Carl Albert State College
A Component Unit of the State Of Oklahoma

Financial Statements
June 30, 2021

(With Independent Auditor's Report Thereon)

Carl Albert State College
A Component Unit of the State Of Oklahoma

TABLE OF CONTENTS

LANDMARK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Regents
Carl Albert State College
Poteau, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Carl Albert State College (the College), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on this financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2021, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Regents
Carl Albert State College

Other Matters
Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Landmark PLC
Certified Public Accountants

Fort Smith, Arkansas
October 19, 2021

Management’s Discussion and Analysis

CARL ALBERT
STATE COLLEGE
EST. 1933

A Component Unit of the State of Oklahoma
Management's Discussion and Analysis
Year Ended June 30, 2021

Introduction

This section of Carl Albert State College's (CASC) Comprehensive Annual Report presents management's discussion and analysis of CASC's financial performance during the fiscal year ended June 30, 2021, with fiscal year 2020 data presented for comparative purposes. Since this management discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with CASC's financial statements and the footnotes.

Using This Report

The Annual Financial Report is presented in five parts: management's discussion and analysis, independent accountants' report, financial statements, notes to financial statements, and required supplemental information.

The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows display information about the College as an entity. The statements are prepared treating the College as a business-type activity. Business-type activities are financed in whole or in part by fees charged to external parties for the goods or services provided. The College charges fees to its students to help cover all or part of the cost of providing services. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These three statements report the College's net position and cash and changes in them. The reader can think of the College's net position – the difference between assets and liabilities – as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other non-financial factors, however, such as changes in enrollment trends, student retention, construction projects, physical plant condition, etc., to assess the overall health of the College.

Financial Analysis of the College as a Whole

As of June 30, 2021, CASC's net position decreased by $738,829 to $11,847,228. Operating expenses for the fiscal year ended June 30, 2021, were $27,921,469, an increase of $2,149,970 from fiscal year 2020, due primarily to increased expenditures that were necessary because of decreased expenditures the last few years. Operating revenue totaled $11,642,180, an increase of $1,937,413 from fiscal 2020. This is due primarily to an increase in federal grants received, additional other operating revenues, and tuition and fees. Operating revenue includes tuition and fees, federal and state grants and contracts, and auxiliary services. Non-operating revenues include state appropriations and some federal and state grants. State appropriations decreased by $206,613 and net non-operating revenues as a whole decreased $1,338,074 as compared to fiscal 2020.

CASC has a capital lease obligation to the Oklahoma Capital Improvement Authority (OCIA), which originated during the fiscal year ended June 30, 2006. This obligation is in the amount of $8,648,000 for the construction of new buildings on both the Poteau and Sallisaw campuses, which is being paid by OCIA as on-behalf payments. In 2010, CASC obtained bond funding for construction of the Deanna J. Reed Science and Math Center in the amount of $7,121,000. In 2020, the 2010 bonds were restructured through new bonds in the amount of $4,332,000. Monthly payments of principal and interest are paid by CASC and supported through facility fees paid by students.

The Statement of Net Position

The statement of net position reports CASC's financial position. Net position – the difference between assets and liabilities – is one way to measure the College's health, or position. Over time, increases or decreases in the College's net position are an indicator of whether or not its financial health is improving. Non-financial factors, such as student enrollment and condition of campus buildings, are also important to consider.

This statement includes all assets and liabilities using the accrual basis of accounting. The following summarizes the College's assets, liabilities, and net position as of June 30:

Statement of Net Position at June 30

	2021	***2020***
Current Assets	$ 15,436,674	$ 14,778,561
Noncurrent Assets	22,560,858	22,608,597
Total Assets	37,997,532	37,387,158
Deferred Outflows of Resources	6,416,674	2,908,107
Current Liabilities	1,922,247	1,332,811
Noncurrent Liabilities	28,253,529	23,466,332
Total Liabilities	30,175,776	24,799,143
Deferred Inflows of Resources	2,391,446	2,910,065
Net Investment in Capital Assets	12,907,175	12,878,961
Restricted	1,677,056	1,453,489
Unrestricted	(2,737,003)	(1,746,393)
Total Net Position	$ 11,847,228	$ 12,586,057

Account Analysis

The following paragraphs explain the changes in the major categories of the accompanying financial statements for the current year.

Assets

Assets are presented in two major classifications. Current assets represent resources that are available to meet current operational needs. Cash equivalents represent investments with the State Cash Management Program, which is managed by the Oklahoma State Treasurer.

These investments are immediately convertible to cash as the need arises. Accounts receivable represent monies due to the College, which are expected to be collected within a short amount of time.

Non-current assets represent resources that will not be available to meet current obligations. A major component of non-current assets is capital assets. Capital assets are made up of the College's land, buildings, equipment, library resources and improvements related to land and buildings. Capital assets are reported net of accumulated depreciation. Capital asset activity is summarized in *Note 5* to the financial statements.

Liabilities

Liabilities are also separated into current and non-current classifications. Current liabilities are those obligations that are due immediately and will be paid from current resources. Current liabilities increased from fiscal year 2020 due primarily to an increase in the current portion of capital lease obligations as well as an increase in unearned revenue.

Non-current liabilities are comprised primarily of bonds payable and capital lease obligations. The College entered into a lease agreement with the Oklahoma Capital Improvement Authority (OCIA) in 1999 which resulted in a lease obligation payable to OCIA. The debt incurred through obtaining bond financing for the Deanna J. Reed Science and Math Center is also reflected in the non-current liabilities section of this audit report. Both revenue bonds and capital lease agreements related to the College are discussed in greater detail in *Note 6* to the financial statements. Non-current liabilities increased from 2020 as a result of a larger increase in the OTS pension liability than the pay-down of the capital lease obligations.

