

Eastern Oklahoma State College
(A Component Unit of the State of Oklahoma)

Financial Statements
With Independent Auditors' Reports Thereon

June 30, 2023

EASTERN OKLAHOMA STATE COLLEGE
(A Component Unit of the State of Oklahoma)

Table of Contents

	<u>Page</u>
<u>Independent Auditor’s Report</u>	1
<u>Management’s Discussion and Analysis</u>	4
<u>Basic Financial Statements:</u>	
Statement of Net Position.....	10
Statement of Revenues, Expenses, and Changes in Net Position.....	12
Statement of Cash Flows.....	13
Notes to Financial Statements	15
<u>Required Supplementary Information:</u>	
Schedule of the College’s Proportionate Share of the Net Pension Liability (Oklahoma Teachers’ Retirement System—OTRS) (Exhibit I).....	49
Schedule of the College’s Pension Contributions (Oklahoma Teachers’ Retirement System) (Exhibit II)	50
Schedule of College’s Change in Total Pension Liability (Oklahoma Teachers’ Retirement System) (Exhibit III).....	51
Schedule of the College’s Proportionate Share of the Net Oklahoma Post Employment Benefit Asset (OPEB) (Supplemental Health Insurance Plan—OTRS) (Exhibit IV)	52
Schedule of the College’s Contributions (Supplemental Health Insurance Plan—OTRS) (Exhibit V).....	53
Schedule of the Changes in Net OPEB Liability and Related Ratios (EOSC Retiree Benefits Plan) (Exhibit VI).....	54
<u>Information Required by <i>Government Auditing Standards</i> and the <i>Uniform Guidance</i>:</u>	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55

EASTERN OKLAHOMA STATE COLLEGE
(A Component Unit of the State of Oklahoma)

Table of Contents (Continued)

Page

Information Required by *Government Auditing Standards* and the *Uniform Guidance* (Continued):

Independent Auditors' Report on Compliance for Each Major Program and on	
Internal Control Over Compliance Required by the Uniform Guidance	58
Schedule of Expenditures of Federal Awards	60
Notes to Schedule of Expenditures of Federal Awards	61
Schedule of Findings and Questioned Costs.....	62
Summary Schedule of Prior Audit Findings.....	66



INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Eastern Oklahoma State College
Wilburton, Oklahoma

Opinions

We have audited the accompanying financial statements of the business-type activities of Eastern Oklahoma State College (the "College"), and its discretely presented component unit, a component unit of the State of Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit, as of June 30, 2023, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the College's discretely presented component unit, Eastern Oklahoma State Development Foundation, Inc. (the "Foundation"). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023 the College adopted new accounting guidance, *GASB Statement No. 96, Subscription-based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the College's internal control over financial reporting and on 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 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.

Arledge & Associates PC

Edmond, Oklahoma
October 31, 2023





MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This discussion and analysis of Eastern Oklahoma State College's (College) financial statements provides an overview of the College's financial performance during the fiscal year ended June 30, 2023, with comparison to the previous year. Since the management's discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the College's basic financial statements and the footnotes.

Using This Report

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

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

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

Financial Highlights

The College's net position on June 30, 2022, and 2023 were \$4,502,517 and \$6,217,274, respectively, an increase of \$1,714,757. Revenue and expenses are classified as either operating or non-operating.

Operating Revenues decreased by \$3.3 million from \$14.7 million to \$11.4 million. Operating revenue includes tuition and fees, federal and state grants, and auxiliary services. Tuition and fees decreased by \$45,618. Federal grants and contracts along with state grants and contract decreased a total of \$2,850,380 for the year, due to a decrease in HEERF Pandemic Funds. Other operating revenues decreased \$433,890. Tuition and Fees accounted for 31% of total operating revenues and Federal and state grants accounted for 54% of total operating.

Operating expenses decreased by \$391,275 or 2% from \$20.8 million to \$ 20.4 million for the fiscal year 2023. There was an increase of \$707,720 in compensation expense and \$575,045 increase in depreciation which was offset by a decrease in scholarships and fellowships of \$1,273,053. This decrease was mainly due to the decrease of HEERF Student Funding for 2023. Employee compensation represents 49% of the total operating expenses for 2023.

Non-operating Revenues increased \$519,649 for the fiscal year 2023. State Appropriations increased by \$210,700 and on-behalf Teachers Retirement contributions increased \$217,907. Federal and state grants increased \$38,948 as well as investment income of \$10,185. Interest expense decreased by \$41,909. State appropriations accounted for 58% of non-operating revenues and federal and state grants accounted for 35% of the non-operating revenues.

Financial Analysis of the College as a Whole

Statement of Net Position

	2023	2022
Assets:		
Current assets	\$ 5,979,443	5,462,855
Capital assets, net	21,668,351	21,998,232
Other assets	487,062	58,080
Total assets	28,152,856	27,519,167
Deferred Outflow	4,276,811	3,883,237
Liabilities		
Current liabilities	1,956,763	1,688,121
Noncurrent liabilities	21,320,487	17,196,363
Total liabilities	23,277,250	18,884,484
Deferred Inflows	2,935,143	8,015,403
Net assets		
Invested in capital assets, net of debt	15,550,362	14,767,369
Restricted – expendable, debt service	-	26,405
Restricted – expendable, Grant funds	860,781	819,104
Unrestricted	(10,193,869)	(11,110,361)
Net Position, End of year	\$ 6,217,274	\$ 4,502,517

Statement of Revenues, Expenses, and Changes in Net Assets

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

Operating Revenues

Source of Revenue	Fiscal Year 2023	Fiscal Year 2022	Net Change
Tuition and fees	\$ 3,627,919	\$ 3,673,534	\$ (45,615)
Federal grants and contracts	\$ 4,445,385	\$ 7,635,809	\$ (3,190,424)
State grants and contracts	\$ 1,732,289	\$ 1,392,243	\$ 340,046
Sales and services of Auxiliary Activities	\$ 1,048,361	\$ 1,022,249	\$ 26,112
Other operating revenues	\$ 582,716	\$ 1,016,605	\$ (433,889)

Operating Expenses by Natural Classifications

Classification	Fiscal Year 2023	Fiscal Year 2022	Net Change
Compensation	\$ 9,960,852	\$ 9,253,120	\$ 707,732
Contractual services	\$ 2,108,084	\$ 2,563,027	\$ (454,943)
Supplies and materials	\$ 1,863,421	\$ 1,695,581	\$ 167,830
Communication	\$ 117,607	\$ 116,897	\$ 710
Depreciation	\$ 1,568,509	\$ 1,408,654	\$ 159,855
Amortization	\$ 415,190	\$ -	\$ 415,190
Utilities	\$ 828,132	\$ 740,664	\$ 87,468
Scholarships and fellowships	\$ 2,058,110	\$ 3,331,161	\$ (1,273,051)
Other operating expense	\$ 1,529,605	\$ 1,731,684	\$ (202,079)

Non-operating Revenues (Expenses)

Revenues (Expenses)	Fiscal Year 2023	Fiscal Year 2022	Net Change
State appropriations	\$ 5,382,460	\$ 5,171,760	\$ 210,700
State Payments - ARRA	\$ -	\$ -	\$ -
Federal and state grants	\$ 3,267,539	\$ 3,228,591	\$ (38,948)
On-behalf Teachers' Retirement System Contributions	\$ 737,209	\$ 519,302	\$ (217,907)
Investment income	\$ 26,235	\$ 16,050	\$ 10,185
Interest expense	\$ (191,352)	\$ (233,261)	\$ 41,909

Statement of Cash Flows

Cash on June 30, 2023 was \$4,014,815 compared to \$4,204,072 at June 30, 2022, a decrease of \$189,257 as explained below.

Cash used in operating activities increased \$3,308,889 from \$5,407,021 to \$8,715,910, for the years ended June 30, 2022 and 2023, respectively. Inflows of cash included receipts from tuition and fees, grants and contracts, and auxiliary enterprise sales. Outflows of cash consisted of payments to employees and suppliers. This increase in cash used in operating activities was the result of a decrease in cash used for grants and contracts. In addition to the decrease in grants and contracts there was a decrease in payments to suppliers and a decrease in other operating receipts.

Cash provided by non-capital financing activities increased by \$249,648 from \$8,400,351 in 2022 to \$8,649,999 in 2023. This increase was primarily due to an increase in state appropriation of \$210,700 and an increase of \$38,948 for federal and state grants.

Cash used in capital and related financing activities, which includes receipts for the purchase of capital assets offset by the purchase of capital assets or payment of principal and interest, increased \$1,946,289. This is mainly due to a decrease in the purchase of capital assets and capital appropriations.

Cash provided by investing activities increased by \$10,185, due to a increase in the interest rate earned by our investments.

