

**OKLAHOMA STATE REGENTS  
FOR HIGHER EDUCATION**

**June 30, 2021**

# OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

June 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

Coordinating Board of Control  
Oklahoma State Regents for Higher Education  
Oklahoma City, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Oklahoma State Regents for Higher Education ("OSRHE"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise OSRHE's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of OSRHE, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension exhibits, and other post employment insurance benefits exhibits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OSRHE's basic financial statements. The cost center statement of net position and statement of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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.

The cost center statement of net position and statement of revenues, expenses, and changes in net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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. The cost center statement of net position and statement of revenues, expenses, and changes in net position have been prepared on the modified accrual basis of accounting as described in the notes to supplemental information. These statements do not recognize pension and other post-employment benefit liabilities. In our opinion, cost center statement of net position and statement of revenues, expenses, and

changes in net position are not fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America. However, in our opinion, the cost center statement of net position and statement of revenues, expenses, and changes in net position are fairly stated, in all material respects with the basis of accounting described in the notes to supplemental information, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 on our consideration of OSRHE'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 OSRHE's internal control over financial reporting and compliance.

*Arledge & Associates, P.C.*

October 29, 2021

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

This discussion and analysis of the Oklahoma State Regents for Higher Education (the Regents) financial statements provides an overview of the Regents' financial performance during the year ended June 30, 2021. Since the Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting changes, and current known facts, please read it in conjunction with the Regents' basic financial statements and the footnotes. Comparative analysis of financial data is presented along with an explanation of significant changes.

The Regents determined the federal student loan reserve fund meets the requirements of GASB 34 regarding assets held in a trustee or agency capacity for the benefit of others, and as such, should be presented as a fiduciary fund. The Regents reported the Oklahoma State Regents for Higher Education Supplemental Retirement Plan (OSRHE Supplemental Retirement Plan) and the Oklahoma State Regents for Higher Education Retiree Medical Plan (OSRHE Retiree Medical Plan) as fiduciary funds. The assets of these two plans are held in a trustee or agency capacity for the benefit of others. Also, the Regents determined that under GASB 34, the Regents' Endowment Fund and William P. Willis Trust Fund are properly classified as permanent funds.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2021, the Regents' business-type activities net position increased to \$171,152,979 from \$135,424,310 at June 30, 2020.
- Total recognized operating and non-operating revenues in the Regents' business-type activities decreased by \$36,456,481 primarily due to decreases in state appropriations of \$33,098,331 and \$6,953,154 in other state income.
- Total operating and non-operating expenses in the Regents' business-type activities decreased by \$32,275,290 primarily due to a decrease of \$29,879,175 in payments to system institutions.
- The governmental activities experienced a positive return on investment of \$243,020,371 in fiscal year 2021, compared to a negative return on investment of \$4,620,233 in fiscal year 2020, a difference of \$247,640,604. During Fiscal Year 2021, the Endowment Fund benefitted from the relative outperformance of International Equity, Opportunistic Fixed Income and Private Equity. Allocations to value and small-cap bias strategies, and an overweight to emerging market contributed to performance within the public equity allocation. On an absolute basis, the US Equity and Private Equity Composites drove performance over the trailing 1-year period, returning 42.2% and 51.3% respectively.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**USING THIS REPORT**

This discussion and analysis are intended to serve as an introduction to the Regents' basic financial statements. The basic financial statements are comprised of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. A brief description of the basic financial statements follows.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements consist of a statement of net position and a statement of activities. The statement of net position presents information on the Regents' assets and liabilities with the difference being reported as net position. Increases or decreases in net position over time may serve as an indicator of whether the financial position of the Regents is improving or deteriorating. The statement of activities presents information on the Regents' activities as a whole to demonstrate the extent of changes in financial position as a result of the year's activities. When revenues exceed expenses, the result is an increase in net position, and when the reverse occurs, the result is a decrease in net position.

The Regents' governmental fund and proprietary funds are included in the government-wide financial statements. The fiduciary fund is not included in the government-wide financial statements.

**FUND FINANCIAL STATEMENTS**

Fund financial statements are organized in a group of related funds which are considered to be separate accounting entities. The Regents' fund groupings include governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds:** The Regents' Endowment Trust Fund and William P. Willis Trust Fund are reported as major governmental funds. The Endowment Trust Fund is a permanent fund established to support the establishment of faculty chairs, professorships and lectureships at system institutions. William P. Willis Trust Fund is for the purpose of providing scholarships to low-income, full-time undergraduates attending institutions in the Oklahoma State System of Higher Education.

*Governmental Funds Financial Statements* – Governmental funds are essentially used to account for the same functions as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, the Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

*Governmental Funds Financial Statements (continued)*

They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This is known as using the flow of current financial resources measurement focus approach and the modified accrual basis of accounting. These statements provide a detailed short-term view of the state's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the state.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances both provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented immediately following each Governmental Fund Financial Statement.

Proprietary Funds: The Regents' proprietary fund includes operations from the Oklahoma College Assistance Program ("OCAP"), OneNet, and the Regents' other cost centers.

*Proprietary Funds Financial Statements* – These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting. Proprietary fund financial statements consist of three reports: The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The purpose of the Statement of Net Position is to report the financial position of the fund at a point in time, the report date. The difference between assets and liabilities is a way to measure the Regents' financial health, or financial position. The Statement of Revenues, Expenses, and Changes in Net Position reports information on the Regents' activities as a whole to demonstrate the magnitude of changes in the Regents' financial position as a result of the year's activities. When revenues exceed expenses, the result is an increase in net position, and when the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the Regents' operating results.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

*Proprietary Funds Financial Statements (continued)*

The Statement of Cash Flows presents the Regents' flows of cash by defined categories. The primary purpose of the Statement of Cash Flows is to provide information about the Regents' cash receipts and disbursements during the year.

**Fiduciary Funds:** These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of these funds are not available to support the state's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting. The OCAP federal student loan reserve fund is reported as a fiduciary fund. This fund is used to account for the assets, liabilities, revenues, and expenses administered on behalf of the Federal government. The Regents' Supplemental Retirement Plan and Retiree Medical Plan are reported as fiduciary funds to account for assets held in a trustee or agency capacity for the benefit of agency employees.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**FINANCIAL ANALYSIS OF THE REGENTS' GOVERNMENT WIDE ACTIVITIES**

The following schedules are prepared from the Regents' government-wide financial statements. The statements are presented on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

**Condensed Statement of Net Position**  
**June 30,**

|                                              | Governmental Activities |                       | Business-Type Activities |                       | Total                 |                       |
|----------------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|                                              | 2021                    | 2020                  | 2021                     | 2020                  | 2021                  | 2020                  |
| Current assets                               | \$ 23,221,913           | \$ 8,299,976          | \$ 203,202,252           | \$ 163,727,655        | \$ 226,424,165        | \$ 172,027,631        |
| Capital assets                               | -                       | -                     | 11,272,870               | 12,381,787            | 11,272,870            | 12,381,787            |
| Other noncurrent assets                      | <u>919,153,654</u>      | <u>720,182,461</u>    | <u>108,627</u>           | <u>309,326</u>        | <u>919,262,281</u>    | <u>720,491,787</u>    |
| Total assets                                 | 942,375,567             | 728,482,437           | 214,583,749              | 176,418,768           | 1,156,959,316         | 904,901,205           |
| Deferred outflow related to pension and OPEB |                         |                       | 15,321,168               | 8,712,593             | 15,321,168            | 8,712,593             |
| Current liabilities                          | 46,141,241              | 41,688,172            | 7,658,221                | 6,051,767             | 53,799,462            | 47,739,939            |
| Noncurrent liabilities                       | <u>72,660,000</u>       | <u>79,820,000</u>     | <u>33,770,966</u>        | <u>26,184,168</u>     | <u>106,430,966</u>    | <u>106,004,168</u>    |
| Total liabilities                            | 118,801,241             | 121,508,172           | 41,429,187               | 32,235,935            | 160,230,428           | 153,744,107           |
| Deferred inflow related to pension and OPEB  | -                       | -                     | 17,322,751               | 16,311,711            | 17,322,751            | 16,311,711            |
| Net position                                 |                         |                       |                          |                       |                       |                       |
| Net Investment in Capital Assets             | -                       | -                     | 10,682,953               | 11,812,618            | 10,682,953            | 11,812,618            |
| Restricted                                   | 823,574,326             | 606,974,265           | 56,991,466               | 56,008,678            | 880,565,792           | 662,982,943           |
| Unrestricted                                 | <u>-</u>                | <u>-</u>              | <u>103,478,560</u>       | <u>67,603,014</u>     | <u>103,478,560</u>    | <u>67,603,014</u>     |
| Total Net Position                           | <u>\$ 823,574,326</u>   | <u>\$ 606,974,265</u> | <u>\$ 171,152,979</u>    | <u>\$ 135,424,310</u> | <u>\$ 994,727,305</u> | <u>\$ 742,398,575</u> |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**FINANCIAL ANALYSIS OF THE REGENTS' GOVERNMENT WIDE ACTIVITIES**