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

The statement of revenues, expenses, and changes in net position reports the results of CASC's activities and their effect on net position. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following summarizes CASC's revenues, expenses, and changes in net position for the years ending June 30:

CARL ALBERT
STATE COLLEGE
EST. 1933

Operating Results for Years Ended June 30

		2021		2020
Operating Revenues				
Tuition and fees, net	$	2,498,515	$	2,068,603
Federal grants and contracts		4,716,284		3,356,129
State and private grants		1,754,218		1,873,322
Auxiliary enterprises		1,837,884		2,042,147
Other		835,279		364,566
Total Operating Revenues		11,642,180		9,704,767
Operating Expenses		(27,921,469)		(25,771,499)
Operating Loss		(16,279,289)		(16,066,732)
Nonoperating Revenues (Expenses)				
State appropriations		5,181,740		5,388,853
Federal grants		7,723,721		8,558,066
State grants		607,057		731,380
On-behalf payments for OTRS		706,313		771,402
Interest on capital asset-related debt		(332,624)		(222,836)
Contributions and other nonoperating expenses		700,365		618,695
State appropriations restricted for capital purposes		741,542		772,011
OCIA on-behalf payments for capital leases		212,346		261,523
Net Nonoperating revenues		15,540,460		16,878,534
Net Increase (Decrease) in Net Position		(738,829)		811,802
Net Position, Beginning of Year		12,586,057		11,774,255
Net Position, End of Year	$	11,847,228	$	12,586,057

Revenues

Revenues are classified as either operating or non-operating. As noted above, operating revenues for 2021 increased by $1,937,413 from 2020 while non-operating revenues decreased $1,338,074 from 2020. Federal, state, and private grants and contracts made up 56% of total operating revenues in 2021. Tuition and fees accounted for 21% of total operating revenues. Auxiliary revenue accounts for 16% of operating revenues. State appropriations accounted for 33% of non-operating revenues in 2021. Federal and state grants comprised 54% of non-operating revenues.

Expenses

Expenses are classified as either operating or non-operating. As with most organizations, employee compensation represents the largest category of expense. Total compensation (salaries, benefits, and pensions) represented 51% of total operating expenses for 2021.

CARL ALBERT STATE COLLEGE
EST. 1933

The 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. The College maintains a healthy cash flow and is able to adequately meet its financial obligations.

Cash Flows for the Years Ended June 30

	2021	2020
Cash Flows Provided (Used) By		
Operating activities	$ (11,034,219)	$ (12,813,811)
Noncapital financing activities	13,512,518	14,677,739
Investing activities	(1,606,701)	(2,680,755)
Capital and related financing activities	345,008	459,483
Net Increase (Decrease) in Cash	1,216,606	(357,344)
Cash and Equivalents, Beginning of Year	13,764,076	14,121,420
Cash and Equivalents, End of Year	$ 14,980,682	$ 13,764,076

Economic Factors that Will Affect the Future

Funding provided by the State of Oklahoma has a major impact on the economic position of Carl Albert State College. FY21 resulted in a slight decrease in state appropriations after a slight increase in FY20. The CASC Board of Regents have been able to maintain affordable tuition and fees during this period. The future appears to hold stable or slightly increasing enrollment numbers as CASC expands further into online education. The College maintains a very strong cash reserve and effectively manages all funds per budget plans. CASC also actively pursues non-state sources of revenue to provide programs and educational opportunities. While the financial outlook for the State of Oklahoma as a whole may appear in doubt, Carl Albert State College remains a viable and financially sound institution of higher learning.

Request for Information

This financial report is designed to provide a general overview of Carl Albert State College's finances for all those with an interest. Questions concerning any of the information provided in this report should be addressed to: Brian E. Roberts, CPA, Chief Financial Officer, c/o Carl Albert State College, 1507 South McKenna, P.O. Box 369, Poteau, Oklahoma 74953-5208.

Financial Statements

Carl Albert State College
A Component Unit of the State Of Oklahoma

Statements of Net Position
June 30, 2021

	CASC	CASC DEVELOPMENT FOUNDATION
ASSETS		
Current Assets		
Cash and cash equivalents	$ 14,217,715	$ 1,218,158
Investments	-	8,625,766
Accounts receivable, net of allowance for doubtful accounts	304,870	119,671
Pledge receivable	-	19,800
Grants receivable	682,189	-
Inventories	231,900	-
Total Current Assets	15,436,674	9,983,395
Other Assets		
Restricted cash and cash equivalents	762,967	-
Capital assets, net of accumulated depreciation	21,776,730	2,047,404
Net OPEB asset	21,161	-
Total Other Assets	22,560,858	2,047,404
Deferred Outflows of Resources		
Deferred amounts related to pensions	6,311,674	-
Deferred amounts related to OPEB	105,244	-
Total Deferred Outflows of Resources	6,416,918	-
TOTAL ASSETS	$ 44,414,450	$ 12,030,799

See accompanying notes to financial statements.

Carl Albert State College
A Component Unit of the State Of Oklahoma

Statements of Net Position
June 30, 2021

	CASC	CASC DEVELOPMENT FOUNDATION
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current Liabilities		
Current portion of capital lease obligations	$ 633,631	$ -
Accounts payable and accrued expenses	478,098	6,190
Accrued compensated absences	169,409	-
Unearned revenue	641,109	-
Total Current Liabilities	1,922,247	6,190
Long-Term Liabilities		
Capital lease obligations	7,979,300	-
Net OTRS pension liability	20,274,229	-
Total Long-Term Liabilities	28,253,529	-
Total Liabilities	30,175,776	6,190
Deferred Inflows of Resources		
Deferred gain on lease restructure	256,624	-
Deferred amounts related to OPEB	46,551	-
Deferred amounts related to pensions	2,088,271	-
Total Deferred Inflows of Resources	2,391,446	-
Net Postion		
Without donor restrictions		
Board designated	-	-
Undesignated	-	5,454,693
With donor restrictions	-	6,569,916
Net investment in capital assets	12,907,175	-
Restricted for:		
Nonexpendable inventories	231,900	-
Expendable		
Capital projects	762,967	-
Federal and state grants	682,189	-
Unrestricted	(2,737,003)	-
Total Net Position	11,847,228	12,024,609
TOTAL LIABILITIES , DEFERRED INFLOWS, AND NET POSITION	$ 44,414,450	$ 12,030,799

See accompanying notes to financial statements.

Carl Albert State College
A Component Unit of the State Of Oklahoma

Statements of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2021

	CASC	CASC DEVELOPMENT FOUNDATION
OPERATING REVENUES		
Tuition and fees, net of scholarship discounts and allowances of $3,027,000	$ 2,498,515	$ -
Federal grants and contracts	4,716,284	-
State and local grants and contracts	1,754,218	-
Auxiliary enterprise charges, net of scholarship discounts and allowances of $660,000	1,837,884	-
Investment income	-	1,407,334
Operating contributions	-	384,637
Other operating revenues	835,279	332,512
Total Revenues	11,642,180	2,124,483
OPERATING EXPENSES		
Compensation	14,142,975	-
Contract services	568,461	-
Supplies and materials	2,575,494	-
Utilities	477,832	48,458
Other operating expenses	2,344,673	135,598
Scholarships and fellowships	5,931,628	429,057
Depreciation	1,880,406	105,320
Total Expenses	27,921,469	718,433
OPERATING INCOME (LOSS)	(16,279,289)	1,406,050
NONOPERATING REVENUES (EXPENSES)		
State appropriations	5,181,740	-
OTRS on behalf contributions	706,313	-
Federal grants and contracts	7,723,721	-
State and local grants and contracts	607,057	-
Contributions and other nonoperating revenues	700,365	-
Interest expense	(332,624)	-
State appropriations restricted for capital purposes	741,542	-
OCIA on behalf payments for capital lease obligations	212,346	-
Total Nonoperating Revenues (Expenses)	15,540,460	-
CHANGE IN NET POSITION	(738,829)	1,406,050
NET POSITION, BEGINNING OF YEAR	12,586,057	10,618,559
NET POSITION, END OF YEAR	$ 11,847,228	$ 12,024,609

See accompanying notes to financial statements.