Capital Assets

As of June 30, 2023, the College had a net book value of fixed assets of \$21,686,351 compared to \$21,998,232 the previous year-end, a decrease of \$311,881. Investments for the current year included \$1,262,045 for the purchase of equipment, livestock, library books, and building and land improvements. Depreciation recorded for 2023 and 2022 was \$1,568,509 and \$1,377,751 respectively.

Capital Financing

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

The College has one capital lease obligations through the OCIA to finance capital expenditures. The 2005/14A series was used to fund construction of the new Student Center, construction of various ADA infrastructure projects and to purchase a new integrated campus-wide ERP software system. The Oklahoma State Legislature appropriates revenues each year to fund the amount of principal and interest due for that year. The College is required to pay any principal and interest due and not appropriated by the legislature because of a lack of funding. The capital lease obligations at June 30, 2023 for the 2005/14A series were \$2,897,901 extending through the period ending 2030. For the year ended June 30, 2023, the Oklahoma State Regents for Higher Education made on-behalf payments of \$505,513 for the total principal and interest due for the year. Accordingly, the College did not make any payments this year.

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

- The 2005A Master Lease/Purchase was for the purpose of financing \$2,951,180 in equipment related to the conservation of energy on the campus. In June 2015 the 2005A OCIA series was refunded to the

2015B ML. On June 30, 2023, the remaining principal obligation was \$370,250 and interest obligation were \$22,033, due through 2025.

- The 2010A Master Lease/Purchase was for the purpose of financing \$401,000 to remodel the College’s Apartments. In May 2020 the 2010A Master Lease was refunded to the 2020A Master Lease. On June 30, 2023, the remaining principal obligation was \$58,500 and interest obligation were \$3,477, due through 2025.
- The 2011A Equipment Master Lease/Purchase was for the purpose of acquiring certain equipment items. The College obtained these funds for the purpose of financing \$550,000 to remodel two classroom buildings on campus and \$50,000 to purchase dorm furnishings. In June 2021 the 2011A Equipment Master Lease was refunded to the 2021A Master Lease Equipment. On June 30, 2023, the remaining principal obligation was \$127,500 and interest obligation were \$10,163, due through 2026.
- The 2011A Real Property Master Lease/Purchase was for the purpose of financing \$4,900,000 to remodel the Administration building, Pratt Hall, Gunning Hall, Baker Hall, for the construction of the Regents Court Apartments, and for certain equipment and furnishings. In October 2020 the 2011A Real Property Master Lease/Purchase was refunded to the 2020D Master Lease Real Property. On June 30, 2023, the remaining principal obligation was \$2,389,000 and the interest obligation was \$496,747, due through 2031.
- In 2017, the College refinanced its 2004 Revenue Bond with the 2016 Master Lease. On June 30, 2023, the remaining principal obligation was \$0 and the interest obligation was \$0. This master lease was paid in full as of May 2023.
- The 2019A Master Lease/Purchase Real Property was for the purpose of financing \$278,000 to replace the roof on Mitchell Hall and the roof of the Wanda Bass building. On June 30, 2023, the remaining principal obligation was \$148,083 and interest obligation were \$18,671, due through 2027.
- In August 2023, the College received notification confirming the approval of the 2023 Master Lease Real Property to begin construction on a new student housing facility.

Net Assets

Investment in capital assets increased \$782,992 in 2023, to a balance of \$15.5 million. This increase is primarily a result of a decrease in capital assets and a decrease in capital lease liabilities.

Restricted net assets for debt service does not have a balance as of year ended June 30, 2022. These net assets are comprised of cash and cash equivalents with restrictions for debt service funds. Restricted net assets for grant funds decreased by \$41,677 which is a result of an increase in restricted cash and a decrease in grant receivables.

Unrestricted net assets include net assets other than restricted assets and capital assets. Unrestricted net assets decreased by \$916,462 to \$10.1 million at June 30, 2023.

Net Position

Net Position	Fiscal Year 2023	Fiscal Year 2022	Net Change
Invested in capital assets, net	\$ 15,550,362	\$ 14,767,369	\$ 782,993
Restricted for loans	\$ -	\$ -	\$ -
Restricted for capital projects	\$ -	\$ -	\$ -
Restricted for debt service	\$ -	\$ 26,405	\$ (26,405)
Restricted for Grant funds	\$ 860,781	\$ 819,104	\$ 41,677
Unrestricted	\$ (10,193,869)	\$ (11,110,361)	\$ 916,492

Economic Outlook

The funding provided by the State of Oklahoma has a large impact on the Eastern Oklahoma State College economic position. In 2023 the College received an increase of \$210,700 in state appropriations. Given the overall reductions in state appropriations and the related impact on the current budget base, the College continued to develop scenarios to hold down costs while preserving the ability to deliver quality instructional programs to our students. The EOSC Board of Regents has been able to maintain affordable tuition and fees during this time. The College is not anticipating any change in state appropriations for fiscal year 2024. The College is diligent in safeguarding its reserves so that it will be available in the upcoming years if needed. However, the College is continuing to look for ways to effectively allocate resources while supporting the excellent programs offered at EOSC, while at the same time looking for areas that expenses can be reduced with a minimal impact on student programs and services. EOSC continues to pursue additional sources of revenue to help support programs and educational opportunities.

Contacting the College's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. For questions regarding this report please direct all questions to Trisha White, Vice President of Business Affairs at Eastern Oklahoma State College, 1301 West Main, Wilburton, OK 74578.

Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Net Position
June 30, 2023

	EOSC	EOSC Development Foundation
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,670,532	\$ 417,917
Restricted cash and cash equivalents	344,284	-
Investments	-	5,861,368
Accounts receivable, net of allowance for doubtful accounts of \$2,789,865	1,023,858	-
Federal and state grants receivable	516,497	-
Due from Eastern Oklahoma State College	-	1,035
Inventories	12,119	-
Current portion of right of use assets, net of accumulated amortization	9,802	-
Current portion of subscription based software arrangements, net of accumulated amortization	402,351	-
Total Current Assets	5,979,443	6,280,320
Noncurrent Assets		
Right of use assets, net of accumulated amortization	8,699	-
Subscription based software arrangements, net of accumulated amortization	478,363	-
Capital assets, net of accumulated depreciation	21,686,351	-
Total Noncurrent Assets	22,173,413	-
Total Assets	28,152,856	6,280,320
Deferred Outflows of Resources		
Deferred cost on Oklahoma Capitol Improvement Authority lease restructuring	2,825	-
Deferred amounts related to pensions	3,787,860	-
Deferred amounts related to OPEB	486,126	-
Total Deferred Outflow of Resources	4,276,811	-
Total Assets and Deferred Outflows of Resources	\$ 32,429,667	\$ 6,280,320

See notes to financial statements.

Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Net Position
June 30, 2023
(Continued)

	EOSC	EOSC Development Foundation
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 64,273	\$ 1,216
Accrued compensated absences	148,329	-
Unearned revenue	254,387	-
Deposits held in custody for others	154,457	-
Current portion of lease liabilities	9,802	-
Current portion of subscription based software liabilities	380,271	-
Current portion of obligations under capital leases and notes payable	945,244	-
Total Current Liabilities	1,956,763	1,216
Noncurrent Liabilities, net of current portion		
Accrued compensated absences	204,860	-
Long term portion of lease liabilities	8,501	-
Long term portion of subscription based software liabilities	508,867	-
Obligations under capital leases and notes payable	5,100,833	-
Net OTRS pension liability	14,231,639	-
OPEB liability	1,265,787	-
Total Noncurrent Liabilities	21,320,487	-
Total Liabilities	23,277,250	1,216
Deferred Inflows of Resources		
Deferred gain on Oklahoma Capitol Improvements Authority lease restructure	92,737	-
Deferred amounts related to pensions	1,648,788	-
Deferred amounts related to OPEB	1,193,618	-
Total Deferred Inflows of Resources	2,935,143	-
Net Position		
Net investments in capital assets	15,550,362	-
Restricted for:		
Nonexpendable	-	2,347,339
Expendable		
Instruction, scholarships and other	-	3,441,361
Grants	860,781	-
Unrestricted	(10,193,869)	490,404
Total Net Position	6,217,274	6,279,104
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 32,429,667	\$ 6,280,320

See notes to financial statements.

Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

	EOSC	EOSC Development Foundation
	<u>EOSC</u>	<u>EOSC Development Foundation</u>
Operating Revenues		
Tuition and fees, net of scholarship allowances	\$ 3,627,919	\$ -
Federal grants and contracts	4,445,385	-
State and local grants and contracts	1,732,289	-
Sales and services of auxiliary enterprises, net	1,048,361	-
Other operating revenues	582,716	32,190
Total Operating Revenues	<u>11,436,670</u>	<u>32,190</u>
Operating Expenses		
Compensation	9,960,852	-
Contract services	2,108,092	-
Supplies and materials	1,863,421	-
Scholarships and fellowships	2,058,110	418,237
Communications	117,607	-
Depreciation	1,568,509	-
Amortization	415,190	-
Utilities	828,132	-
Support to college	-	459,730
Other operating expenses	1,529,605	63,679
Total Operating Expenses	<u>20,449,518</u>	<u>941,646</u>
Operating Loss	<u>(9,012,848)</u>	<u>(909,456)</u>
Nonoperating Revenues (Expenses)		
State appropriations	5,382,460	-
Federal grants and contracts	3,267,539	-
Contributions and other receipts	-	1,313,730
OTRS on-behalf contributions	737,209	-
Investment income	26,235	534,288
Interest on capital asset-related debt	(191,352)	-
Net Nonoperating Revenues	<u>9,222,091</u>	<u>1,848,018</u>
Income before other revenues, expenses, gains, losses, and transfers	209,243	938,562
State appropriations restricted for capital purposes	1,000,000	-
Oklahoma Capitol Improvement Authority on-behalf appropriations	<u>505,514</u>	<u>-</u>
Change in Net Position	1,714,757	938,562
Net position, Beginning of Year	<u>4,502,517</u>	<u>5,340,542</u>
Net Position, End of Year	<u>\$ 6,217,274</u>	<u>\$ 6,279,104</u>

See notes to financial statements.

Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
For the Year Ended June 30, 2023

	<u>EOSC</u>	<u>EOSC Development Foundation</u>
Cash Flows from Operating Activities		
Tuition and fees	\$ 3,583,813	\$ -
Grants and contracts	5,934,260	-
Auxiliary enterprise sales and service	1,059,886	-
Payments to suppliers	(9,795,928)	-
Payments to employees for salaries and benefits, net on-behalf payments	(10,080,656)	-
Other operating receipts	582,716	(812,151)
Net Cash used in operating activities	<u>(8,715,909)</u>	<u>(812,151)</u>
Cash Flows from Noncapital Financing Activities		
Federal direct loan program receipts	1,564,331	-
Federal direct loan program disbursements	(1,564,331)	-
State appropriations	5,382,460	-
Non-operating grants	3,267,539	-
Net cash provided by noncapital financing activities	<u>8,649,999</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(1,262,045)	-
Principle paid on capital leases and bonds	143,846	-
Interest paid on capital leases and bonds	(36,799)	-
Contribution restricted from endowment	-	1,313,730
Disposition of assets	5,417	-
Capital appropriations-state	1,000,000	-
Net cash provided by (used in) capital and related financing activities	<u>(149,581)</u>	<u>1,313,730</u>
Cash Flows from Investing Activities		
Interest received on investments	26,235	-
Proceeds from sale of investments	-	1,652,099
Purchases of investments	-	(2,201,868)
Net cash provided by (used in) investing activities	<u>26,235</u>	<u>(549,769)</u>
Net increase (decrease) in cash and cash equivalents	(189,256)	(48,190)
Cash and Cash Equivalents, Beginning of Year	<u>4,204,072</u>	<u>466,107</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,014,816</u>	<u>\$ 417,917</u>

See notes to financial statements.

Eastern Oklahoma State College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
For the Year Ended June 30, 2023
(Continued)

	EOSC	EOSC Development Foundation
Reconciliation of operating loss to cash provided by (used in) operating activities		
Operating loss/change in net assets, Foundation	\$ (9,012,848)	\$ 938,562
Adjustments to reconcile operating loss/change to net cash provided by (used in) operating activities		
Appreciation in funds held by others and investment	-	(431,437)
Foundation contributions restricted for endowment	-	(1,313,730)
Depreciation expense	1,568,509	-
State of Oklahoma on-behalf contributions to OTRS	737,209	-
Changes in assets and liabilities		
Student accounts receivable	(60,529)	-
Other receivables	(243,414)	(389)
Other assets	26,405	-
Inventories	10,253	-
Right of use assets and Subscription based software arrangements	(867,540)	-
Compensated absences	(40,920)	-
Accounts payable and accrued expenses	(18,667)	(5,157)
Unearned revenue and other	27,948	-
Net pension liability	4,631,519	-
Deferred outflows	(393,574)	-
Deferred inflows	(5,080,260)	-
	<u>\$ (8,715,909)</u>	<u>\$ (812,151)</u>
Net Cash Used in Operating Activities	<u>\$ (8,715,909)</u>	<u>\$ (812,151)</u>
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities		
On-behalf principal and interest paid by Oklahoma Capitol Improvements Authority	\$ 505,514	\$ -
Reconciliation of Cash and Cash Equivalents to Statements of Net Position		
Current Assets:		
Cash and cash equivalents	3,670,532	417,917
Noncurrent Assets:		
Restricted cash and cash equivalents	344,284	-
Net cash provided by capital and related financing activities	<u>\$ 4,014,816</u>	<u>\$ 417,917</u>

See notes to financial statements.

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

Eastern Oklahoma State College 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 discretely presented component unit of the College. Separate financial statements of the Foundation can be requested from the Foundation’s controller.

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

Financial Statement Presentation

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

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

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

**Notes to the Financial Statements
For the year ended June 30, 2023**

Note 1: Summary of Significant Accounting Policies (Continued)

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 and Cash Equivalents

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

Restricted Cash

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

Deposits and Investment

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gains (losses) on the carrying values of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or purchase capital or other noncurrent assets are classified as restricted assets in the statements of net position. In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures - an Amendment of GASB Statement No. 3 (GASB 40), the College has disclosed its deposit and investment policies related to the risks identified in GASB 40.

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

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

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

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

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3. As of June 30, 2023, the College had no investments.

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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 as revenue when received.

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

Capital Assets

Capital assets are stated at cost, or fair value if acquired by gifts, less accumulated depreciation. For equipment, the College's capitalization policy includes all items with a unit cost of \$1,500 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense occurs. Livestock is stated at fair market value. Land and livestock are not depreciated.

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

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

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

Leases and subscription based information technology assets are amortized over the life of the associated contract.

Unearned Revenues

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

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

Noncurrent Liabilities

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

Subscription-based Information Technology Arrangements (SBITA)

The College is a party as lessee for various noncancellable long-term subscriptions of intangible information technology software. The corresponding subscription payable is recorded in an amount equal to the present value of the expected future minimum subscription payments discounted by an applicable interest rate.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates. The College generally uses an estimate based on municipal bond rate yield curves as the discount rate for leases unless the rate that the lessor/vendor charged is known.

Inventories

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

Net Position

The College's net position is classified as follows:

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

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

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

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

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

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

Income Taxes

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

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

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

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

**Notes to the Financial Statements
For the year ended June 30, 2023**

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2023, the College's deferred outflows and deferred inflows of resources were comprised of deferred cost and gain on Oklahoma Capitol Improvement Authority (OCIA) lease restructure, related pension and Other Post-Employment Benefits (OPEB) sources.

Use of Estimates

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Supplemental Retirement Benefit Plan

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

New Accounting Pronouncements Adopted

The College has adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This standard, effective for reporting periods beginning after June 15, 2022, addresses the accounting for subscription-based information technology arrangements, including cloud computing arrangements. Its implementation has resulted in changes to the recognition, measurement, and disclosure requirements related to these arrangements, impacting the reporting entity's financial statements, particularly with respect to the treatment of implementation costs and consideration of the service arrangements. Adjustments were made to subscriptions assets and obligations with no impact to beginning net position. See Note (5) relating to the adoption of this standard.

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements Not Yet Adopted

In June 2022, GASB issued Statement No. 101, Compensated Absences (GASB 101). GASB 101 provides guidance on the accounting and financial reporting for compensated absences. The requirements of GASB 101 are effective July 1, 2024, for the June 30, 2025 reporting year. Earlier application is encouraged. The College has not determined the impact of GASB 101 on the financial statements.

Subsequent Events

Subsequent events have been evaluated through October 31, 2023, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the financial statements.

Note 2: Deposits and Investments

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The College's deposit policy for custodial credit risk is described as follows:

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State's name.

The College requires that balances on deposit with financial institutions, including trustees related to the College's bond indenture and capital lease agreements, be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the College's name.

The carrying amount of the College's deposits was \$4,014,816. This amount consisted of deposits with the State Treasurer of \$3,996,544 at June 30, 2023.

