262,778	315,363	317,242	301,263
Contributions as a percentage of covered payroll	0.11%	0.12%	0.02%	0.02%	0.06%	0.15%

Note to Schedule: Only the last 6 fiscal years are presented because 10-year data is not yet available.

See Independent Auditor's Report.

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

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

Last 6 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:						
Service cost	\$ (255)	\$ 2,640	\$ (1,396)	\$ 2,760	\$ 408	\$ 343
Interest	<u>263</u>	<u>103</u>	<u>14</u>	<u>14</u>	<u>14</u>	<u>13</u>
Net change in total OPEB liability	8	2,743	(1,382)	2,774	422	356
Total OPEB liability, beginning	<u>7,501</u>	<u>4,758</u>	<u>6,140</u>	<u>3,366</u>	<u>2,944</u>	<u>2,588</u>
Total OPEB liability, ending	<u>\$ 7,509</u>	<u>\$ 7,501</u>	<u>\$ 4,758</u>	<u>\$ 6,140</u>	<u>\$ 3,366</u>	<u>\$ 2,944</u>
Covered employee payroll	\$ 220,661	\$ 153,032	203,588	242,158	234,046	234,046
Total OPEB liability as a percentage of covered-employee payroll	3.4%	4.9%	2.3%	2.5%	1.4%	1.3%

Note to Schedule: Only the last 6 fiscal years are presented because 10-year data is not yet available.

See Independent Auditor's Report.

**INFORMATION REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



**HINKLE &
COMPANY**
Strategic PC
Business Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of University Center at Ponca City (the Center) which is a component unit of the State of Oklahoma, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated October 27, 2023.

Report on 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 designed audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hick & Company, PC

Tulsa, Oklahoma
October 27, 2023