Carl Albert State College
A Component Unit of the State Of Oklahoma

Statements of Cash Flows
Year ended June 30, 2021

	CASC	CASC DEVELOPMENT FOUNDATION
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees, net of scholarship discounts and allowances	$ 2,856,427	$ -
Grants and contracts	6,495,597	-
Contributions and other nonoperating revenues	700,365	372,487
Auxiliary enterprise charges, net of scholarship discounts and allowances	1,837,884	-
Other operating revenues	835,279	497,938
Payments to employees for salaries and benefits, net of on behalf payments	(11,914,170)	-
Payments for scholarships	-	(465,057)
Payments to suppliers	(11,845,601)	(187,252)
Net Cash Provided by (Used in) Operating Activities	(11,034,219)	218,116
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for capital assets	(1,606,701)	(35,082)
Purchase of investments	-	(1,500,973)
Proceeds from sales and maturities of investments	-	814,696
Net Cash (Used in) Investing Activities	(1,606,701)	(721,359)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	5,181,740	-
Grants and contracts	8,330,778	-
Net Cash Provided by Noncapital Financing Activities	13,512,518	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	741,542	-
Principal paid on capital lease obligations	(233,750)	-
Interest paid on capital lease obligations	(162,784)	-
Net Cash Provided by Capital And Related Financing Activities	345,008	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,216,606	(503,243)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,764,076	1,721,401
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,980,682	$ 1,218,158

See accompanying notes to financial statements.

Carl Albert State College
A Component Unit of the State Of Oklahoma

Statements of Cash Flows
Year ended June 30, 2021

	CASC	CASC DEVELOPMENT FOUNDATION
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ (16,279,289)	$ 1,406,050
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,880,406	105,320
Contributions	700,365	-
Restricted contributions	-	-
In-kind contributions of property and equipment	-	-
Investment income	-	(1,287,041)
State of Oklahoma on behalf contributions to OTRS	706,313	-
Change in:		
Accounts receivable	94,902	45,133
Pledge receivable	-	(12,150)
Grants receivable	25,095	-
Inventories	94,917	-
Net OPEB asset	117,613	-
Deferred outflows of resources	(3,508,811)	-
Accounts payable and accrued expenses	(33,525)	(39,196)
Accrued compensated absences	2,576	-
Unearned revenue	263,010	-
Net OTRS pension liability	5,420,828	-
Deferred inflows of resources	(518,619)	-
Net Cash Provided by (Used in) Operating Activities	$ (11,034,219)	$ 218,116
NONCASH INVESTING AND FINANCING ACTIVITIES		
On behalf principal and interest paid by OCIA	$ 186,683	$ -
Amortization of deferred gain on lease restructure	25,663	-
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION		
Current Assets:		
Cash and cash equivalents	$ 14,217,715	$ 1,218,158
Other Assets:		
Restricted cash and cash equivalents	762,967	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,980,682	$ 1,218,158

See accompanying notes to financial statements.

Notes to Financial Statements
Year ended June 30, 2021

NOTE 1: NATURE OF OPERATIONS

Carl Albert State College (the College), is a two-year state supported educational institution operating under the jurisdiction of the Board of Regents of Carl Albert State College (the Board of Regents). The College is part of the Oklahoma System of Higher Education, which is under the governance of the Oklahoma State Regents for Higher Education (the State Regents). The College is accredited by the North Central Association of Colleges and Schools.

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.

The accompanying financial statements include the accounts and funds of the College. The College is a component unit of the State of Oklahoma (the State) and is included in the general-purpose financial statements of the State as part of the higher education component unit.

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

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) 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 College's financial reporting entity for these differences.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cash Equivalents
For purposes of the Statements of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

Deposits and Investment
The College accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the College has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statements of Revenues, Expenses, and Changes in Net Position.

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

A student account receivable and student loan receivable is considered to be past due if any portion of the receivable balance is outstanding after the end of the semester. Interest and late charges are not generally assessed and, if they are assessed, are not included in income until received.

Other receivables include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Other accounts receivable also include amounts due from the Oklahoma Development Finance Authority (ODFA) and Oklahoma Capital Improvement Authority (OCIA) for proceeds from the capital bond improvement program allocated to the College. No allowance for doubtful accounts has been provided for other receivables.

Inventories
Inventories consist of books and supplies held for resale at the bookstore, which are valued at the lower of cost (first-in, first-out basis) or net realizable value.

Restricted Cash and Cash Equivalents
Cash and cash equivalents that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase capital or other noncurrent assets, are classified as restricted assets in the Statements of Net Position.

Capital Assets
Capital assets are stated at cost, or fair value if acquired by gift at date of donation, less accumulated depreciation. The College's capitalization policy for equipment includes all items with a unit cost of $500 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Depreciation is provided using the straight-line method over useful lives of the assets, generally 40 years for buildings and improvements, 3-7 years for computers and other equipment, and 10 years for furniture, vehicles, and library materials. Routine repairs and maintenance are charged to operating expense in the year in which the expense occurs.

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

Accrued Compensated Absences
Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statements of Net Position, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses and Changes in Net Position.

Unearned Revenue
Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Deferred Outflows of Resource
Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. For the year ended June 30, 2021, the College's deferred outflows of resources were comprised of deferred amounts related to pensions and other post-employment benefits.

Deferred Inflows of Resource
Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. For the year ended June 30, 2021, the College's deferred inflows of resources were comprised of a deferred gain on lease restructure and on deferred amounts related to pensions and other post-employment benefits.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Net OPEB liability or asset and plan deferrals are recognized as of the measurement date. Payments from the measurement date to the date of the Statements of Net Position are reported as deferred outflows. See Note 8.

Pensions

For purposes of measuring the net Oklahoma Teachers Retirement System (OTRS) pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the OTRS and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Net pension liability and plan deferrals are recognized as of the measurement date. Payments from the measurement date to the date of the Statements of Net Position are reported as deferred outflows. See Note 7.