(continued)

Condensed Statement of Activities  
Years ended

|                                                                    | Governmental Activities |                | Business-Type Activities |                | Total          |                |
|--------------------------------------------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
|                                                                    | 2021                    | 2020           | 2021                     | 2020           | 2021           | 2020           |
| Operating revenues                                                 |                         |                |                          |                |                |                |
| Administrative fees                                                | \$ -                    | \$ -           | \$ 566,381               | \$ 640,255     | \$ 566,381     | \$ 640,255     |
| Default aversion fees                                              | -                       | -              | 237,882                  | 268,555        | 237,882        | 268,555        |
| Default loan collections                                           | -                       | -              | 7,997,772                | 8,019,532      | 7,997,772      | 8,019,532      |
| Grants, contracts and gifts                                        | -                       | -              | 8,106,840                | 7,565,405      | 8,106,840      | 7,565,405      |
| OneNet service fee                                                 | -                       | -              | 23,118,940               | 19,955,757     | 23,118,940     | 19,955,757     |
| Other                                                              | -                       | -              | 1,955,017                | 948,926        | 1,955,017      | 948,926        |
| Nonoperating revenues                                              |                         |                |                          |                |                |                |
| State appropriations                                               | -                       | -              | 768,626,037              | 801,724,368    | 768,626,037    | 801,724,368    |
| Other income/revenue                                               | -                       | -              | 81,244,999               | 88,198,153     | 81,244,999     | 88,198,153     |
| On-behalf OTRS contributions                                       | -                       | -              | 775,394                  | 1,051,133      | 775,394        | 1,051,133      |
| Other                                                              | 56,647                  | 42,030         | -                        | -              | -              | 42,030         |
| Return on investment                                               | 243,020,371             | -              | 2,651,342                | 3,365,000      | 245,671,713    | 3,365,000      |
|                                                                    | 243,077,018             | 42,030         | 895,280,603              | 931,737,084    | 1,138,357,621  | 931,779,114    |
| Operating expenses                                                 |                         |                |                          |                |                |                |
| Personnel and other operating costs                                | 455,928                 | 427,588        | 36,102,406               | 38,012,351     | 36,558,334     | 38,439,939     |
| Communications                                                     | -                       | -              | 12,846,642               | 12,853,343     | 12,846,642     | 12,853,343     |
| Scholarships, tuition and other incentives                         | -                       | -              | 11,841,772               | 12,350,309     | 11,841,772     | 12,350,309     |
| Other                                                              | 4,703,592               | 1,101,502      | -                        | -              | 4,703,592      | 1,101,502      |
| Nonoperating expenses                                              |                         |                |                          |                |                |                |
| Payments to public institutions                                    | 28,180,864              | 23,905,380     | 772,942,300              | 802,821,475    | 801,123,164    | 826,726,855    |
| OCIA on-behalf payments                                            | -                       | -              | 14,266,094               | 14,275,839     | 14,266,094     | 14,275,839     |
| Loss on disposal of capital assets                                 | -                       | -              | -                        | 148            | -              | 148            |
| Loss on investment                                                 | -                       | 4,620,233      | -                        | -              | -              | 4,620,233      |
| Interest expense                                                   | 4,566,422               | 4,879,665      | 122,872                  | 83,911         | 4,689,294      | 4,963,576      |
|                                                                    | 37,906,806              | 34,934,368     | 848,122,086              | 880,397,376    | 886,028,892    | 915,331,744    |
| Net income (loss) before capital appropriations and other revenues | 205,170,212             | (34,892,338)   | 47,158,517               | 51,339,708     | 252,328,729    | 16,447,370     |
| Transfers                                                          | 11,429,849              | 11,423,849     | (11,429,849)             | (11,423,849)   | -              | -              |
| Change in net assets                                               | 216,600,061             | (23,468,489)   | 35,728,669               | 39,915,860     | 252,328,730    | 16,447,371     |
| Net position, beginning                                            | 606,974,265             | 630,442,754    | 135,424,310              | 95,508,450     | 742,398,575    | 725,951,204    |
| Net position, end of year                                          | \$ 823,574,326          | \$ 606,974,265 | \$ 171,152,979           | \$ 135,424,310 | \$ 994,727,305 | \$ 742,398,575 |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

At June 30, 2021, the Regents business-type activities recorded a total of \$80,755,829 in capital assets and \$69,482,959 in accumulated depreciation. During the year ended June 30, 2021, the Regents acquired \$2,781,642 in capital assets of building improvements and equipment. These acquisitions were primarily associated with the expansion of OneNet data communication services.

**Capital Assets, Net**

|                               | 2021                 | 2020                 |
|-------------------------------|----------------------|----------------------|
| Buildings                     | \$ 9,759,297         | \$ 9,593,216         |
| Equipment                     | 70,558,020           | 67,942,459           |
| Motor vehicles                | 438,512              | 438,512              |
| Total                         | 80,755,829           | 77,974,187           |
| Less accumulated depreciation | (69,482,959)         | (65,592,400)         |
| Capital assets, net           | <u>\$ 11,272,870</u> | <u>\$ 12,381,787</u> |

At June 30, 2021, the Regents business-type activities had long-term liabilities of \$34,729,029. The current portion due within one year is \$958,063.

**Long-Term Liabilities**

|                                 | 2021                 | 2020                 |
|---------------------------------|----------------------|----------------------|
| Compensated absences            | \$ 1,773,581         | \$ 1,590,902         |
| Net pension liabilities         | 30,651,381           | 22,859,089           |
| Master equipment leases payable | 2,123,667            | 2,692,834            |
| Unamortized bond premium        | 180,400              | 233,200              |
| Sub-Total long-term liabilities | \$ 34,729,029        | \$ 27,376,025        |
| Less: Due within one year       | (958,063)            | (1,191,857)          |
| Total long-term liabilities     | <u>\$ 33,770,966</u> | <u>\$ 26,184,168</u> |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**FINANCIAL ANALYSIS OF THE REGENTS' PERMANENT FUND**

The following schedules are prepared from the Regents' Permanent Fund basic financial statements. The statements are presented on a modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenses are recorded when a liability is incurred. During the year ended June 30, 2021, total revenues increased by \$243,015,204 compared to June 30, 2020 as result of investment gain of \$243,020,371.