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in obligations of the U.S. government, its agencies and instrumentalities, including agency senior debt and mortgage-backed pass-through securities, tri-party repurchase agreements, money market mutual funds, collateralized certificates of deposit, commercial paper, obligations of state and local governments, and State of Israel Bonds. Various other investments, as allowed by law, may be added to the *OK INVEST* portfolio, as the State Treasurer determines, without formal revision to its policy statement. Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* totaled \$1,099,968 at June 30, 2023.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents. At June 30, 2023, the distribution of deposits in *OK INVEST* was as follows:

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk - Deposits (Continued)

<u>OK INVEST Portfolio</u>	<u>Cost</u>	<u>Market Value</u>
U.S. Agency Bonds	\$ 191,024	\$ 185,890
Money Market Mutual Funds	85,538	85,538
Certificates of deposits	2,931	2,931
Mortgage backed agency securities	212,606	187,830
Municipal bonds	2,133	2,133
Foreign bonds	3,377	3,338
U.S. Treasury obligations	651,651	632,309
Total	<u>\$ 1,149,259</u>	<u>\$ 1,099,968</u>

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

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

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

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

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

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

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

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 2: Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest rate changes. The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

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

Note 3: Accounts Receivable

Accounts receivable consist of the following at June 30, 2023:

	<u>2023</u>
Student tuition and fees	\$ 3,813,723
Less allowance for doubtful accounts	<u>(2,789,865)</u>
Accounts receivable, net of allowance	<u>\$ 1,023,858</u>

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Year Ended June 30, 2023</u>			
	<u>Beginning</u>		<u>Retirements/</u>	<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Reclass</u>	<u>Balance</u>
<i>Capital Assts not being depreciated:</i>				
Land	\$ 1,238,008	\$ -	\$ -	\$ 1,238,008
Construction in Progress	921,755	598,261	(1,443,315)	76,701
Livestock	199,300	32,900	(5,000)	227,200
Total capital assets not being depreciated	<u>2,359,063</u>	<u>631,161</u>	<u>(1,448,315)</u>	<u>1,541,909</u>
<i>Capital Assts being depreciated:</i>				
Land Improvements	2,813,324	52,510	-	2,865,834
Buildings and Building Improvements	30,265,152	250,235	1,443,315	31,958,702
Infrastructure	716,815	16,200	-	733,015
Equipment	9,379,080	311,151	(75,544)	9,614,687
Library materials	192,596	788	-	193,384
Total capital assets being depreciated:	<u>43,366,967</u>	<u>630,884</u>	<u>1,367,771</u>	<u>45,365,622</u>

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 4: Capital Assets (Continued)

<i>Less Accumulated Depreciation for:</i>				
Land Improvements	(2,111,325)	(66,472)	-	(2,177,797)
Buildings and Building Improvements	(12,946,920)	(749,783)	-	(13,696,703)
Infrastructure	(675,432)	(2,241)	-	(677,673)
Equipment	(7,876,087)	(736,657)	75,128	(8,537,616)
Library materials	(118,034)	(13,357)	-	(131,391)
Total accumulated depreciation	<u>(23,727,798)</u>	<u>(1,568,510)</u>	<u>75,128</u>	<u>(25,221,180)</u>
Total capital assets being depreciated, net	<u>19,639,169</u>	<u>(937,626)</u>	<u>1,442,899</u>	<u>20,144,442</u>
Total capital assets, net	<u>21,998,232</u>	<u>(306,465)</u>	<u>(5,416)</u>	<u>21,686,351</u>
<i>Lease Assets:</i>				
Equipment	<u>62,579</u>	<u>-</u>	<u>(24,818)</u>	<u>37,761</u>
Total lease asset being amortized	<u>62,579</u>	<u>-</u>	<u>(24,818)</u>	<u>37,761</u>
<i>Less Accumulated Amortization for:</i>				
Equipment	<u>(30,904)</u>	<u>(13,174)</u>	<u>24,818</u>	<u>(19,260)</u>
Total accumulated amortization	<u>(30,904)</u>	<u>(13,174)</u>	<u>24,818</u>	<u>(19,260)</u>
Total subscription assets being amortized, net	<u>31,675</u>	<u>(13,174)</u>	<u>-</u>	<u>18,501</u>
<i>Subscription Asset Arrangements:</i>				
Intangible software	<u>1,245,759</u>	<u>36,971</u>	<u>-</u>	<u>1,282,730</u>
Total subscription based assets being amortized	<u>1,245,759</u>	<u>36,971</u>	<u>-</u>	<u>1,282,730</u>
<i>Less Accumulated Amortization for:</i>				
Intangible software	<u>-</u>	<u>(402,016)</u>	<u>-</u>	<u>(402,016)</u>
Total accumulated amortization	<u>-</u>	<u>(402,016)</u>	<u>-</u>	<u>(402,016)</u>
Total subscription assets being amortized, net	<u>1,245,759</u>	<u>(365,045)</u>	<u>-</u>	<u>880,714</u>
Capital Assets, net	\$ <u>23,275,666</u>	\$ <u>(684,684)</u>	\$ <u>(5,416)</u>	\$ <u>22,585,566</u>

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 5: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance at 6/30/2022	Additions	Reductions	Balance at 6/30/2023	Due Within One Year
Capital leases obligations:					
OCIA 2014A Series	\$ 3,248,862	\$ -	\$ (350,961)	\$ 2,897,901	\$ 359,993
ODFA Master Lease 2015B	552,832	-	(182,583)	370,249	189,667
ODFA Master Lease 2020A	87,583	-	(29,083)	58,500	30,083
ODFA Master Lease 2021A/11A	167,667	-	(40,167)	127,500	42,167
ODFA Master Lease 2011A - RP	2,674,250	-	(285,250)	2,389,000	288,167
2019ML Real Property	182,167	-	(34,083)	148,084	35,167
ODFA Master Lease 2016B	121,917	-	(121,917)	-	-
Subscription based arrangements payable	1,245,759	36,971	(393,592)	889,138	380,271
Total Capital Leases	<u>8,281,037</u>	<u>36,971</u>	<u>(1,437,636)</u>	<u>6,880,372</u>	<u>1,325,515</u>
Other long-term debt					
Bond Premium	93,750	-	(38,908)	54,842	-
Compensated absences	394,111	107,066	(147,988)	353,189	148,329
Total Other Liabilities	<u>487,861</u>	<u>107,066</u>	<u>(186,896)</u>	<u>408,031</u>	<u>148,329</u>
	<u>\$ 8,768,898</u>	<u>\$ 144,037</u>	<u>\$ (1,624,532)</u>	<u>\$ 7,288,403</u>	<u>\$ 1,473,844</u>

Capital Lease Obligations

Oklahoma Capital Improvement Authority Lease Obligations

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

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately \$7,671,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA for capital improvements being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 25 years.

In 2014, the OCIA issued Bond Series 2014A that refunded a significant portion of the 2005F bonds. Consequently, the amortization of the 2005F bond issue was fully amortized in 2016. The lease agreement will no longer secure the 2005F bond issue but will now act as security for the 2014A bond issue over the term of the lease through the year 2031. This lease restructuring has resulted in a gain on restructuring that has been recorded as a gain of \$213,841 on restructuring as a deferred inflow of resources that will be amortized over a period of 18 years. The unamortized amount of the deferred lease restructuring gain at June 30, 2023, was \$92,737. Lease interest payments to OCIA totaling \$154,553 during the year ended June 30, 2023, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statement of revenues, expenses, and changes in net position.

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 5: Long-Term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

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

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 8,214,037	\$ 831,819	\$ 9,045,856
Less accumulated depreciation	<u>(2,640,785)</u>	<u>(831,819)</u>	<u>(3,472,604)</u>
Total	<u>\$ 5,573,252</u>	<u>\$ -</u>	<u>\$ 5,573,252</u>

Future minimum lease payments under the College's obligations to the OCIA for the year ended June 30, 2023, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	359,993	137,449	497,442
2025	375,229	122,244	497,473
2026	393,620	103,804	497,424
2027	411,576	85,794	497,370
2028	431,709	65,613	497,322
Thereafter	<u>925,774</u>	<u>69,208</u>	<u>994,982</u>
Total	<u>\$ 2,897,901</u>	<u>\$ 584,112</u>	<u>\$ 3,482,013</u>

Oklahoma Development Finance Authority Lease Obligations

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

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

On June 17, 2015, the College entered into Master Equipment Lease Revenue Bonds, Series 2015B in the amount of \$1,689,000 to refinance the Series 2005A Master Lease Revenue Bonds. The lease agreement with ODFA provides for monthly payments to ODFA ranging from \$17,187 to \$17,292 for 10 years through May 15, 2025. Lease principal and interest payments to ODFA totaled \$204,752 during the year ended June 30, 2023.

The 2015B issuance resulted in a premium for the bonds of \$105,437 that is being amortized over 120 months. The unamortized balance of the premium at June 30, 2023, was \$21,087.

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

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 5: Long-Term Liabilities (Continued)

Oklahoma Development Finance Authority Lease Obligations (Continued)

through May 15, 2025, or until the ODFA bonds and related interest are paid. The monthly lease payments are funded through additional apartment rent realized after the project was completed. Lease principal and interest payments to ODFA totaled \$32,587 during the year ended June 30, 2023.