Long-term Liabilities

Long-term liabilities include principal amounts of capital lease obligations with contractual maturities greater than one year.

Net Position

The College’s net position is classified as follows:

Net investment in capital assets: This represents the College’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position - nonexpendable: Restricted nonexpendable net position consists of inventories which do not constitute “available spendable resources” even though they are a component of net current assets.

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

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

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

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions 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 expenditures during the reporting period. Actual results could differ from those estimates.

Income Taxes

The College, as a political subdivision of the State of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the College may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511(a)(2)(B).

Classification of Revenues

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) federal, state and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, student aid revenues, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded scholarship discounts and allowances.

NOTE 3: DEPOSITS AND INVESTMENTS

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

Of the $14,980,682 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2021, $7,174,030 represents the amount 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/. The amounts on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents.

	Cost	Market Value
U.S. Agency Bonds	$ 2,839,534	$ 2,840,872
Money Market Mutual Funds	312,464	312,464
Certificates of deposit	48,008	48,008
Mortgage backed agency securities	2,056,009	2,115,980
Municipal bonds	9,955	10,071
Foreign bonds	49,773	49,772
U.S. Treasury obligations	1,780,851	1,796,863
Total	$ 7,096,594	$ 7,174,030

NOTE 4: ACCOUNTS RECEIVABLE

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

Student tuition and fees	$ 308,269
Auxiliary enterprises and other operating activities	127,260
	435,529
Allowance for doubtful accounts	(130,659)
Accounts receivable, net of allowance for doubtful accounts	$ 304,870

NOTE 5: CAPITAL ASSETS

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

	Beginning Balances	Increases (Decreases)	Transfers	Retirements	Ending Balance
Capital Assets not being depreciated					
Land	$ 2,702,141	$ -	$ -	$ -	$ 2,702,141
Construction in progress	699,564	433,762	-	-	1,133,326
	3,401,705	433,762	-	-	3,835,467
Capital Assets being depreciated					
Buildings and building improvements	37,031,338	351,823	-	-	37,383,161
Infrastucture	1,398,398	51,300	-	-	1,449,698
Furniture, fixtures & equipment	6,787,718	769,816	-	(414,837)	7,142,697
Library materials	1,895,211	-	-	-	1,895,211
	47,112,665	1,172,939	-	(414,837)	47,870,767
Accumulated Depreciation					
Buildings and building improvements	(19,353,356)	(1,525,642)	-	-	(20,878,998)
Infrastucture	(1,366,600)	(9,345)	-	-	(1,375,945)
Furniture, fixtures & equipment	(5,885,631)	(323,787)	-	414,837	(5,794,581)
Library materials	(1,858,348)	(21,632)	-	-	(1,879,980)
	(28,463,935)	(1,880,406)	-	414,837	(29,929,504)
Capital Asset Summary					
Capital assets not being depreciated	3,401,705	433,762	-	-	3,835,467
Capital assets being depreciated, net	18,648,730	(707,467)	-	-	17,941,263
Capital Assets, net	$ 22,050,435	$ (273,705)	$ -	$ -	$ 21,776,730

NOTE 6: LONG-TERM LIABILITIES

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

	Maturity Through	Balance at June 30, 2020	Additions	Reductions	Balance at June 30, 2021	Amounts Due Within One Year
Capital Lease Obligations:						
ODFA Master Lease 2020A	5/1/2035	$ 4,332,000	$ -	$ (233,750)	$ 4,098,250	$ 225,750
OCIA 2014A Series	7/1/2030	3,919,592	-		3,919,592	365,375
Total Capital Leases		8,251,592	-	(233,750)	8,017,842	591,125
Other Liabilities						
Premium on capital lease obligations		637,595	-	(42,506)	595,089	42,506
Total Other Liabilities		637,595	-	(42,506)	595,089	42,506
Total Long-Term Liabilities		$ 8,889,187	$ -	$ (276,256)	$ 8,612,931	$ 633,631

Capital Lease Obligations

<u>Oklahoma Capital Improvement Authority Lease Obligations</u>

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately $8,648,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

On April 9, 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired resulted in a gain on lease restructure of $461,925, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2021, the unamortized gain totaled $256,624. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $553,556, which approximates the economic savings of the transaction. Lease principal and interest payments to OCIA, totaling $186,683 during the year ended June 30, 2021, were made by the State of Oklahoma on behalf of the College. These payments have been recorded as part of the on behalf payments for OCIA capital leases in the Statements of Revenues, Expenses, and Changes in Net Position.

Oklahoma Development Finance Authority Lease Obligations

On September 15, 2010, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2010A in the amount of $7,121,000. Proceeds from the obligation were used for the construction of a new science and math building.

In 2020, the College's remaining 2010A lease agreement with ODFA was restructured through new bonds issued by ODFA, Series 2020A Real Property ML Bonds, to accomplish the refunding. As a result, the total liability of the remaining 2010A bonds refunded and the amount of the 2020A bonds acquired resulted in a premium of $637,595, which was recorded and will be amortized over the life of the bond. As of June 31, 2021, the unamortized gain totaled $595,089. The restructured lease agreement with ODFA secures the ODFA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with ODFA was automatically restructured to secure the new bond issues. Total lease payments over the term of the agreement, beginning May 1, 2020 through May 1, 2035, will be $4,332,000. Payments on principal will be made annually. Lease principal and interest payments to ODFA totaled $422,197 during the year ended June 30, 2021.

Future minimum lease payments under the College's obligations to the OCIA and ODFA as of June 30, 2021, are as follows:

Year ending June 30,	Principal	Interest	Total Lease Payments
2022	$ 633,631	$ 350,613	$ 984,244
2023	661,204	323,979	985,183
2024	680,168	295,877	976,045
2025	706,835	269,490	976,325
2026	737,039	239,164	976,203
2027-2031	3,636,779	702,163	4,338,942
2032-2036	1,557,275	139,563	1,696,838
Total	$ 8,612,931	$ 2,320,849	$ 10,933,780

NOTE 7: RETIREMENT PLANS

Plan Description

The College as the employer, participates in the Oklahoma Teachers Retirement Plan - a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Teachers Retirement System (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/OTRS.

Benefits Provided

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

Benefit provisions include:

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

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

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

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

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

Contributions
The contribution requirements of the Plan are at an established rate determined 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. Contributions to the pension plan from the College were $1,013,882. The State of Oklahoma also made on behalf contributions to OTRS, of which $706,313 was recognized by the College; these on behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2021, the College reported a liability of $20,274,229 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plans for all participating employers as of June 30, 2020. Based upon this information, the College's proportion was .2136%.