**Regents' Permanent Fund**

|                       | <u>2021</u>                  | <u>2020</u>                  |
|-----------------------|------------------------------|------------------------------|
| Cash and investments  | \$ 937,566,564               | \$ 728,283,981               |
| Receivables           | <u>4,809,003</u>             | <u>198,456</u>               |
| Total assets          | 942,375,567                  | 728,482,437                  |
| <br>Total liabilities | <br><u>38,981,241</u>        | <br><u>34,878,172</u>        |
| Total fund balance    | <u><u>\$ 903,394,326</u></u> | <u><u>\$ 693,604,265</u></u> |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**FINANCIAL ANALYSIS OF THE REGENTS' PERMANENT FUND** *(continued)*

**Changes in Fund Balance**

|                                  | 2021                         | 2020                         |
|----------------------------------|------------------------------|------------------------------|
|                                  | <u>2021</u>                  | <u>2020</u>                  |
| Return on investment             | \$243,020,371                | \$ 19,784                    |
| Other Revenue                    | 56,647                       | 42,030                       |
| Total revenues                   | <u>243,077,018</u>           | <u>61,814</u>                |
| Contractual and other            | 5,159,520                    | 1,529,090                    |
| Lease payments                   | 11,376,422                   | 11,379,665                   |
| Investment Loss                  | -                            | 4,640,017                    |
| Distributions to institutions    | <u>28,180,864</u>            | <u>23,905,380</u>            |
| Total expenditures               | 44,716,806                   | 41,454,152                   |
| Transfers in                     | <u>11,429,849</u>            | <u>11,423,849</u>            |
| Total other financing sources    | 11,429,849                   | 11,423,849                   |
| Change in permanent fund balance | <u><u>\$ 209,790,061</u></u> | <u><u>\$(29,968,489)</u></u> |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**FINANCIAL ANALYSIS OF OCAP FIDUCIARY FUND ACTIVITIES**

The following tables are prepared from OCAP's Fiduciary Fund financial statements. The statements are presented on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred and assets are capitalized and depreciated. During the year ended June 30, 2021, total additions decreased by \$9,738,599 from \$46,078,626 to \$36,340,027. Deductions decreased by \$6,493,409 from \$46,168,760 to \$39,675,351. The decrease in deductions was primarily due to a decrease in default loan purchases and default loan collections due to USDE as a result of the continued decline in the outstanding portfolio. Each of these were also impacted by the COVID-19 National Emergency and the related Federal Student Aid guidance providing repayment moratoriums for student loan borrowers.

**FINANCIAL ANALYSIS OF THE OCAP FIDUCIARY FUND ACTIVITIES**

**Fiduciary Net Position**

|                                      | Year Ended June 30,  |                      |
|--------------------------------------|----------------------|----------------------|
|                                      | <u>2021</u>          | <u>2020</u>          |
| Other assets                         | \$ 18,796,089        | \$ 19,841,137        |
| Total Assets                         | <u>18,796,089</u>    | <u>19,841,137</u>    |
| Deferred outflows of resources       | <u>1,553,827</u>     | <u>1,636,787</u>     |
| Total deferred outflows of resources | <u>1,553,827</u>     | <u>1,636,787</u>     |
| Current Liabilities                  | <u>4,752,736</u>     | <u>2,545,420</u>     |
| Total Liabilities                    | <u>4,752,736</u>     | <u>2,545,420</u>     |
| Restricted net position              | <u>15,597,180</u>    | <u>18,932,504</u>    |
| Total Net Position                   | <u>\$ 15,597,180</u> | <u>\$ 18,932,504</u> |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**FINANCIAL ANALYSIS OF THE OCAP FIDUCIARY FUND ACTIVITIES** *(continued)*

**Changes in Fiduciary Net Position**

|                                  | <u>2021</u>           | <u>2020</u>         |
|----------------------------------|-----------------------|---------------------|
| Federal reinsurance              | \$23,798,373          | \$21,633,569        |
| Loan collections                 | 12,061,901            | 23,721,509          |
| Other additions                  | 479,753               | 723,548             |
| Total Additions                  | <u>\$ 36,340,027</u>  | <u>\$46,078,626</u> |
| <br>Purchase of defaulted loans  | <br>28,900,937        | <br>31,418,056      |
| Loan collections due to USDE     | 10,180,056            | 13,943,405          |
| Other deductions                 | 594,358               | 807,299             |
| Total Deductions                 | <u>39,675,351</u>     | <u>46,168,760</u>   |
| Change in Fiduciary Net Position | <u>\$ (3,335,324)</u> | <u>\$ (90,134)</u>  |

**ECONOMIC FACTORS AND THE REGENTS' FUTURE**

The economic position of the Regents is closely tied to that of the State of Oklahoma. During the 2021 legislative session, the Oklahoma Legislature appropriated \$770,414,742 to the Regents for fiscal year 2021, a decrease of \$31,655,316 compared to the fiscal year 2020 appropriations of \$802,070,058. This represented a 3.95 percent decrease from fiscal year 2020. Approximately, 12.19 percent of the revenue dedicated to appropriations for fiscal year 2021 came from gross production tax revenues.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**CONTACTING THE REGENTS' FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Regents' finances and to show the Regents' accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Oklahoma State Regents for Higher Education, P.O. Box 108850, Oklahoma City, Oklahoma 73101-8850.

STATEMENT OF NET POSITION  
 OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
 June 30, 2021

|                                                    | Governmental<br>Activities | Business-Type<br>Activities | Total          |
|----------------------------------------------------|----------------------------|-----------------------------|----------------|
| <b>ASSETS</b>                                      |                            |                             |                |
| Current Assets                                     |                            |                             |                |
| Cash and cash equivalents                          | \$ -                       | \$ 135,595,564              | \$ 135,595,564 |
| Receivables:                                       |                            |                             |                |
| Accounts receivable                                | -                          | 12,185,682                  | 12,185,682     |
| Interest                                           | -                          | 120,986                     | 120,986        |
| Other assets                                       | -                          | 763,102                     | 763,102        |
| Restricted assets:                                 |                            |                             |                |
| Cash and cash equivalents                          | 18,412,910                 | 50,467,888                  | 68,880,798     |
| Receivables:                                       |                            |                             |                |
| Accounts receivable                                | 4,789,097                  | 53,707                      | 4,842,804      |
| Due from Federal Fund                              | -                          | 3,832,222                   | 3,832,222      |
| Administrative cost allowance                      | -                          | 134,056                     | 134,056        |
| Interest                                           | 19,906                     | 49,045                      | 68,951         |
| Total current assets                               | 23,221,913                 | 203,202,252                 | 226,424,165    |
| Noncurrent Assets                                  |                            |                             |                |
| Investments                                        | 919,153,654                | -                           | 919,153,654    |
| Net OPEB Asset - OTRS                              | -                          | 29,697                      | 29,697         |
| Intangible Asset                                   | -                          | 78,930                      | 78,930         |
| Capital assets, net                                | -                          | 11,272,870                  | 11,272,870     |
| TOTAL ASSETS                                       | 942,375,567                | 214,583,749                 | 1,156,959,316  |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>               |                            |                             |                |
| Deferred outflow related to pension - OTRS         | -                          | 8,742,119                   | 8,742,119      |
| Deferred outflow related to OPEB - OTRS            | -                          | 131,858                     | 131,858        |
| Deferred outflow related to pension - SRA          | -                          | 1,681,285                   | 1,681,285      |
| Deferred outflow related to OPEB - retiree medical | -                          | 4,765,906                   | 4,765,906      |
| TOTAL DEFERRED OUTFLOW OF RESOURCES                | \$ -                       | \$ 15,321,168               | \$ 15,321,168  |

(Continued)

STATEMENT OF NET POSITION - Continued  
 OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
 June 30, 2021