The 2020A refunding issuance resulted in a premium for the bonds of \$12,733 that is being amortized over 60 months. The unamortized balance of the premium at June 30, 2023, was \$5,093.

In May 2011, the College entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2011A. The College received a net amount of \$550,000 of the proceeds for improvements to the College's equipment. In June 2022, the 2011A Equipment Master Lease was refunded to the 2022A Master Lease Equipment. Lease principal and interest payments to ODFA totaled \$46,873 during the year ended June 30, 2023.

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

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. Lease principal and interest payments to ODFA totaling \$399,193 during the year ended June 30, 2023. The 2022A refunding issuance resulted in a premium for the bonds of \$21,101 that is being amortized over 60 months. The unamortized balance of the premium on June 30, 2023, was \$12,661.

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

On June 15, 2016, the College entered into capital lease obligation Series 2016B in the amount of \$844,000 to refinance the 2004 Student Facilities Revenue Bonds. Lease payments over the term of the agreement, including interest, total \$960,686. Payments began July 15, 2016, and go through May 15, 2023, and will range from \$11,608 to \$12,327, monthly. The net present value of the savings for the refinance is \$138,201.

The 2016B issuance resulted in a premium for the bonds of \$64,269 that is being amortized over 84 months. The balance of the premium was fully amortized at June 30, 2023.

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 5: Long-Term Liabilities (Continued)

Oklahoma Development Finance Authority Lease Obligations (Continued)

In May 2019, the College entered into an 8-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the Oklahoma State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2019A. The College financed \$278,000 for the roof replacement on Mitchell Hall and Wanda Bass buildings. Lease payments over the term of the agreement, including interest, total \$42,250. Payments begin June 2020 and go through May 2027 and will range from \$2,500 to \$3,333 monthly.

The 2019 issuance resulted in a premium for the bonds of \$32,000 that is being amortized over 96 months. The unamortized balance of the premium on June 30, 2023, was \$16,000.

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

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 12,344,081	\$ 29,851	\$ 12,373,932
Less accumulated depreciation	<u>(4,125,547)</u>	<u>(29,851)</u>	<u>(4,155,398)</u>
Total	<u>\$ 8,218,534</u>	<u>\$ -</u>	<u>\$ 8,218,534</u>

Future minimum lease payments under the College's obligations to the ODFA for the year ended June 30, 2023, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	585,250	133,524	718,774
2025	580,583	110,816	691,399
2026	374,583	87,957	462,540
2027	334,083	72,914	406,997
2028	302,500	57,848	360,348
Thereafter	<u>916,334</u>	<u>88,032</u>	<u>1,004,366</u>
Total	<u>\$ 3,093,333</u>	<u>\$ 551,091</u>	<u>\$ 3,644,424</u>

Other Property Under Capital Leases

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

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 303,750	\$ 161,594	\$ 465,344
Less accumulated depreciation	<u>(303,750)</u>	<u>(121,195)</u>	<u>(424,945)</u>
Total	<u>\$ -</u>	<u>\$ 40,399</u>	<u>\$ 40,399</u>

Note 6: Retirement Plans

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

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 6: Retirement Plans (Continued)

Summary of Net Position Obligation

	Net Pension Obligation	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement				
Benefit Obligation	\$ 169,611	\$ -	\$ -	\$ 5,160
OTRS Pension	14,062,028	3,787,860	1,648,788	895,804
Total	<u>\$ 14,231,639</u>	<u>\$ 3,787,860</u>	<u>\$ 1,648,788</u>	<u>\$ 900,964</u>

Plan Description

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

Oklahoma Teachers' Retirement System

Benefits Provided

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

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

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 6: Retirement Plans (Continued)

Benefits Provided (Continued)

- 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 contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.0% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program; see Note (7). Contributions to the pension plan from the College were \$897,216. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$727,148 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, 2023, the College reported a liability of \$14,062,028 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2022. Based upon this information, the College's proportion was .1713% percent.

For the year ended June 30, 2023, the College recognized pension expense of \$895,804. At June 30, 2023, 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	\$ 450,483	\$ 175,900
Changes of assumptions	948,789	-
Net difference between projected and actual earnings on pension plan investments	1,338,708	-
Changes in College's proportionate share of contributions	142,646	1,463,120
Differences between College contributions and proportionate share of contributions	10,018	9,768
College contributions subsequent to the measurement date	897,216	-
Total	<u>\$ 3,787,860</u>	<u>\$ 1,648,788</u>

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 6: Retirement Plans (Continued)

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

The \$897,216 reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$	394,748
2025		317,155
2026		(446,154)
2027		1,008,509
2028		(32,402)
Total	\$	<u>1,241,856</u>

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

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

Asset Class	Target Asset Allocation	Long-Term Expected Rate of Return
Domestic Equity	38.3%	4.9%
International Equity	16.7%	5.5%
Fixed Income	22.0%	1.3%
Real Estate*	10.0%	3.5%
Private Equity	8.0%	7.6%
Private Debt	5.0%	4.6%
Total	<u>100.0%</u>	

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

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

**Notes to the Financial Statements
For the year ended June 30, 2023**

Note 6: Retirement Plans (Continued)

Discount Rate - A single discount rate of 7.00% was used to measure the total pension liability as of June 30, 2022. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employers' net pension liability	\$ <u>19,799,418</u>	\$ <u>14,062,028</u>	\$ <u>9,345,218</u>

Pension Plan Fiduciary Net Position

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

Supplemental Retirement Benefit Plan (SRB)

Plan description

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

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

Funding Policy

Benefits are funded on a “pay as you go” basis, so there are no assets accumulated to pay these benefits. During the fiscal year ended June 30, 2023, the College made benefit payments of \$28,361.

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

**Notes to the Financial Statements
For the year ended June 30, 2023**

Note 6: Retirement Plans (Continued)

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

At June 30, 2023, the College reported a liability of \$169,611 for its net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. For the year ended June 30, 2023, the College recognized pension expense of \$5,160.

Schedule of Changes in Total Pension Liability

The College's changes in total pension liability are as follows as of June 30, 2023:

Beginning net pension liability	\$	192,812
Interest		6,845
Change of assumptions		(678)
Difference between actual and expected experience		(1,007)
Benefit payments		(28,361)
Ending net pension liability	\$	<u>169,611</u>

Actuarial Assumptions

The total pension liability as of June 30, 2023, was determined based on an actuarial valuation prepared as of June 30, 2023, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Discount Rate - 3.65% (Based on Bond Buyers General Municipal Bond Index)
- Mortality Rates after Retirement - RP-2000 Combined Mortality Table projected to 2020.

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

The following presents the net pension liability of the employers calculated using the discount rate each year, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
	<u> </u>	<u> </u>	<u> </u>
Employers' net pension liability	\$ <u>176,649</u>	\$ <u>169,611</u>	\$ <u>163,126</u>

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

**Notes to the Financial Statements
For the year ended June 30, 2023**

Note 7: Post Retirement Plans: OTRS – OPEB

Supplemental Health Insurance Program

Plan Description

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

Benefits Provided

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

Contributions

Employer and employee contributions are made based upon the OTRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note (8); from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.12% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were \$10,061.

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

At June 30, 2023, the College reported an asset of \$80,236 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2022. 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, 2022. Based upon this information, the College's proportion was 0.1713%.

For the year ended June 30, 2023, the College recognized OPEB benefit of \$6,440. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 7: Post Retirement Plans: OTRS – OPEB (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,709
Changes of assumptions	24,195	-
Net difference between projected and actual earnings on OPEB plan investments	33,548	-
Changes in College's proportionate share of contributions	3,624	816
Differences between College contributions and proportionate share of contributions	3,389	6,398
College contributions subsequent to the measurement date	10,062	-
Total	<u>\$ 74,818</u>	<u>\$ 33,923</u>

The \$10,062 reported as deferred outflows of resources related to OPEB resulting from college contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$ 4,881
2025	3,125
2026	(6,515)
2027	30,517
2028	(1,061)
Thereafter	(114)
Total	<u>\$ 30,833</u>

Actuarial Assumptions

The total OPEB liability (asset) as of June 30, 2023, was determined based on an actuarial valuation prepared as if June 30, 2022, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.25%
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases - Composed of 2.25 percent wage inflation, plus 0.75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 7: Post Retirement Plans: OTRS – OPEB (Continued)

Actuarial Assumptions (Continued)

- Investment Rate of Return - 7.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five-year experience study for the period ending June 30, 2019.
- Mortality Rates after Retirement - Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.
- Mortality Rates for Active Members - Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.