For the year ended June 30, 2021, the College recognized pension expense of $3,251,900 and included in Compensation expense. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 986,989	$ 343,382
Changes of assumptions	2,486,379	292,913
Net difference between projected and actual earnings on pension plan investments	1,747,646	-
Changes in College's proportionate share of contributions	75,614	1,445,391
Differences between College contributions and proportionate share of contributions	1,164	6,585
College contributions subsequent to the measurement date	1,013,882	-
Total	$ 6,311,674	$ 2,088,271

The amount reported as deferred outflows of resources related to pensions of $1,013,882 resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2022	$ 166,023
2023	631,964
2024	1,261,049
2025	1,005,327
2026	145,158
Total	$ 3,209,521

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

- Actuarial Cost Method - Entry Age
- Inflation - 2.25%
- Future Ad Hoc Cost-of-Living Increases - None
- Salary Increases - Composed of 2.25 percent wage inflation, plus 0.75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return – 7%
- 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 ended 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	43.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	22.0%	2.5%
Real Estate*	9.0%	4.5%
Alternative Assets	6.5%	6.2%
Total	100.0%	

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

Discount Rate

A single discount rate of 7% was used to measure the total pension liability as of June 30, 2020. This single discount rate was based solely on the expected rate of return on pension plan investments of 7%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employers calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.0%) or one-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employers' net pension liability	$ 27,059,211	$ 20,274,229	$ 14,657,321

Pension Plan Fiduciary Net Position

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

Teachers Insurance and Annuity Association (TIAA)

All eligible full-time employees of the College enrolled in the OTRS, are eligible to make employee voluntary contributions to the Teachers Insurance and Annuity Association (TIAA), a defined contribution pension plan (the Plan) administered by the College's Board of Regents. Eligible employees are not required to make contributions to the Plan. The Plan provides retirement benefits to eligible employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the Plan document and were established and can be amended by the action of the College's Board of Regents. The College does not make employer contributions to the Plan.

NOTE 8: POST RETIREMENT PLANS – OPEB

Plan Description

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

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 Oklahoma Higher Education Employee Interlocal Group (OKHEEI), provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions

Employer and employee contributions are made based upon the TRS 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 7; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.15% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were $1,910.

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

At June 30, 2021, the College reported an asset of $21,161 its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2020. The College's proportion of the net OPEB asset was based on the College's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2020. Based upon this information, the College's proportion was .2136%.

For the year ended June 30, 2021, the College recognized OPEB expense of $2,952. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 46,487
Changes of assumtions	45,784	-
Net difference between projected and actual earnings on OPEB plan investments	46,217	-
Changes in College's proprtionate share of contributions	3,216	64
Differences between College contributions and proportionate share of contributions	8,117	-
College contributions subsequent to the measurement date	1,910	-
Total	$ 105,244	$ 46,551

The amount reported as deferred outflows of resources related to OPEB of $1,910 resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	
2022	$ (860)
2023	12,202
2024	19,560
2025	17,641
2026	6,744
Therafter	1,496
Total	$ 56,783

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

- Actuarial Cost Method - Entry Age
- Inflation - 2.25%
- Future Ad Hoc Cost-of-Living Increases - None
- Salary Increases - Composed of 2.25 percent wage inflation, plus 0.75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return – 7%
- 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 ended 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	43.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	22.0%	2.5%
Real Estate*	9.0%	4.5%
Alternative Assets	6.5%	6.2%
Total	100.0%	

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

Discount Rate
A single discount rate of 7% was used to measure the total OPEB liability (asset) as of June 30, 2020. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate

assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Employers' net OPEB liability (asset)	$ 76,816	$ (21,161)	$ (197,389)

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

NOTE 9: COMMITMENTS AND CONTINGENCIES

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

In July 2010, the College began participating in the Federal Direct Student Loan Program (Direct Lending Program) that replaced the FFEL Program. The Direct Lending Program requires the College to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. Failure to perform such functions may require the College to reimburse the U.S. Department of Education. For the year ended June 30, 2021, approximately $1,614,000 of Direct Loan Program loans was provided to College students.

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

NOTE 10: RISK MANAGEMENT

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; employee health, life and accident benefits; and unemployment. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, workers' compensation, and unemployment. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The College, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund which are public entity risk pools currently operating as a common risk management and insurance program for its members. The College pays an annual premium to the pools for its torts, property, and workers' compensation insurance coverages. The Oklahoma Risk Management Pool's governing agreement specifies that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The College is self-insured for unemployment liabilities. Payments are made to the State Employment Security Commission on a claim paid basis. No reserve for potential liability for unemployment claims has been established. Any such liability would be paid from current operations.

NOTE 11: RELATED PARTY TRANSACTIONS

The Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in exchange for scholarships to College students, funds for capital improvements, and other services from the Foundation totaling approximately $582,000 for the year ended June 30, 2021.

NOTE 12: CARL ALBERT STATE COLLEGE DEVELOPMENT FOUNDATION, INC.

NOTE 12A: NATURE OF ACTIVITIES

Carl Albert State College Development Foundation, Inc. (the Foundation) is organized for the benefit of Carl Albert State College (the College), Poteau, Oklahoma, its faculty, its student body, and its programs. The Foundation provides scholarships and support and enhances the further development of the College. The Foundation receives contributions from the public which are generally to be used for the benefit of the College. The Foundation also receives certain program service revenues which support the various departmental activities at the College.

Although the College does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the College. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

NOTE 12B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Revenues, gains and other support are recognized in the period in which they are earned. Expenses and losses are recognized in the period in which they are incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Codification Topic *Not-for-Profit Entities.* Under this Codification Topic, the Foundation is required to report information regarding its financial position and activities according to two classes of net position: net position without donor restrictions and net position with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change include the valuation of investments and pledges receivable. Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these investments, it is reasonably possible that changes in the values of these assets will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers cash equivalents to be all short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. As of June 30, 2021, the Foundation had cash equivalents totaling approximately $743,000.

Investments, Investment Valuation and Income Recognition
Investments received by contribution are valued at average market value on the date of receipt. Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment income and gains that are initially restricted by donor stipulations and for which the restriction will be satisfied in the same year are included in net position without donor restrictions.