|                                                       | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|-------------------------------------------------------|----------------------------|-----------------------------|-----------------------|
| <b>LIABILITIES</b>                                    |                            |                             |                       |
| Current Liabilities                                   |                            |                             |                       |
| Accounts payable and accrued expenses                 | \$ -                       | \$ 5,604,527                | \$ 5,604,527          |
| Compensated absences                                  | -                          | 291,271                     | 291,271               |
| Master lease payable                                  | -                          | 427,949                     | 427,949               |
| Liabilities payable from restricted assets            |                            |                             |                       |
| Accounts payable and accrued expenses                 | 425,788                    | 472,858                     | 898,646               |
| Compensated absences                                  | -                          | 76,875                      | 76,875                |
| OCIA lease payable                                    | 7,160,000                  | -                           | 7,160,000             |
| Master equipment leases payable                       | -                          | 589,917                     | 589,917               |
| Deposits held in trust for system institutions        | 3,579,127                  | -                           | 3,579,127             |
| Undistributed interest on deposits held in trust      | 34,976,326                 | -                           | 34,976,326            |
| Undistributed state appropriation                     | -                          | 194,824                     | 194,824               |
| Total current liabilities                             | 46,141,241                 | 7,658,221                   | 53,799,462            |
| Noncurrent                                            |                            |                             |                       |
| Compensated absences                                  | -                          | 1,268,886                   | 1,268,886             |
| Master equipment leases payable                       | -                          | 1,533,750                   | 1,533,750             |
| Unamortized bond premium                              | -                          | 180,400                     | 180,400               |
| Noncurrent liabilities payable from restricted assets |                            |                             |                       |
| Compensated absences                                  | -                          | 136,549                     | 136,549               |
| Net OPEB liability - retiree medical                  | -                          | 86,459                      | 86,459                |
| Net pension liability - OTRS                          | -                          | 28,448,868                  | 28,448,868            |
| Net pension liability - SRA                           | -                          | 2,116,054                   | 2,116,054             |
| OCIA lease payable                                    | 72,660,000                 | -                           | 72,660,000            |
| Total noncurrent liabilities                          | 72,660,000                 | 33,770,966                  | 106,430,966           |
| <b>TOTAL LIABILITIES</b>                              | <b>118,801,241</b>         | <b>41,429,187</b>           | <b>160,230,428</b>    |
| <b>DEFERRED INFLOW OF RESOURCES</b>                   |                            |                             |                       |
| Deferred inflow related to pension - OTRS             | -                          | 6,272,088                   | 6,272,088             |
| Deferred inflow related to pension - SRA              | -                          | 405,770                     | 405,770               |
| Deferred inflow related to OPEB - retiree medical     | -                          | 10,558,458                  | 10,558,458            |
| Deferred inflow related to OPEB - OTRS                | -                          | 86,435                      | 86,435                |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>             | <b>-</b>                   | <b>17,322,751</b>           | <b>17,322,751</b>     |
| <b>NET POSITION</b>                                   |                            |                             |                       |
| Net Investment in Capital Assets                      | -                          | 10,682,953                  | 10,682,953            |
| Restricted                                            |                            |                             |                       |
| Educational grants and scholarships                   | -                          | 19,606,296                  | 19,606,296            |
| Oklahoma College Assistance Program                   | -                          | 34,053,664                  | 34,053,664            |
| Endowment - Nonexpendable                             | 823,574,326                | -                           | 823,574,326           |
| Capital Projects                                      | -                          | 3,331,506                   | 3,331,506             |
| Unrestricted                                          | -                          | 103,478,560                 | 103,478,560           |
| <b>TOTAL NET POSITION</b>                             | <b>\$ 823,574,326</b>      | <b>\$ 171,152,979</b>       | <b>\$ 994,727,305</b> |

See notes to financial statements.

STATEMENT OF ACTIVITIES  
OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
Year Ended June 30, 2021

|                                                   | Governmental<br>Activities | Business-Type<br>Activities | Total          |
|---------------------------------------------------|----------------------------|-----------------------------|----------------|
| OPERATING REVENUES                                |                            |                             |                |
| Administrative fees                               | \$ -                       | \$ 566,381                  | \$ 566,381     |
| Default aversion fee                              | -                          | 237,882                     | 237,882        |
| Default loan collections                          | -                          | 7,997,772                   | 7,997,772      |
| Federal grants and contracts                      | -                          | 8,106,840                   | 8,106,840      |
| OneNet service fees                               | -                          | 23,118,940                  | 23,118,940     |
| Other                                             | -                          | 1,955,017                   | 1,955,017      |
| TOTAL OPERATING REVENUES                          | -                          | 41,982,832                  | 41,982,832     |
| OPERATING EXPENSES                                |                            |                             |                |
| Compensation                                      | -                          | 15,399,961                  | 15,399,961     |
| Pension and OPEB expense                          | -                          | 4,182,011                   | 4,182,011      |
| Contractual services                              | 455,928                    | 5,034,840                   | 5,490,768      |
| Communications                                    | -                          | 12,846,642                  | 12,846,642     |
| Scholarships, tuition, and other incentives       | -                          | 11,841,772                  | 11,841,772     |
| Supplies and materials                            | -                          | 419,995                     | 419,995        |
| Other                                             | 4,703,592                  | 7,228,173                   | 11,931,765     |
| Depreciation and amortization                     | -                          | 3,837,426                   | 3,837,426      |
| TOTAL OPERATING EXPENSES                          | 5,159,520                  | 60,790,820                  | 65,950,340     |
| OPERATING INCOME (LOSS)                           | (5,159,520)                | (18,807,988)                | (23,967,508)   |
| NONOPERATING REVENUES (EXPENSES)                  |                            |                             |                |
| State appropriations                              | -                          | 768,626,037                 | 768,626,037    |
| Other state income                                | -                          | 81,244,999                  | 81,244,999     |
| Payments to system institutions                   | (28,180,864)               | (772,942,300)               | (801,123,164)  |
| OCIA on-behalf payments                           | -                          | (14,266,094)                | (14,266,094)   |
| On-behalf TRS contributions                       | -                          | 775,394                     | 775,394        |
| Return on investment                              | 243,020,371                | 2,651,342                   | 245,671,713    |
| Other revenue                                     | 56,647                     | -                           | 56,647         |
| Interest expense                                  | (4,566,422)                | (122,872)                   | (4,689,294)    |
| NET NONOPERATING REVENUES                         | 210,329,732                | 65,966,506                  | 276,296,238    |
| INCOME BEFORE TRANSFERS                           | 205,170,212                | 47,158,518                  | 252,328,730    |
| Transfers - appropriations to permanent endowment | 11,429,849                 | (11,429,849)                | -              |
| CHANGE IN NET POSITION                            | 216,600,061                | 35,728,669                  | 252,328,730    |
| Net position, beginning of year                   | 606,974,265                | 135,424,310                 | 742,398,575    |
| Net position, end of year                         | \$ 823,574,326             | \$ 171,152,979              | \$ 994,727,305 |

See notes to financial statements.

GOVERNMENTAL FUNDS  
BALANCE SHEET  
OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
June 30, 2021

|                                                  | Endowment<br>Fund     | William P. Willis<br>Trust Fund | Total<br>Governmental<br>Funds |
|--------------------------------------------------|-----------------------|---------------------------------|--------------------------------|
| <b>ASSETS</b>                                    |                       |                                 |                                |
| Restricted Assets                                |                       |                                 |                                |
| Cash                                             | \$ 17,632,128         | \$ 780,782                      | \$ 18,412,910                  |
| Investments                                      | 919,153,654           | -                               | 919,153,654                    |
| Other receivables                                | 4,789,097             | -                               | 4,789,097                      |
| Interest receivable                              | 19,906                | -                               | 19,906                         |
| <b>TOTAL ASSETS</b>                              | <b>\$ 941,594,785</b> | <b>\$ 780,782</b>               | <b>\$ 942,375,567</b>          |
| <b>LIABILITIES</b>                               |                       |                                 |                                |
| Deposits held in trust for system institutions   | \$ 3,579,127          | \$ -                            | \$ 3,579,127                   |
| Accounts payable                                 | 425,788               | -                               | 425,788                        |
| Undistributed interest on deposits held in trust | 34,976,326            | -                               | 34,976,326                     |
| <b>TOTAL LIABILITIES</b>                         | <b>38,981,241</b>     | <b>-</b>                        | <b>38,981,241</b>              |
| <b>FUND BALANCE</b>                              |                       |                                 |                                |
| Nonexpendable                                    | 902,613,544           | 780,782                         | 903,394,326                    |
| <b>TOTAL FUND BALANCE</b>                        | <b>902,613,544</b>    | <b>780,782</b>                  | <b>903,394,326</b>             |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>        | <b>\$ 941,594,785</b> | <b>\$ 780,782</b>               | <b>\$ 942,375,567</b>          |

Reconciliation of the Governmental Fund Balance Sheet to the  
Statement of Net Position:

Total fund balance - governmental fund \$ 903,394,326

Amounts reported for governmental activities in the statement of net

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (79,820,000)

Net assets of governmental activities \$ 823,574,326

See notes to financial statements.