Asset Class	Target Asset Allocation	Long-Term Expected Rate of Return
Domestic Equity	43.5%	4.3%
International Equity	19.0%	5.2%
Fixed Income	22.0%	0.4%
Real Estate*	9.0%	4.3%
Alternative Assets	6.5%	6.5%
Total	<u>100.0%</u>	

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

Discount Rate

A single discount rate of 7.00% was used to measure the total OPRB liability (asset) as of June 30, 2022. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employers' net OPEB liability (asset)	\$ <u>3,343</u>	\$ <u>(80,236)</u>	\$ <u>(151,008)</u>

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

**Notes to the Financial Statements
For the year ended June 30, 2023**

Note 7: Post Retirement Plans: OTRS – OPEB (Continued)

OPEB Plan Fiduciary Net Position

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

Note 8: Post Retirement Plans – OPEB

Plan Description

The College’s defined benefit OPEB plan, EOSC Retiree Benefits Plan, provides OPEB to eligible retirees and their dependents. The College’s Board of Regents has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The College provides medical, dental, and vision benefits to eligible retirees and their dependents through the State of Oklahoma Employees Group Insurance Division. The retiree pays the full contribution rate for the retiree’s coverages and for any other elected dependent dental and vision coverages. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the College.

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Active employees	151
Inactive or beneficiaries currently receiving benefit payments	<u>14</u>
Total	<u><u>165</u></u>

Total OPEB Liability

The College’s total OPEB liability of \$1,265,787 was as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2023, using the following actuarial assumptions:

- (1) Actuarial Cost Method - Entry Age Normal
- (2) Discount Rate – 3.65%, based on published Bond Pay Go-20 bond index
- (3) Retirement Age: 63
- (4) Healthcare cost trend rates - Level 5.00% per year
- (5) Mortality Rates - RPA-2000 Mortality Table projected to 2020
- (6) Pre-Retirement Termination - Table T-3 of the Actuary’s Pension Handbook.

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 8: Post Retirement Plans – OPEB (Continued)

Actuarial Assumptions (Continued)

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

Changes in OPEB Liability

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

	<u>Total OPEB Liability</u>
Balance Beginning of Year	\$ <u>1,301,970</u>
Changes for the year	
Service cost	95,841
Interest expense	46,220
Changes of assumptions	(78,882)
Difference between expected and actual expenses	(9,545)
Benefits paid	<u>(89,817)</u>
Net Changes	(36,183)
Balance End of Year	\$ <u>1,265,787</u>

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

The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.65%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current rate:

	<u>1% Decrease 2.65%</u>	<u>Current Discount Rate 3.65%</u>	<u>1% Increase 4.65%</u>
Employers' net OPEB liability (asset)	\$ <u>1,366,565</u>	\$ <u>1,265,787</u>	\$ <u>1,176,390</u>

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 8: Post Retirement Plans – OPEB (Continued)

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

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

	1% Decrease 4.00%	Healthcare Cost Trend Rates 5.00%	1% Increase 6.00%
Employers' net OPEB liability (asset)	\$ <u>1,154,384</u>	\$ <u>1,265,787</u>	\$ <u>1,390,749</u>

OPEB Expense

For the year ended June 30, 2023, the College recognized OPEB expense of \$25,886. The College also reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,447	\$ 953,454
Changes of assumptions	<u>309,259</u>	<u>206,241</u>
Total	\$ <u>321,706</u>	\$ <u>1,159,695</u>

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

2024	\$ (116,174)
2025	(116,174)
2026	(116,174)
2027	(116,174)
2028	(116,174)
Thereafter	<u>(257,119)</u>
Total	\$ <u>(837,989)</u>

Note 9: Related Party Transactions

The Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in carrying out its activities. The Foundation paid \$1,200 to the College for the services received and \$36,186 for management services for the year ended June 30, 2023.

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 10: Commitments and Contingencies

Federal Awards

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

The College participates in the Federal Direct Student Loan Program (Direct Loan Program). The Direct Loan Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the year ended June 30, 2023, approximately \$1,564,000 of Direct Loan Program loans were provided to college students.

Other

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2023, that management believes would result in a material loss to the College in the event of an adverse outcome.

Note 11: Risk Management

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

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

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

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

**Notes to the Financial Statements
For the year ended June 30, 2023**

Note 12: Eastern Oklahoma State College Development Foundation, Inc.

Note A: Summary of Significant Accounting Policies

Nature of Operations

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

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

Basis of Presentation

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

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

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

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

Cash and Cash Equivalents

The Foundation defines cash and cash equivalents to be all cash and certificates of deposit with original maturities of three months or less. Cash equivalents of \$423,167 as of June 30, 2023, held in financial institutions.

Investments

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

Contributions

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

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Eastern Oklahoma State College Development Foundation, Inc. (Continued)

Note A: Summary of Significant Accounting Policies (Continued)

Tax Status

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

Concentrations of Credit Risk

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

Management Estimates

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

Note B: Cash and Cash Equivalents

The Foundation maintains several bank accounts. The table below is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured at June 30, 2023 and 2022. 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.

Type of Deposits	Total Bank Balance	Custody (Category 1)	Credit Risk (Category 2)	Uninsured (Category 3)
June 30, 2023				
<u>Demand Deposits</u>				
BankFirst	\$ 204,314	\$ 204,314	\$ -	\$ -
Community State Bank	127,747	127,747	-	-
First National Bank	91,106	91,106	-	-
Total Deposits	<u>\$ 423,167</u>	<u>\$ 423,167</u>	<u>\$ -</u>	<u>\$ -</u>

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Eastern Oklahoma State College Development Foundation, Inc. (Continued)

Note C: Investments

Investments consist of the following at June 30, 2023:

<i>Investments</i>	Cost	Fair Value
Equity funds	\$ 2,667,545	\$ 3,117,193
Fixed income funds	1,785,348	1,578,934
Alternative investments	570,103	607,167
Certificate of deposit	235,541	235,541
Money market funds	322,533	322,533
Total	<u>\$ 5,581,070</u>	<u>\$ 5,861,368</u>

Investment income consists of the following:

	2023
Interest and dividend income	\$ 123,691
Realized gains	38,687
Unrealized gains	382,893
Investment management fees	(24,457)
Total	<u>\$ 520,814</u>

Note D: Related Party Transactions

Based upon an exchange of service agreement, the Foundation pays the College for the necessary staffing, office space, furniture, equipment, utilities, telephone and technology services. Thus, the Foundation has no employees or fixed assets at June 30, 2023.

Note E: Fair Value Measurements

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

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

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

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

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Eastern Oklahoma State College Development Foundation, Inc. (Continued)

Note E: Fair Value Measurements (Continued)

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

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

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

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

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

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements at fair value on a recurring basis and the level within the fair market value hierarchy in which the fair value measurements fall at June 30, 2023.

	2023			Total
	Level 1	Level 2	Level 3	
Investments				
Equity funds	\$ 3,117,193	\$ -	\$ -	\$ 3,117,193
Fixed income funds	1,578,934	-	-	1,578,934
Alternative investments	607,167	-	-	607,167
Certificate of deposits	-	235,541	-	235,541
Money market funds	322,533	-	-	322,533
	<u>\$ 5,625,827</u>	<u>\$ 235,541</u>	<u>\$ -</u>	<u>\$ 5,861,368</u>

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

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

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Eastern Oklahoma State College Development Foundation, Inc. (Continued)

Note F: Net Assets

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

	<u>2023</u>
Scholarships	\$ 1,072,256
College support	<u>1,275,083</u>
Total	<u>\$ 2,347,339</u>

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

	<u>2023</u>
Scholarships	\$ 3,441,361
Total	<u>\$ 3,441,361</u>

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

	<u>2023</u>
Scholarships	\$ 418,237
College support	<u>447,729</u>
Total	<u>\$ 865,966</u>

Note G: Endowments

The Foundation endowments consist of 226 individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Regents to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

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

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

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Eastern Oklahoma State College Development Foundation, Inc. (Continued)

Note G: Endowments (Continued)

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 Regents, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

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

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 4,513,615	\$ 4,513,615
Board-designated endowment funds	-	-	-
Total endowment funds	<u>\$ -</u>	<u>\$ 4,513,615</u>	<u>\$ 4,513,615</u>

Changes in Endowment Net Assets for the year ending June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 3,697,692	\$ 3,697,692
Investment return	-	337,820	337,820
Contributions	-	604,245	604,245
Appropriation of endowment assets for expenditure	-	(126,142)	(126,142)
Total endowment funds	<u>\$ -</u>	<u>\$ 4,513,615</u>	<u>\$ 4,513,615</u>

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

Notes to the Financial Statements
For the year ended June 30, 2023

Note 12: Eastern Oklahoma State College Development Foundation, Inc. (Continued)

Note H: Liquidity and Availability of Financial Assets

The Foundation manages its liquid resources by focusing on fundraising efforts to ensure that it has adequate contributions to cover the programs that are being conducted. The table below reflects the Foundation's financial assets, as of June 30, 2023, expected to be available within one year to meet the cash needs for general expenditures.