Investment income including dividends, interest, and gains and losses are reflected in the Statements of Activities as without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Generally, losses on investments of endowments reduce net position with donor restrictions to the extent donor-imposed restrictions on the net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce net position without donor restrictions. Subsequent investment gains are applied first to the net position without donor restrictions to the extent that losses have previously been recognized and then to net position with donor restrictions.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 12E for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investment Pool and Spending Policy
The Foundation’s endowment consists of approximately 200 master investment accounts for its donor restricted and board designated endowments. Board designated endowments are funds designated by the Board of Trustees to function as endowments. Net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Investment income and realized and unrealized gains and losses from securities in the master investment accounts are allocated quarterly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts. During the year ended June 30, 2021, the investment accounts were held primarily by one brokerage firm.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. The primary objective of the investment policy is to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The policy seeks to achieve this objective through an average rate of return of approximately 10% annually. Actual returns in any given year may vary from this amount.

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

The Foundation has a policy of appropriating for distribution each year the equivalent of up to 5% of its endowment fund's fair value as of the immediately preceding July 1. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1.16% annually. This is consistent with the objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Property and Equipment

It is the Foundation's policy to capitalize property and equipment additions with a cost basis, or fair value on the gift date if donated, which exceed $500. Property and equipment is depreciated using the straight-line methods as follows:

Dormitory	30 years
Building improvements	30 years
Computer equipment	5 years

Depreciation expense was $105,320 for the year ended June 30, 2021.

Net Position and Contribution Revenue

The Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") was enacted in the State of Oklahoma effective November 1, 2007 ("OK UPMIFA"). The Foundation's Board of Trustees interpretation of OK UPMIFA and other required endowment disclosures are included below and in Note 12F.

Net position, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation is required to report information regardng its finanical position and activites according to two classes of net position as follows:

<u>Net position without donor restrictions:</u> Net position for which there are no donor-imposed restrictions that the assets be used for a specific purpose or held for a certain period of time.

<u>Net position with donor restrictions:</u> Net position subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time.

The Foundation recognizes contributions received and made, including unconditional pledges receivable, as revenue in the period received or made. Contributions, including gifts of cash and other assets, are presented with donor restrictions if they are received with donor stipulations that limit the use of the donated items. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net position is reclassified as net position without donor restriction and reported in the Statements of Activities as net position released from restrictions. Contributions that are restricted by the donor are reported as increases in net position without restrictions if the restrictions are satisfied in the fiscal year in which the contributions are recognized. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

Gifts of land, buildings, equipment and donated financial assets are presented as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services, including in-kind contributed services provided by the College, which increase non-financial assets such as property or inventory, as well as services contributed by individuals with specialized skills which would have otherwise been purchased, are reported as support without donor restrictions. Other contributed services that enhance the Foundation’s programs, but are not so essential that they would otherwise be purchased, are not recorded as support.

Functional Allocation of Expenses

The Foundation allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on direct costs for the activities during the year.

Uncertain Tax Positions

The Foundation qualifies as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not subject to tax at the entity level for federal tax purposes. The Foundation accounts for uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes*. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Foundation to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Foundation and determined that no positions exist that require adjustment or disclosure under the provisions of FASB Codification Topic *Income Taxes*.

The Foundation files informational “*Return of Organization Exempt from Income Tax*” (Form 990) in the U.S. federal jurisdiction.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU requires all leases with lease terms more than 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. This ASU will be effective for the Foundation for the year ending June 30, 2023. The Foundation does not expect this ASU to have a material impact on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU will increase transparency of contributed nonfinancial assets as well as the amount of those contributions used in a not-for-profit's programs and other activities. This ASU will be effective for the Foundation for the year ended December 31, 2022. The Foundation does not expect this ASU to have a material impact on its financial statements.

NOTE 12C: FINANCIAL INSTRUMENTS WITH RISK OF ACCOUNTING LOSS

The Foundation uses financial institutions in which it maintains cash balances, which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The Foundation's uninsured/ uncollateralized bank balances were approximately $969,000 at June 30, 2021.

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

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

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

Category 3 – Uninsured and uncollateralized.

NOTE 12D: INVESTMENTS

The following schedule summarizes the investment return and its classification in the Statements of Activities for the year ended June 30, 2021:

Interest, dividend, and capital gains income	$ 159,297
Net realized gain on sale of investments	78,572
Net unrealized gain on investments	1,208,469
Investment fees	(39,004)
Total investment return	$ 1,407,334

Investments are stated at fair value. Fair value and unrealized appreciation (depreciation) at June 30, 2021 are summarized as follows:

	Book Value	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds	$ 2,434,092	$ 4,702,584	$ 2,268,492
Savings bonds	184,596	184,596	-
Certificates of deposit	413,636	413,689	53
Government and agency securities	100,266	105,817	5,551
Preferred stocks	12,710	1,997	(10,713)
Corporate bonds	3,132,047	3,217,083	85,036
	$ 6,277,347	$ 8,625,766	$ 2,348,419

At June 30, 2021, the Foundation had marketable securities of approximately $8,600,000 which are subject to market risk.

NOTE 12E: FAIR VALUE MEASUREMENT

FASB Codification Topic *Fair Value Measurements and Disclosures*, established a fair valuation hierarchy to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three broad levels.

Investments recorded in the Statements of Financial Position are the best estimate of fair value as determined by the investment and/or fund manager and are based on the inputs to valuation techniques are as follows:

Level 1 – These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2 – These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Level 3 – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

As a general principle, the current "fair market value" of a security or other asset is the amount that a fund might reasonably expect to (i) receive upon the sale of the security or asset; or (ii) pay to transfer the liability associated with the security or asset in an orderly transaction between market participants on the date on which the security or asset is being valued. In the event that a Level 1 price is not readily available for a given type of security or asset, the fair value of the security or other asset is determined by using pricing inputs that are either directly or indirectly observable on the valuation date for the security or asset, which may include the use of models or valuation methodologies (a Level 2 price).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities carried at fair value on a recurring basis include investments. The Foundation had no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2021.

The following is a description of the valuation methodologies used for assets measured at fair value:

Certificates of deposit: Valued at year end cost.

Mutual funds, savings bonds, government and agency securities, preferred stocks, and corporate bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the Foundation's hierarchy for the investments measured at fair value as of June 30, 2021:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Mutual funds	$ 4,702,584	$ -	$ -	$ 4,702,584
Savings bonds	184,596	-	-	184,596
Government and agency securities	105,817	-	-	105,817
Certificates of deposit	413,689	-	-	413,689
Preferred stocks	1,997	-	-	1,997
Corporate bonds	3,217,083	-	-	3,217,083
	$ 8,625,766	$ -	$ -	8,625,766

NOTE 12F: ENDOWMENTS

The Foundation's endowment consists of approximately 202 endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net position associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA.

In accordance with OK UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 10% annually. Actual returns in any given year may vary from this amount.