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
Year Ended June 30, 2021

|                                      | Endowment<br>Fund | William P. Willis<br>Trust Fund | Total<br>Governmental<br>Funds |
|--------------------------------------|-------------------|---------------------------------|--------------------------------|
| REVENUES                             |                   |                                 |                                |
| Investment gain                      | \$ 243,007,093    | \$ 13,278                       | 243,020,371                    |
| Other                                | 22,647            | 34,000                          | 56,647                         |
| Total revenues                       | 243,029,740       | 47,278                          | 243,077,018                    |
| EXPENDITURES                         |                   |                                 |                                |
| Contractual services                 | 455,928           | -                               | 455,928                        |
| Payments to system institutions      | 28,123,264        | 57,600                          | 28,180,864                     |
| Other                                | 4,703,592         | -                               | 4,703,592                      |
| Principal retirement                 | 6,810,000         | -                               | 6,810,000                      |
| Interest and other financing         | 4,566,422         | -                               | 4,566,422                      |
| Total expenditures                   | 44,659,206        | 57,600                          | 44,716,806                     |
| Excess of revenues over expenditures | 198,370,534       | (10,322)                        | 198,360,212                    |
| OTHER FINANCING SOURCES              |                   |                                 |                                |
| Transfers in - Appropriation         | 11,429,849        | -                               | 11,429,849                     |
| Net change in fund balance           | 209,800,383       | (10,322)                        | 209,790,061                    |
| FUND BALANCE, BEGINNING OF YEAR      | 692,813,161       | 791,104                         | 693,604,265                    |
| FUND BALANCE, END OF YEAR            | \$ 902,613,544    | \$ 780,782                      | \$ 903,394,326                 |

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Net change in fund balance - total governmental funds \$ 209,790,061

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital lease principal payments expensed in fund financial statements are treated as a reduction of outstanding debt in government-wide statements 6,810,000

Change in net assets of governmental activities \$ 216,600,061

See notes to financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
 Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

|                                           |                     |
|-------------------------------------------|---------------------|
| Receipts for collections                  | \$ 4,712,465        |
| Receipts from admin fees                  | 566,381             |
| Receipts from federal government          | 7,722,297           |
| Receipts for OneNet services              | 24,101,543          |
| Receipts from other sources               | (2,964,084)         |
| Receipts for default aversion fee         | 237,882             |
| Payments to suppliers                     | (24,363,199)        |
| Payments to employees                     | (17,448,826)        |
| Payments for scholarships and fellowships | <u>(11,655,578)</u> |
| NET CASH USED IN OPERATING ACTIVITIES     | <u>(19,091,119)</u> |

CASH FLOWS FROM NONCAPITAL  
 FINANCING ACTIVITIES

|                                                         |                      |
|---------------------------------------------------------|----------------------|
| Transfers to other funds                                | (11,429,849)         |
| Receipt of state appropriations                         | 768,820,861          |
| Receipt of other state income                           | 81,244,999           |
| Payments for assistance grants                          | (14,266,094)         |
| Payments to public institutions                         | <u>(772,942,300)</u> |
| NET CASH PROVIDED BY<br>NONCAPITAL FINANCING ACTIVITIES | <u>51,427,617</u>    |

CASH FLOWS FROM CAPITAL AND  
 RELATED FINANCING ACTIVITIES

|                                                              |                    |
|--------------------------------------------------------------|--------------------|
| Acquisition of capital and intangible assets                 | (3,389,944)        |
| Interest paid on leases                                      | <u>(122,872)</u>   |
| NET CASH USED IN CAPITAL AND<br>RELATED FINANCING ACTIVITIES | <u>(3,512,816)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

|                                           |                  |
|-------------------------------------------|------------------|
| Interest received                         | <u>2,745,984</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>2,745,984</u> |

NET CHANGE IN CASH 31,569,666

CASH AND CASH EQUIVALENTS  
 AT BEGINNING OF YEAR

154,493,786

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 186,063,452  
 (Continued)

See notes to financial statements.

STATEMENT OF CASH FLOWS--Continued  
 PROPRIETARY FUND  
 OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
 Year Ended June 30, 2021

RECONCILIATION OF OPERATING LOSS TO  
 NET CASH USED IN OPERATING ACTIVITIES

|                                                                                     |                        |
|-------------------------------------------------------------------------------------|------------------------|
| Operating loss/income                                                               | \$ (18,807,988)        |
| Adjustments to reconcile operating loss to<br>net cash used in operating activities |                        |
| Depreciation and amortization                                                       | 3,837,426              |
| On-behalf contributions to teachers'<br>retirement system                           | 775,394                |
| Changes in operating assets and liabilities                                         |                        |
| Accounts receivable                                                                 | (4,485,829)            |
| Due to Federal fund                                                                 | (3,304,110)            |
| Other assets                                                                        | (130,700)              |
| Net OPEB asset                                                                      | 161,233                |
| Deferred outflow related to pension                                                 | (7,767,980)            |
| Accounts payable and accrued expenses                                               | 1,645,424              |
| Compensated absences                                                                | 182,679                |
| Net pension liability                                                               | 7,792,292              |
| Deferred inflow related to pension                                                  | <u>1,011,040</u>       |
| Total adjustments                                                                   | (283,131)              |
| NET CASH USED IN OPERATING ACTIVITIES                                               | <u>\$ (19,091,119)</u> |

RECONCILIATION OF CASH AND CASH EQUIVALENTS  
 TO STATEMENTS OF NET ASSETS

|                                      |                       |
|--------------------------------------|-----------------------|
| Current Assets                       |                       |
| Cash and cash equivalents            | \$ 135,595,564        |
| Restricted cash and cash equivalents | <u>50,467,888</u>     |
| TOTAL CASH AND CASH EQUIVALENTS      | <u>\$ 186,063,452</u> |

SUPPLEMENTAL NON-CASH ACTIVITY

|                                      |                   |
|--------------------------------------|-------------------|
| Capital assets acquired through debt | <u>\$ 569,167</u> |
|--------------------------------------|-------------------|

See notes to financial statements.

STATEMENT OF FIDUCIARY NET POSITION--FIDUCIARY FUND  
OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
Other Post Employment Benefit Plan  
June 30, 2021

ASSETS

|                           |                   |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 14,925         |
| Investments               | <u>21,836,939</u> |

|              |                      |
|--------------|----------------------|
| TOTAL ASSETS | <u>\$ 21,851,864</u> |
|--------------|----------------------|

NET POSITION

|                                                      |                      |
|------------------------------------------------------|----------------------|
| Held in trust for Other Post Employment Benefit Plan | <u>\$ 21,851,864</u> |
|------------------------------------------------------|----------------------|

|                    |                      |
|--------------------|----------------------|
| TOTAL NET POSITION | <u>\$ 21,851,864</u> |
|--------------------|----------------------|

See notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION--FIDUCIARY FUND  
 OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
 Other Post Employment Benefit Plan  
 Year Ended June 30, 2021

ADDITIONS

|                                                     |    |                  |
|-----------------------------------------------------|----|------------------|
| Contribution from OSRHE                             | \$ | 556,944          |
| Investment income                                   |    |                  |
| Interest and dividend                               |    | 524,480          |
| Net increase (decrease) in fair value of investment |    | 4,622,343        |
| Investment expense                                  |    | (28,379)         |
| Net Investment Income                               |    | <u>5,118,444</u> |
| TOTAL ADDITIONS                                     |    | <u>5,675,388</u> |

DEDUCTIONS

|                         |  |                |
|-------------------------|--|----------------|
| Distribution to members |  | <u>479,906</u> |
| TOTAL DEDUCTIONS        |  | <u>479,906</u> |

CHANGE IN NET POSITION 5,195,482

NET POSITION, BEGINNING OF YEAR 16,656,382

NET POSITION, END OF YEAR \$ 21,851,864

See notes to financial statements.

STATEMENT OF FIDUCIARY NET POSITION--FIDUCIARY FUND  
OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
Supplemental Retirement Plan  
June 30, 2021

ASSETS

|              |                      |
|--------------|----------------------|
| Investments  | \$ 14,993,013        |
| TOTAL ASSETS | <u>\$ 14,993,013</u> |

NET POSITION

|                                                |                      |
|------------------------------------------------|----------------------|
| Held in trust for Supplemental Retirement Plan | \$ 14,993,013        |
| TOTAL NET POSITION                             | <u>\$ 14,993,013</u> |

See notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION--FIDUCIARY FUND  
 OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
 Supplemental Retirement Plan  
 Year Ended June 30, 2021

ADDITIONS

|                         |    |                  |
|-------------------------|----|------------------|
| Contribution from OSRHE | \$ | 240,561          |
| Investment income       |    | <u>3,759,603</u> |
| TOTAL ADDITIONS         |    | 4,000,164        |

DEDUCTIONS

|                         |  |                  |
|-------------------------|--|------------------|
| Distribution to members |  | <u>1,086,850</u> |
| TOTAL DEDUCTIONS        |  | 1,086,850        |

CHANGE IN NET POSITION 2,913,314

NET POSITION, BEGINNING OF YEAR 12,079,699

NET POSITION, END OF YEAR \$ 14,993,013

See notes to financial statements.