	<u>2023</u>
Financial Assets	
Cash and cash equivalents	\$ 417,917
Investments	<u>5,861,368</u>
	<u>6,279,285</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions subject to expenditures	
Donor restriction for scholarship	1,072,256
Donor restriction for college support	1,275,083
Donor-imposed restrictions not subject to appropriations or expenditures	
Donor restriction for scholarships	<u>3,441,361</u>
	<u>5,788,700</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>490,585</u>

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

**Notes to the Financial Statements
For the year ended June 30, 2023**

Required Supplementary Information

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023
College's proportion of the net pension liability	0.2262%	0.2252%	0.2078%	0.2111%	0.2039%	0.1900%	0.1952%	0.1834%	0.1713%
College's proportionate share of the net pension liability	\$ 12,171,485	\$ 13,674,951	\$ 17,341,303	\$ 13,980,193	\$ 12,324,270	\$ 12,579,132	\$ 18,526,482	\$ 9,371,124	\$ 14,062,028
College's covered payroll	\$ 8,599,447	\$ 8,728,536	\$ 8,322,346	\$ 8,130,782	\$ 8,040,984	\$ 8,084,613	\$ 8,443,761	\$ 8,291,434	\$ 8,424,550
College's proportionate share of the net pension liability as a percentage of its covered payroll	142%	157%	208%	172%	153%	156%	219%	113%	167%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%	69.32%	72.74%	71.56%	63.47%	80.80%	70.05%

*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

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 Medical 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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 949,012	\$ 915,049	\$ 877,121	\$ 872,873	\$ 896,693
Contributions in relation to the contractually required contribution	<u>949,012</u>	<u>915,049</u>	<u>877,121</u>	<u>872,873</u>	<u>896,693</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 8,443,761	\$ 8,291,434	\$ 8,130,782	\$ 8,040,984	\$ 8,084,613
Contributions as a percentage of covered payroll	11.24%	11.04%	10.79%	10.86%	11.09%
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
Contractually required contribution	\$ 949,012	\$ 915,049	\$ 918,249	\$ 897,216	
Contributions in relation to the contractually required contribution	<u>949,012</u>	<u>915,049</u>	<u>918,249</u>	<u>897,216</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
College's covered payroll	\$ 8,443,761	\$ 8,291,434	\$ 8,424,550	\$ 8,142,158	
Contributions as a percentage of covered payroll	11.24%	11.04%	10.90%	11.02%	

Notes to Schedule:

Employer contributions rate: 9.50%

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

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

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

	2017	2018	2019	2020	2021	2022	2023
Beginning net pension liability	\$ 264,248	\$ 259,235	\$ 235,608	\$ 228,858	\$ 220,110	\$ 198,852	\$ 192,812
Interest	9,460	7,907	9,142	7,964	4,930	4,490	6,845
Change of assumptions	7,547	(11,638)	5,049	14,854	3,699	(5,014)	(678)
Difference between actual and expected experience	6,341	8,465	7,420	(3,205)	(1,526)	22,845	(1,007)
Benefit payments	(28,361)	(28,361)	(28,361)	(28,361)	(28,361)	(28,361)	(28,361)
Ending net pension liability	<u>\$ 259,235</u>	<u>\$ 235,608</u>	<u>\$ 228,858</u>	<u>\$ 220,110</u>	<u>\$ 198,852</u>	<u>\$ 192,812</u>	<u>\$ 169,611</u>
Discount rate used	3.05%	3.88%	3.43%	2.21%	3.05%	3.55%	3.65%

Notes to Schedule:

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

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

	2018	2019	2020	2021	2022	2023
College's proportion of the net OPEB liability (asset)	0.2111%	0.2039%	0.1900%	0.1952%	0.1834%	0.1713%
College's proportionate share of the net OPEB liability (asset)	\$ (94,157)	\$ (131,778)	\$ (117,500)	\$ (19,341)	\$ (233,637)	\$ (80,236)
College's covered payroll	\$ 8,130,782	\$ 8,040,984	\$ 8,084,613	\$ 8,443,761	\$ 8,291,434	\$ 8,424,550
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.16%	-1.64%	-1.45%	-0.23%	-2.82%	-1.16%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%	115.41%	115.07%	102.30%	129.91%	110.31%

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

Notes to Schedule:

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 13,860	\$ 6,048	\$ 1,788	\$ 1,724	\$ 11,350	\$ 10,062
Contributions in relation to the contractually required contribution	<u>13,860</u>	<u>6,048</u>	<u>1,788</u>	<u>1,724</u>	<u>11,350</u>	<u>10,062</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 8,040,984	\$ 8,084,613	\$ 8,443,761	\$ 8,291,434	\$ 8,424,550	\$ 8,142,158
Contributions as a percentage of covered payroll	0.17%	0.07%	0.02%	0.02%	0.13%	0.12%

Notes to Schedule:

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

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

	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	\$ 284,427	\$ 142,516	\$ 122,189	\$ 130,320	\$ 124,358	\$ 95,841
Interest	65,045	56,748	33,141	28,184	30,239	46,220
Changes in assumptions	(131,852)	11,189	405,118	26,487	(151,588)	(78,882)
Differences between expected and actual experience	(833,844)	(638,622)	(40,326)	15,840	(35,846)	(9,545)
Benefit payments, including refunds of member contributions	(53,817)	(68,203)	(91,756)	(113,124)	(147,475)	(89,817)
Net change in total OPEB liability	<u>(670,041)</u>	<u>(496,372)</u>	<u>428,366</u>	<u>87,707</u>	<u>(180,312)</u>	<u>(36,183)</u>
Total OPEB liability - <i>Beginning</i>	2,132,622	1,462,581	966,209	1,394,575	1,482,282	1,301,970
Total OPEB liability - <i>Ending (a)</i>	<u>\$ 1,462,581</u>	<u>\$ 966,209</u>	<u>\$ 1,394,575</u>	<u>\$ 1,482,282</u>	<u>\$ 1,301,970</u>	<u>\$ 1,265,787</u>
Covered employee payroll	\$ 8,040,984	\$ 8,084,613	\$ 8,443,761	\$ 5,914,842	\$ 6,268,122	\$ 6,268,122
Net OPEB liability (asset) as a percentage of covered - employee payroll	18.19%	11.95%	16.52%	25.06%	20.77%	20.19%
Discount Rate used	3.88%	3.43%	2.21%	2.04%	2.04%	3.65%

Notes to Schedule:

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



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

To the Board of Regents
Eastern Oklahoma State College
Wilburton, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Eastern Oklahoma State College (the "College"), collectively a component unit of the State of Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 31, 2023. Our report includes a reference to the financial statements of Eastern Oklahoma State Development Foundation, Inc. (the "Foundation"), as described in our report on the College's financial statements. The financial statements of the Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Report on 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on 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*.

College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates PC.

Edmond, Oklahoma
October 31, 2023





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

To the Board of Regents
Eastern Oklahoma State College
Wilburton, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Eastern Oklahoma State College's (the "College") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of College's major federal programs for the year ended June 30, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate,

it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



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

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

We have audited the financial statements of the College as indicated in the table of contents of the accompanying report as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 31, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates PC