Strategies for Achieving Objectives

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

Spending Policy

The Foundation has a policy of appropriating for distribution each year the equivalent of up to 5% of its endowment fund's fair value as of the immediately preceding July 1. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1.16% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net position for the year ended June 30, 2021 are as follows:

	Board Designated Endowments Without Donor Restrictions	Endowments With Donor Restrictions	Total
July 1, 2020 Balances:	$ 1,997,739	$ 5,473,888	$ 7,471,627
Net investment income	397,915	1,008,283	1,406,198
Contributions	-	264,934	264,934
Appropriation of endowment assets for expenditure	-	(309,057)	- (309,057)
June 30, 2021 Balances	$ 2,395,654	$ 6,438,048	$ 8,833,702

NOTE 12G: CAPITAL ASSETS

Property and equipment consisted of the following at June 30, 2021:

Building and improvements	$ 128,443
Computer equipment	138,898
Dormitories	2,687,403
Land	421,000
	3,375,744
Less accumulated depreciation	1,328,340
	$ 2,047,404

NOTE 12H: NET POSITION

The majority of net position with donor restrictions are restricted to investments in perpetuity, the income from which is expendable to support donor specified purposes. The remaining net position with donor restrictions are restricted for donor specified purposes. In addition, the Board of Trustees designates portions of the net position without donor restrictions to function as endowments. These restrictions and designations are summarized below for the following purposes at June 30, 2021:

	With Donor Restrictions	Board Designated
Capital expansion	$ 262,626	$ -
Dormitories	298,203	-
Endowed professorships	1,006,243	-
Foundation support	-	1,301,113
Leader program	-	275,223
Lectureships	177,750	-
Scholarships	4,825,094	819,318
	$ 6,569,916	2,395,654
Undesignated		3,059,039
Total net position without donor restrictions		$ 5,454,693

NOTE 12I: NET POSITION RELEASED FROM RESTRICTIONS

Net position released from donor restrictions for scholarships during the year ended June 30, 2021 totaled $316,707.

Net position released from donor restrictions for endowed professorships during the year ended June 30, 2021 totaled $27,872.

NOTE 12J: RELATED PARTY TRANSACTIONS

Based upon an exchange of service agreement, the College provides the Foundation with the necessary office space at no cost to the Foundation. In exchange, the College received scholarships, funds for capital improvements, and other services from the Foundation. The value of such services has been determined by management to be insignificant and is, therefore, not recorded on the finanical statements as in-kind contributions. Total payments made to the College by the Foundation for the above mentioned expenses for the year ended June 30, 2021 totaled approximately $582,000.

The Foundation owns a majority of the dormitories located at the College under a 99 year lease agreement with the College which provides the Foundation with access to the land that houses the dormitories. Under the agreement, the College has agreed to lease land to the Foundation for $10 plus any payments under a first mortgage or refinancing of attached property. The College has agreed to transfer dormitory rental income to the Foundation for the upkeep and maintenance of the Foundation dormitories used by students of the College. This amount is included on the Statements of Revenues, Expenses and Changes in Net Position as “Other operating revenues”.

NOTE 12K: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation’s financial assets available within one year of the Statements of Net Position date for general expenditure are as follows:

Financial assets at year end:		
Cash and cash equivalents	$	1,218,518
Accounts receivable		119,671
Pledge receivable		19,800
Investments		8,625,766
Total financial assets		9,983,755
Less:		
Restricted by donor with time or purpose restrictions		6,569,916
Board designated endowments		2,395,654
		8,965,570
Financial assets available to meet cash needs for general expenditures within one year	$	1,018,185

As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 12L: CONCENTRATIONS

The Foundation administers and invests gifts and other amounts received directly or indirectly as a result of its fundraising activities. Consequently, the Foundation is dependent on the contributions of individuals and businesses in the areas of Oklahoma and western Arkansas for which the College provides the majority of its services.

NOTE 13: RISKS AND UNCERTAINTIES

The COVID-19 pandemic has had an adverse impact on both domestic and global financial markets and operations since it was declared a global pandemic by the World Health Organization on March 11, 2020. Management is unable to accurately predict how the COVID-19 pandemic will affect the results of the College's operations due to uncertainties surrounding the severity of the disease and the duration of the outbreak.

NOTE 14: SIGNIFICANT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities.* GASB 84 provides for greater consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. GASB 84 is effective for periods beginning after December 15, 2019. The implementation of this statement did not significantly impact the College.

GASB has issued the following statements which the College has not yet adopted and which require adoption subsequent to June 30, 2021:

GASB Statement No. 87, *Leases*. GASB 87 improves consistency in accounting and financial reporting for leases 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 provision 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. GASB 87 is effective for periods beginning after June 15, 2021, with earlier application encouraged.

In June 2018, the GASB issued Statement Number 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period* – effective for fiscal years beginning after December 15, 2020. GASB 89 will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period.

Management does not believe the future implementation of these statements will have a significant impact on the College's financial statements.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 19, 2021 the date that the financial statements were available to be issued.

Required Supplementary Information

Carl Albert State College
A Component Unit of the State Of Oklahoma

Schedules of Required Supplementary Information
Schedule of the College's Proportionate Share of
Net Pension Liability
Oklahoma Teachers Retirement System
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.2136%	0.2244%	0.2278%	0.2260%	0.2661%	0.2667%	0.2565%
College's proportionate share of the net pension liability	$ 20,274,229	$ 14,853,401	$ 13,768,000	$ 14,966,591	$ 22,207,419	$ 16,198,996	$ 13,801,572
College's covered payroll	$ 9,455,510	$ 9,918,977	$ 9,229,093	$ 8,788,819	$ 10,753,419	$ 10,056,546	$ 9,698,001
College's proportionate share of the net pension liability as a percentage of its covered payroll	214.4%	149.7%	149.2%	170.3%	206.5%	161.1%	142.3%
Plan fiduciary net position as a percentage of the total pension liability	63.47%	71.56%	72.74%	69.32%	62.24%	70.31%	72.43%

*The amounts present for each fiscal year were determined as of 6/30 and are based on application of a look-back period for participation in OTRS

Notes to Schedule:

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

The Plan's net pension liability increased between 2015 and 2016 due to changes in assumptions adopted by the System's Board. Increase for 2017 is attributable to the change in assumed election rate for the Supplemental Medial Insurance Benefit. The most notable change was the lowering of the System's discount rate from 7.5% to 7.0% for fiscal year 2021.