# STATEMENT OF FIDUCIARY NET POSITION--FIDUCIARY FUND

## OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

### Federal Fund

June 30, 2021

#### ASSETS

##### CURRENT ASSETS

|                     |               |
|---------------------|---------------|
| Cash                | \$ 16,523,670 |
| Receivables         |               |
| Federal reinsurance | 2,245,459     |
| Loan collections    | 736           |
| Other               | 26,224        |

TOTAL CURRENT ASSETS 18,796,089

TOTAL ASSETS \$ 18,796,089

##### DEFERRED OUTFLOWS OF RESOURCES

|                               |              |
|-------------------------------|--------------|
| Non-reinsured defaulted loans | \$ 1,553,827 |
|-------------------------------|--------------|

TOTAL DEFERRED OUTFLOWS OF RESOURCES \$ 1,553,827

#### LIABILITIES

##### CURRENT LIABILITIES

|                                      |              |
|--------------------------------------|--------------|
| Payable between funds                | \$ 3,832,222 |
| Default loan collections due to USDE | 920,514      |

TOTAL CURRENT LIABILITIES 4,752,736

TOTAL LIABILITIES \$ 4,752,736

##### NET POSITION

|                                      |               |
|--------------------------------------|---------------|
| Held in trust for Federal government | \$ 15,597,180 |
|--------------------------------------|---------------|

TOTAL NET POSITION \$ 15,597,180

See notes to financial statements.

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION--FIDUCIARY FUND

## OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

### Federal Fund

Year Ended June 30, 2021

#### ADDITIONS

|                       |                   |
|-----------------------|-------------------|
| Federal reinsurance   | \$ 23,798,373     |
| Loan collections      | 12,061,901        |
| Default aversion fees | 222,360           |
| Interest income       | <u>257,393</u>    |
| TOTAL ADDITIONS       | <u>36,340,027</u> |

#### DEDUCTIONS

|                                      |                   |
|--------------------------------------|-------------------|
| Purchase of defaulted loans          | 28,900,937        |
| Default loan collections due to USDE | 10,180,056        |
| Default aversion fees                | 213,840           |
| Other deductions                     | <u>380,518</u>    |
| TOTAL DEDUCTIONS                     | <u>39,675,351</u> |

CHANGE IN NET POSITION (3,335,324)

NET POSITION, BEGINNING OF YEAR 18,932,504

NET POSITION, END OF YEAR \$ 15,597,180

See notes to financial statements.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE A--NATURE OF OPERATIONS

Nature of Operations: The Oklahoma State Regents for Higher Education (the Regents) is a component unit included in the financial statements of the State of Oklahoma. The Regents was created by Article XIII-A of the Oklahoma State Constitution in 1941. The Regents serve as the coordinating board of control for The Oklahoma State System of Higher Education (State System) and in this capacity has responsibilities which include the following:

- To prescribe standards of higher education applicable to each constituent institution;
- To determine the functions and courses of study at each of the constituent institutions and ensure that such functions and courses of study conform to the standards prescribed;
- To grant degrees and other forms of academic recognition for completion of the prescribed courses of study in constituent institutions;
- To recommend to the State Legislature budget allocations for each constituent institution;
- To recommend to the State Legislature proposed fees for educational courses at constituent institutions; and,
- To allocate funds, through official resolutions of the Regents, to each constituent institution based on its needs and functions from lump-sum appropriations made by the State Legislature to the Regents.

The Regents sponsor a variety of programs, some of which are as follows:

- *Educational Programs* are established to make higher education available to those persons who cannot otherwise attend an institution of higher education. The funds for these programs are provided from state resources.
- *Student Assistance Programs* are established to aid students in higher education through the use of scholarships, grants, guaranteed loans and contract programs. These programs are funded from both state and federal resources.
- *Complete College American Initiative*, Complete College America (CCA) a comprehensive and ambitious higher education initiative undertaken by the state of Oklahoma. The goal is to increase the number of degrees and certificates earned in Oklahoma by 67 percent by 2023 to meet our state's workforce needs and keep Oklahoma competitive in a global economy.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE A--NATURE OF OPERATIONS (*continued*)

- *The Endowment Trust Fund Program* involves state-appropriated and privately donated funds for the creation of an endowment program to support the establishment of faculty chairs, professorships and lectureships at system institutions.
- *Other Assistance Programs* involve providing certain two-year colleges, regional and research universities with financial assistance. These programs are funded by state resources.

The Regents also operate Oklahoma's telecommunication and information network, known as OneNet. OneNet electronically links public schools, vocational-technical schools, colleges and universities, courts, libraries and local, county, state, tribal and federal government agencies across the state. This network is funded from state resources and user fees.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared as required by generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB"). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

Reporting Entity: The accompanying financial statements include only the accounts for operations and activities directly supervised by the Regents, including its principal offices and core operations, OneNet, and the Oklahoma College Assistance Program (OCAP), all located in Oklahoma City.

Basis of Presentation: The Regents follows GASB Statement No. 34 "*Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*" and related pronouncements in the preparation of its financial statements. Under the provisions of the standard, the Regents is considered a special-purpose government engaged in governmental and business-type activities and are thereby required to provide both government-wide statements and fund financial statements, along with required supplementary information (RSI) that includes management's discussion and analysis (MD&A). The financial statement presentation required by GASB Statement No. 34 and as modified by GASB Statement No. 63 and 65 provides a comprehensive, entity-wide perspective of the Regents' assets, liabilities,

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

deferred flows, net position, revenues, expenses, changes in net position and cash flows. The Regents' fiduciary funds include OCAP Federal Fund, the supplemental retirement plan and other post-retirement benefits plan.

*Government-wide financial statements* – The statement of net position and statement of activities display information about the Regents as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund financial statements* – Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

The Regents reports the following major governmental funds:

*Endowment Trust Fund* – a permanent fund created to support the establishment of faculty chairs, professorships, and lectureships at state system institutions.

*William P. Willis Trust Fund* – a permanent fund established for the purpose of providing scholarships to low-income, full-time undergraduates attending institutions in the state system institutions.

The Regents reports the following major proprietary fund:

*Proprietary Fund* – is an enterprise fund established to facilitate general operations of the Regents, including oversight of constituent institutions, allocation of funding, operation of the OneNet statewide network, operations of OCAP which provides default aversion and collection assistance to lenders for delinquent loans, and a variety of other agency cost center operations.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The Regents report the following fiduciary funds:

*OCAP Federal Fund* – a private-purpose trust fund used to account for assets, liabilities, revenues, and expenses administered on behalf of the Federal government.

*OSRHE Supplemental Retirement Plan* – the purpose of this plan is to provide retirement benefits for the eligible employees who become participants in the plan, and to distribute the funds accumulated in the trust, in accordance with the plan, to the participants and their surviving spouse.

*OSRHE Retiree Medical Plan* – the purpose of this plan is to provide certain medical care benefits, as defined in the Code section 213, to participants in the plan who are eligible retired employees and, to the extent permitted by the terms of the plan, their eligible spouse and dependents.

Measurement Focus and Basis of Accounting: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when a liability is incurred, except for long-term debt principal and interest and accrued compensated absences, which are recorded to the extent they have matured. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Restricted Assets: Certain assets of the Regents are classified as restricted assets because their use is completely restricted by grant agreements or donor-imposed stipulations. Management has adopted the policy to spend restricted funds before the use of unrestricted resources when grant requirements have been met.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Estimation of the accrued pension obligation and other post-employment benefits obligation involves the use of actuarial assumptions, including selection of a discount rate, projected salary increases, and projected annuity increases. Actual results could differ from those estimates.