Edmond, Oklahoma
October 31, 2023



EASTERN OKLAHOMA STATE COLLEGE
(a Component Unit of the State of Oklahoma)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Cluster/Program	Federal Agency/ Pass-Through Entity	AL Number	Grant number	Amount Expended
Student Financial Aid Cluster:				
Federal Pell Grant	U.S. Department of Education	84.063		\$ 2,622,465
Federal Supplemental Education Opportunity Grant (SEOG)	U.S. Department of Education	84.007		119,879
Federal Work Study (FY23)	U.S. Department of Education	84.033		62,812
Direct Lending-Subsidized Loans	U.S. Department of Education	84.268		670,928
Direct Lending-Unsubsidized Loans	U.S. Department of Education	84.268		812,745
Direct Lending-Direct Plus Loans	U.S. Department of Education	84.268		80,658
Total Direct Lending				1,564,331
Total Student Financial Aid Cluster				4,369,487
Other Federal Programs:				
Mine Safety Grant	U.S. Department of Labor passed through	17.600		105,720
Mine Safety Grant	State of Oklahoma Mine Health and	17.600		293,024
Total Mine Safety Grant	Safety Administration			398,744
NASNTI - Academic Excellence	U.S. Department of Education	84.031X	P031X200012	58,600
NASNTI - Academic Excellence	U.S. Department of Education	84.031X	P031X200012	254,468
Total NASNTI				313,068
Student Support Services	U.S. Department of Education	84.042	P042A200703	55,546
Student Support Services	U.S. Department of Education	84.042	P042A200703	284,984
Total Student Support Services				340,530
Carl Perkins Vo-Tech	U.S. Department of Educations passed			
Carl Perkins Vo-Tech	through Oklahoma Department of	84.048		35,094
Total Carl Perkins Vo-Tech	Vocational Education			35,094
CARES#1 - Student	U.S. Department of Education	84.425E	P425E203035	590
CARES#2 - Student CRRSAA	U.S. Department of Education	84.425E	P425E203035	492
CARES#3 - Student ARP	U.S. Department of Education	84.425E	P425E203035	14,538
Total CARES Student				15,620
CARES#2 - Institutional CRRSAA	U.S. Department of Education	84.425F	P425F202150	4,272
CARES#3 - Institutional ARP	U.S. Department of Education	84.425F	P425F202150	332,030
Total CARES Institutional				336,302
CARES#3 - Strengthening Inst ARP	U.S. Department of Education	84.425L	P425L200669	214,923
Total CARES Strengthening Insitution				214,923
CARES SSARP	U.S. Department of Education	84.425T		204,177
				204,177
Gear Up 3	U.S. Department of Education	84.334	P334A170103	619,103
Gear Up 3	U.S. Department of Education	84.334	P334A170103	1,733,095
Total Gear Up For Success				2,352,198
Small Business Development	U.S. Small Business Administration	59.037		18,136
Small Business Development	passed through Southeastern University	59.037		5,930
Total Small Business Development				24,066
ARPA - American Rescue Plan	U.S. Department of Treasury	93.498	SLFRP4646	137,461
Total American Rescue Plan	passed through Health Workforce Comission			137,461
Total Other				4,372,183
Grand Total				\$ 8,741,670

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

Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (“SEFA”) includes the federal grant activity of Eastern Oklahoma State College (the “College”), under programs of the federal government for the year ended June 30, 2023. The information in this SEFA 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 statement of net position, changes in net position, or cash flows of the College.

Note B – Summary of Significant Accounting Policies

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

Note C – Indirect Cost Rate

The College has a Negotiated Indirect Cost Rate. Agreement issued by the U.S. Department of Human services as of January 27, 2020. The negotiated rate of 39% was applied in accordance with the Agreement for the year ended June 30, 2023, except that certain grants limited the rate charged.

Note D – Subrecipients

During the year ended June 30, 2023, the College did not provide federal awards to subrecipients.

Note E – Subsequent Events

The College has evaluated the effects of all subsequent events through October 31, 2023, the date the SEFA was available to be issued, for potential recognition or disclosure in the SEFA. The College is not aware of any subsequent events which would require recognition or disclosure in the SEFA.

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

**Schedule of Findings and Questioned Costs
For the year ended June 30, 2023**

Section I – Summary of Auditor’s Results

Financial statements

Type of auditor’s report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

Program	Federal AL Number
Student Financial Aid Cluster (SFA)	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

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

**Schedule of Findings and Questioned Costs
For the year ended June 30, 2023**

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

A. Internal Control Findings

Finding 2023-001 – Schedule of Expenditures of Financial Awards

Criteria: The schedule of expenditures of financial awards (SEFA) identifies assistance listing numbers of the specific programs in which the College expended during the fiscal year. All federal expenditures incurred should be accurately reflected on the SEFA.

Condition: A federal programs assistance listing number was improperly reflected on the SEFA versus the grant award received by the U.S. Department of Education. Also, a federal program which was passed through the State of Oklahoma to the College was originally excluded from the SEFA, as the costs were incorrectly treated as spending of state funds.

Cause and Effect: The Finance Office had a Grants Manager position unfilled during the financial statement reporting close out period. As a result, the SEFA was prepared and reviewed by the same individual. Due to a second level review, an incorrect assistance listing number was reported on the initial SEFA and was not checked against the grant award letter. Additionally, federal and state awards were reconciled to revenue sources, however, roughly \$137,000 in federal spending was improperly reported as state expenditures even though the related revenues were appropriately recorded as federal revenues.

Recommendation: We recommend that management fills the Grants Manager position and implements a second level review by the appropriate Finance Office personnel to ensure accurate assistance listing numbers are being reported and that the SEFA is appropriately reflecting all federal spending.

Management Response: Management agrees the federal grant was reported incorrectly as state funds instead of federal funds on the initial SEFA. This error did not have any impact on how the revenue was recorded.

B. Compliance Findings

No findings to report as of June 30, 2023

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

**Schedule of Findings and Questioned Costs
For the year ended June 30, 2023**

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

A. Internal Control Findings

No findings to report as of June 30, 2023

B. Compliance Findings

Finding 2023-002 – Direct Subsidized Loans Eligibility

Criteria: Per 2 CFR Part 200 Appendix A, Section IV of the Uniform Guidance; Student Financial Assistance (SFA) Programs, the determination of need based SFA award amounts is based on financial need. Financial need is defined as the student’s cost of attendance (COA) minus the student’s expected family contribution (EFC) (as computed by the central processor and included on the student’s SAR/ISIR). Once a student is awarded any financial aid, to find remaining financial need one would use the following formula – COA minus EFC minus Estimated Financial Assistance (EFA) (§ 668.2) equals remaining need. To avoid overpayments, need-based SFA awards cannot exceed the student’s overall financial need.

Condition: A student received a direct subsidized loan despite showing no financial need, as the student’s EFC was higher than the student’s COA. The student’s EFC was determined to be \$24,282, whereas their COA was \$20,686. Despite no financial need existing, the student was awarded a direct subsidized loan of \$3,500, resulting in an over award.

Cause and Effect: As a result of inadequate reviews of student’s financial need during the application process, the College awarded a direct subsidized loan to an ineligible student as no EFA existed for this individual.

Recommendation: We recommend that management implements a more thorough review of individual student files before distribution of direct subsidized loans and other need based SFA awards. This review process should include a careful examination of each student’s EFC and COA to ensure that only eligible students receive need-based aid.

Management Response: Management agrees this student had an incorrect type of loan awarded. Based off the students EFC number the loan should have been an unsubsidized loan and not the subsidized loan. The Financial Aid office will make the corrections of the loan type to the student’s account. Financial Aid will add an internal control process to ensure there is a second verification of student federal loans in place.

Schedule of Findings and Questioned Costs
For the year ended June 30, 2023

Section III – Findings Required to be Reported in Accordance with the Uniform Guidance (Continued):

Finding 2023-003 – Federal Pell Grant Enrollment Status

Criteria: The Payment and Disbursement Schedules established by the U.S. Department of Education sets forth the determining amounts of Pell awards. The Payment Schedule provides the maximum scheduled award a student would receive for a full academic year as a full-time student based on their EFC and COA. The Disbursement Schedules are used to determine annual awards for full-time, three-quarter time, half-time, and less-than-half-time students. The 34 CFR 668.2(b) states, for a program that measures progress in credit hours and uses standard terms (semesters, trimesters, or quarters), 12 semester hours or 12 quarter hours per academic term as a full-time student.

Condition: A qualifying student was awarded a Federal Pell Grant for the Fall semester as a full-time student. Upon review of the student’s transcript, it showed the student was enrolled in 10 credit hours, categorizing the student as a three-quarter time student, therefore, an over award of Pell occurred.

Cause and Effect: When a student’s withdrawal from a course is prior to the census date in the College’s student management system, the dropped course noted per the Registrar’s office will automatically remove the credit hours for the course dropped. If, however, this occurs after the census date, a manual adjustment to the enrollment credits screen is required. Although the dropped course was appropriately reflected for financial aid, direct loans, and Title IV, it was overlooked in the student management system for Pell credits. As a result, an over awarded occurred as the student was treated as full time rather than as three quarters time for Pell.

Recommendation: We recommend that management reconciles student transcripts final credit hours to the credit hours noted in the student management system to ensure awarded Pell grants are at the appropriate amount.

Management Response: We concur with this finding and have reinforced with enrollment staff the internal control procedures to ensure the proper process is followed for students who withdraw or are considered no-shows. The enterprise management system for the College should adjust the credit hours for all dropped courses. Due to the student being administratively withdrawn after the last day to drop courses our system did not adjust these courses from the student financial aid aspect. We are aware of this and working toward ensuring this does not occur in the future. We will be scheduling additional training with our system in the upcoming year address this.

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

**Summary Schedule of Prior Audit Findings
For the year ended June 30, 2023**

Section II – Financial Statement Findings

A. Compliance Findings

None noted in prior year audit.

B. Internal Control Findings

None noted in prior year audit.

SECTION III – Federal Awards Findings and Questioned Costs

A. Compliance Findings

None noted in prior year audit.

B. Internal Control Findings

None noted in prior year audit.