Carl Albert State College
A Component Unit of the State Of Oklahoma

Schedules of Required Supplementary Information
Schedule of the College's Pension Contributions
Oklahoma Teachers Retirement System
Last 10 Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,013,882	$ 1,038,578	$ 1,047,607	$ 975,365	$ 926,921	$ 1,130,508	$ 1,065,243
Contributions in relation to the contractually required contribution	1,013,882	1,038,578	1,047,607	975,365	926,921	1,130,508	1,065,243
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 9,255,740	$ 9,455,510	$ 9,918,977	$ 9,229,093	$ 8,786,819	$ 10,753,419	$ 10,056,546
Contributions as a percentage of covered payroll	10.95%	10.98%	10.56%	10.57%	10.55%	10.51%	10.59%

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

Notes to Schedule:

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

Employer contributions rate: 8.55%

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

Carl Albert State College
A Component Unit of the State Of Oklahoma

Schedules of Required Supplementary Information
Schedule of the College’s Proportionate Share of
the Net OPEB Liability (Asset)
Supplemental Health Insurance Program
Last 10 Fiscal Years*

	2021	2020	2019	2018
College's proportion of the net OPEB liability (asset)	0.2136%	0.2244%	0.2278%	0.2260%
College's proportionate share of the net OPEB liability (asset)	$ (21,161)	$ (138,774)	$ (147,221)	$ (100,798)
College's covered payroll	$ 9,455,510	$ 9,918,977	$ 9,229,093	$ 8,786,818
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-0.22%	-1.40%	-1.60%	-1.15%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	102.30%	115.07%	115.41%	110.40%

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

Notes to Schedule:

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

Carl Albert State College
A Component Unit of the State Of Oklahoma

Schedules of Required Supplementary Information
Schedule of the College's OPEB Contributions
Supplemental Health Insurance Program
Last 10 Fiscal Years*

	2021	2020	2019	2018
Contractually required contribution	$ 1,910	$ 5,883	$ 7,066	$ 15,487
Contributions in relation to the contractually required contribution	1,910	5,883	7,066	15,487
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll	$ 9,255,740	$ 9,455,510	$ 9,918,977	$ 9,229,093
Contributions as a percentage of covered payroll	0.02%	0.06%	0.07%	0.17%

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

Notes to Schedule:

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

Supplementary Information

Carl Albert State College
A Component Unit of the State Of Oklahoma

Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

Federal Grantor/Pass through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Identity Number	Federal Expenditures
U.S. Department of Education			
Direct Programs:			
Federal Pell Grant	84.063	NA	$ 4,114,238
Federal Supplemental Education Opportunity Grant	84.007	NA	91,701
Federal Work Study	84.033	NA	43,871
Federal Direct Loans	84.268	NA	1,613,773
Total Student Financial Aid Cluster			5,863,583
TRIO - Educational Opportunity Center	84.066	NA	544,381
TRIO - Student Support Services	84.042	NA	486,104
TRIO - Upward Bound	84.047	NA	525,034
TRIO - Upward Bound Math Sciences	84.047	NA	366,969
TRIO - Talent Search	84.044	NA	400,983
TRIO - Talent Search - Sallisaw	84.044	NA	327,682
Total TRIO Programs Cluster			2,651,153
Title III - NASNTI	84.031X	NA	308,722
COVID-19 - Education Stabilization Fund			
Higher Education Emergency Relief Fund - Student Aid Portion	84.425E	NA	1,128,794
Higher Education Emergency Relief Fund - Institutional Portion	84.425F	NA	1,265,774
Higher Education Emergency Relief Fund - Minority Serving Institutions	84.425L	NA	55,487
Total COVID-19 - Education Stabilization Fund Cluster			2,450,055
Pass-through from:			
Oklahoma Department of Vocational Education			
Carl Perkins - Post Secondary	84.048	V048A160036	63,855
Oklahoma Department of Education			
Scholars for Excellence	93.575	1936002309	80,565
Total U.S. Department of Education			11,417,933
U. S. Department of Health and Human Services			
Pass-through from:			
Oklahoma Department of Human Services			
Power I - Temporary Assistance for Needy Families (TANF)	93.558	310559	221,331
U. S. Department of the Interior			
Pass-through from:			
Oklahoma Bureau of Indian Affairs			
Indian Education Higher Education Grant Program	15.114	850197413	493,348
Total Expenditures of Federal Awards			$ 12,132,612

See Independent Auditor's Report.

Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

NOTE 1:
The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Carl Albert State College (the College) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flow of the College.

NOTE 2:
Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3:
The College currently participates in the Federal Direct Student Loan Program (Direct Loan Program). The U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The College administers the origination and disbursement of the loans to eligible students or parents. The College is not responsible for the collection of these loans.

LANDMARK
CERTIFIED PUBLIC ACCOUNTANTS

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 Regents
Carl Albert State College
Poteau, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Carl Albert State College (the College), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 19, 2021.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College'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.

Board of Regents
Carl Albert State College

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

We noted certain matters that we have reported to management of the College in a separate letter dated October 19, 2021.

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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Landmark PLC
Certified Public Accountants

Fort Smith, Arkansas
October 19, 2021

LANDMARK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Carl Albert State College
Poteau, Oklahoma

Report on Compliance for Each Major Federal Program
We have audited Carl Albert State College (the College) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2021. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

Board of Regents
Carl Albert State College

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

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

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

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

Landmark PLC
Certified Public Accountants

Fort Smith, Arkansas
October 19, 2021

Carl Albert State College
A Component Unit of the State Of Oklahoma

Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Section I--Summary of Independent Auditor's Results

- The opinion expressed in the Independent Auditor's Report was:

  ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

- The Independent Auditor's Report on internal control over financial reporting disclosed:

  Significant deficiencies ☐ Yes ☒ None reported
  Material weaknesses? ☐ Yes ☒ No

- Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

- The Independent Auditor's Report on internal control over compliance for major federal awards programs disclosed:

  Significant deficiencies? ☐ Yes ☒ None reported
  Material weaknesses? ☐ Yes ☒ No

- The opinion expressed in the Independent Auditor's Report on compliance for major federal awards was:

  ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

- The audit disclosed findings required to be reported by the Uniform Guidance? ☐ Yes ☒ No

- Identification of major programs:

Cluster/Program	Assistance Listing Number
COVID-19 - Education Stabilization Fund	
Higher Education Emergency Relief Fund - Student Aid Portion	84.425E
Higher Education Emergency Relief Fund - Institutional Portion	84.425F
Higher Education Emergency Relief Fund – Minority Serving Institutions	84.425L

Schedule of Findings and Questioned Costs
Year ended June 30, 2021

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

- Auditee qualified as a low-risk auditee as that term is defined in the Uniform Guidance. ☒ Yes ☐ No

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

None

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

None

Carl Albert State College
A Component Unit of the State Of Oklahoma

Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2021

There were no prior year audit findings for the year ended June 30, 2020.