Investments: Investments are under control of the State Treasurer, the Teachers' Insurance Annuity Association - College Retirement Equities Fund ("TIAA/CREF"), and other various outside investment managers and are recorded at fair value based on reports provided by independent sources as of June 30, 2021. The net change in fair value of investments is recorded as investment return on the statement of revenues, expenses, and changes in net assets and includes the unrealized and realized gains and losses on investments.

Receivables: Receivables consist primarily of funds that are due to the Regents in relation to the operation of the academic programs, OCAP, and OneNet. Major items include conference fees, federal reinsurance on defaulted claims, administrative allowances from the U.S. Department of Education ("USDE"), estimated collectible non-reinsured defaulted loans, and charges by OneNet for internet and other telecommunication services. The estimate of collectible non-reinsured defaulted loans is based on historical recovery experience.

Capital Assets: Capital assets consisting of buildings, equipment and motor vehicles, are recorded at cost (when purchased by the Regents), or at estimated fair value at date of acquisition (when acquired other than by purchase) less accumulated depreciation. Capital assets are defined as long-lived (more than 3 years) assets with initial costs equal to or greater than \$500 for data/telecommunications equipment and software, or greater than \$2,500 for all other long-lived assets.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Depreciation is computed on the straight-line method over the following estimated useful lives:

|                |             |
|----------------|-------------|
| Buildings      | 39 years    |
| Equipment      | 3 – 5 years |
| Motor vehicles | 5 years     |

Expenses that increase values, change capacities, or extend useful lives are capitalized. Routine maintenance, repairs, and renewals are charged to operations. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the period in which the asset is disposed.

Intangible Asset: The OneNet AR system meets the criteria for capitalization as an intangible asset (internally generated computer software) with amortization over five years for financial reporting purposes.

Compensated Absences: Full time employees earn vacation at the rate of 10 hours per month for the first four years of employment, 12 hours per month during the fifth year to the ninth year, 13.33 hours per month during the tenth year to the nineteenth year, and 16.66 hours per month, thereafter. A maximum of 480 hours of vacation may be accrued. The obligation and expenditure incurred during the year are recorded as a liability and an expense as the benefits accrue to employees.

Non-Reinsured Defaulted Loans: OCAP estimates collections on non-reinsured defaulted loans based upon historical recovery experience. The historical collection rate for June 30, 2021 is 64.87%. The non-reinsured defaulted loans are reported in the Federal fund as a deferred outflow of resources.

Income Taxes: The income of the Regents, a political subdivision of the State of Oklahoma, is excluded from federal income tax under Section 115(1) of the Internal Revenue Code.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Cash Equivalents: For purposes of the Statement of Cash Flows, the Regents considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Subsequent Events: The Regents has evaluated subsequent events through October 29, 2021, the date the financial statements were available to be issued.

NOTE C--DEPOSITS AND INVESTMENTS

Deposits: Custodial Credit Risk is the risk that in the event of the failure of a counter party, the Regents will be unable to recover the value of its investments. Deposits are exposed to custodial risk if they are uninsured and uncollateralized. The Regents deposits its funds with the Office of the State Treasurer ("OST") and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the state's name. By Oklahoma Statute, the State Treasurer is required to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the Federal Reserve Bank, or invested in United States government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State Funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. Some deposits with the OST are placed in the OST's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies that are considered part of the State of Oklahoma and invests them in (a) U.S. treasury securities; (b) U.S. agency securities; (c) money market mutual funds; and (d) investments related to tri-party repurchase agreements and other various investments, as allowed by law.

At June 30, 2021, the carrying amount of the Regents' deposits with OST was \$221,000,031. Of the funds on deposit with OST, \$209,360,707 is invested in *OK INVEST*.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS (*continued*)

Agencies that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report and who have funds deposited with the OST may participate in *OK INVEST*. Oklahoma statutes and the OST 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 and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments.

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 ten years. Accordingly, *OK INVEST* maintains a variable net asset value that may fluctuate with changes in the market. *OK INVEST* maintains an overall weighted average maturity of less than 2 years. The main risks of investing in *OK INVEST* 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. Government 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 of Oklahoma, the Federal Deposit Insurance Corporation or any other government agency.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS (*continued*)

Investments:

As of June 30, 2021 the Regents held the following investments by fund type as measured by fair value:

**Investment by fund type as measured at fair value**

|                                                            |                |
|------------------------------------------------------------|----------------|
| Governmental fund - <i>William P. Willis Trust Fund</i>    | \$ 780,782     |
| Governmental fund - <i>Endowment Trust Fund</i>            | \$ 936,785,782 |
| Fiduciary fund - <i>OSRHE Supplemental Retirement Plan</i> | \$ 14,993,013  |
| Fiduciary fund - <i>OSRHE Retiree Medical Plan</i>         | \$ 21,851,864  |

Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quote prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements) as follows:

- Level 1 Unadjusted quoted prices for identical instruments in active markets.
- Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments: Governmental Activities – William P. Willis Trust Fund:

The Regents are designated as Trustees of the William P. Willis Trust Fund [70 O.S., § 2292] which is used to establish and maintain the William P. Willis Scholarship Program for the purpose of providing scholarships to low-income, full-time undergraduates attending institutions within the Oklahoma State System of Higher Education. As of June 30, 2021 this fund's investments of \$780,782 as measured by fair value were held in the OST's internal investment pool *OK INVEST*.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C – DEPOSITS AND INVESTMENTS (*continued*)

Investments: Governmental Activities – Endowment Trust Fund:

In accordance with 70 O.S. § 3951, the Regents are designated as Trustees of the Oklahoma State Regents' Endowment Trust Fund (the "Fund"), a permanent fund used to establish and maintain in perpetuity endowed chairs and professorships at State System institutions, and for any other related activities approved by the Regents to improve the quality of higher education instruction.

The Fund principal consists of monies the Oklahoma Legislature appropriates or transfers to the Regents for the Fund, the proceeds of any obligations issued pursuant to 70 O.S. § 4019 and any monies or assets contributed to the Fund from any other source, public or private. The principal held in the Fund is allocated to established individual public institutions of higher education endowment accounts within the Fund.

The Regents retain a qualified investment consultant to provide advice in selecting investment managers with whom to invest monies of the Fund. An *investment* is a security or other asset that is held primarily for the purpose of income or profit and has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

The investment goal of the Fund is to invest its assets in a manner that will achieve a *total rate of return* sufficient to maintain support of endowed chairs and professorships at State System institutions. To achieve this goal, some investment risk must be taken. In accordance with 70 O.S. § 3954, the Regents minimize such risk through diversification of Fund investments among various financial instruments and asset categories, and uses multiple investment strategies and investment managers. Key decisions in this regard are made by the Fund's investment committee, subject to the Regent's approval, which has oversight responsibility for the Fund's investment program. The committee identifies appropriate asset categories for investments, determines the allocation of assets to each category and approves the investment strategies employed. In making their investment decisions, the Regents exercise the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but with regard to the permanent disposition of their funds, considering the probable safety of their capital as well as the probable income to be derived.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C – DEPOSITS AND INVESTMENTS (*continued*)

Investments: Governmental Activities – Endowment Trust Fund (*continued*):

Investment managers' and consultant fees are paid from the investment proceeds and the net investment return is allocated to each of the respectively designated accounts constituting the principal of the Fund. Expenses incurred by the Regents in the administration of the Fund and the endowment program are paid from monies appropriated for their general operating budget. Total fees are approximately one point four percent (1.40%) of the Fund's investment portfolio as of June 30, 2021.

At the end of each fiscal year, the Regents approve distributions from the Fund to individual public institutions of higher education with established endowment accounts. The distribution rate approximates four and one-half percent (4 1/2%) of the Fund investments' fair values based on a three-year moving average. *Fair value* is defined as the price that the fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between independent market participants in the principal market at the measurement date. Any amount not designated for institution distribution becomes part of the principal of the Fund.

As of June 30, 2021, the Fund held investments of \$936,785,782 as measured by fair value: Of this amount \$919,153,654 is invested with various fund managers and the remaining \$17,632,128 is deposited in the OST's internal investment pool, *OK INVEST*.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS (*continued*)

Investments: Governmental Activities – Endowment Trust Fund (*continued*):

| <i>Governmental activities</i><br><b>Endowment Trust Fund</b> | <b>FAIR VALUE MEASUREMENTS USING</b>    |                                                                         |                                                     |
|---------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------|
|                                                               | Fair Value<br>6/30/2021                 | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) |
|                                                               |                                         |                                                                         | Significant<br>Unobservable<br>Inputs<br>(Level 3)  |
| <b>Investments by fair value level</b>                        |                                         |                                                                         |                                                     |
| Cash/Cash Equivalents                                         |                                         |                                                                         |                                                     |
| <i>Cash/Cash Equivalents</i>                                  | \$ 3,367,163                            | \$ 3,367,163                                                            |                                                     |
| Total Cash/Cash Equivalents                                   | 3,367,163                               | 3,367,163                                                               |                                                     |
| Fixed Income Securities                                       |                                         |                                                                         |                                                     |
| <i>Bonds Funds</i>                                            | 61,691,791                              | 61,691,791                                                              |                                                     |
| Total Fixed Income Securities                                 | 61,691,791                              | 61,691,791                                                              |                                                     |
| Equity Securities                                             |                                         |                                                                         |                                                     |
| <i>Domestic Equity</i>                                        | 244,827,042                             | 244,827,042                                                             |                                                     |
| <i>International Equity</i>                                   | 81,988,439                              | 81,988,439                                                              |                                                     |
| Total Equity Securities                                       | 326,815,481                             | 326,815,481                                                             |                                                     |
| <br>Total investments by fair value level                     | <br><u>\$ 391,874,435</u>               | <br><u>\$ 391,874,435</u>                                               |                                                     |
| <br>                                                          |                                         |                                                                         |                                                     |
| <i>Governmental activities</i><br><b>Endowment Trust Fund</b> | <b>Fair Value<br/>6/30/2021</b>         |                                                                         |                                                     |
| <b>Investments measured at the net asset value (NAV)</b>      |                                         |                                                                         |                                                     |
| Equity                                                        | \$ 134,422,870                          |                                                                         |                                                     |
| Real Assets                                                   | 76,168,949                              |                                                                         |                                                     |
| Private Equity Funds                                          | 213,216,770                             |                                                                         |                                                     |
| Hedge Funds                                                   | 103,470,630                             |                                                                         |                                                     |
| <b>Total investments measured at the NAV</b>                  | <u><b>527,279,219</b></u>               |                                                                         |                                                     |
| <br><b>Internal Investment Pool - OK INVEST</b>               | <br><u><b>17,632,128</b></u>            |                                                                         |                                                     |
| <br><b>Total investments</b>                                  | <br><u><u><b>\$ 936,785,782</b></u></u> |                                                                         |                                                     |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS (*continued*)

Investments: Governmental Activities – Endowment Trust Fund (*continued*):

The Fund also holds investments of \$527,279,219 in limited partnerships, limited liability companies, and investment trusts that are measured at the net asset value (NAV) per share, or its equivalent such as member units or an ownership interest in partners' capital. Because NAV is communicated to the Fund and not publicly available, NAV is being used as a practical expedient for fair value. NAV is established by applying the investee's calculated NAV (or its equivalent) to the Fund's proportionate share of the investee's net assets. This method of determining fair value is permitted by Statement 72 of the Governmental Accounting Standards Board (GASB) - *Fair Value Measurement and Application* if the NAV per share (or its equivalent) of the investment is calculated as of the government's measurement date in a manner generally consistent with the Financial Accounting Standards Board (FASB) Topic 946, *Financial Services—Investment Companies*. The Regents has determined that the NAV per share (or its equivalent) provided by the investees is determined in that manner.

The Fund's Investment Committee, Regents' staff, and Investment Consultant evaluate the investment values provided to the Fund based on a number of factors which include: acquiring an understanding of the investee's underlying investments, strategy, positions, and valuation methodologies; obtaining audited financial statements, third-party valuation reports, and investment administrator transparency reports; and comparing information provided by the fund administrator or Investment Management to other available information such as sector data and indexes. The following table summarizes the Fund's investments of \$527,279,219 measured at fair value based on the NAV as of June 30, 2021.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS *(continued)*

Investments: Governmental Activities – Endowment Trust Fund *(continued)*:

| <i>Governmental activities</i><br><b>Endowment Trust Fund</b>                          | <b>Fair Value</b><br><b>6/30/2021</b> | <b>Unfunded</b><br><b>Commitments</b> | <b>Redemption</b><br><b>Frequency</b> | <b>Redemption</b><br><b>Notice Period</b> |
|----------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------------|
| <b>Investments measured at the net asset value (NAV)</b>                               |                                       |                                       |                                       |                                           |
| Equity                                                                                 |                                       |                                       |                                       |                                           |
| International Equity <sup>(1)</sup>                                                    | \$ 46,019,681                         | 0                                     | Monthly                               | 6-30 Days                                 |
| Global Equity <sup>(2)</sup>                                                           | 88,403,189                            | 0                                     | Monthly - 3 Years                     | 10-90 Days                                |
| Total equity                                                                           | 134,422,870                           |                                       |                                       |                                           |
| Real Assets                                                                            |                                       |                                       |                                       |                                           |
| Illiquid - Real Estate <sup>(3)</sup>                                                  | 40,305,294                            | 39,103,665                            | Illiquid                              | N/A                                       |
| Illiquid - Natural Resources <sup>(4)</sup>                                            | 25,242,674                            | 4,752,886                             | Illiquid                              | N/A                                       |
| Illiquid - Infrastructure <sup>(5)</sup>                                               | 10,620,981                            | 9,244,529                             | Illiquid                              | N/A                                       |
| Total real assets                                                                      | 76,168,949                            |                                       |                                       |                                           |
| Private Equity Funds                                                                   |                                       |                                       |                                       |                                           |
| Venture Capital <sup>(6)</sup>                                                         | 50,735,453                            | 14,644,591                            | Illiquid                              | N/A                                       |
| Special Situations <sup>(7)</sup>                                                      | 18,025,127                            | 18,194,075                            | Illiquid                              | N/A                                       |
| Buyout <sup>(8)</sup>                                                                  | 96,365,295                            | 37,626,334                            | Illiquid                              | N/A                                       |
| Debt /Opportunistic Fixed Income <sup>(9)</sup>                                        | 48,090,895                            | 2,544,455                             | Illiquid                              | N/A                                       |
| Total private equity funds                                                             | 213,216,770                           |                                       |                                       |                                           |
| Hedge Funds                                                                            |                                       |                                       |                                       |                                           |
| Long/Short Equity <sup>(10)</sup>                                                      | 32,018,685                            | 0                                     | Quarterly- 1 Year                     | 45-90 Days                                |
| Event-Driven <sup>(11)</sup>                                                           | 317,329                               | 0                                     | 6 Months                              | 65 Days                                   |
| Global Macro <sup>(12)</sup>                                                           | 39,806                                | 0                                     | Quarterly                             | 90 Days                                   |
| Long/Short Credit <sup>(13)</sup>                                                      | 10,651,809                            | 0                                     | 1 - 2 Years                           | 45-90 Days                                |
| Multi Strategy <sup>(14)</sup>                                                         | 60,443,001                            | 0                                     | Quarterly                             | 60-65 Days                                |
| Total hedge funds                                                                      | 103,470,630                           |                                       |                                       |                                           |
| <b>Total investments measured at the NAV</b>                                           | <b>\$ 527,279,219</b>                 |                                       |                                       |                                           |
| <br><b>Total governmental activities investments at fair value excluding OK INVEST</b> | <br><b>\$ 919,153,654</b>             |                                       |                                       |                                           |

1. *International Equity*. This strategy includes investment trust interests in four (4) funds whose objective is capital appreciation through investing in a diversified portfolio consisting primarily of large and/or small cap equity securities of issuers that are located outside the U.S., or which derive a significant portion of their business or profits outside of the U.S. The major investment categories include - common stock, preferred stock and mutual funds which are valued based on quoted prices from the applicable primary market exchange.

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**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS (*continued*)

Investments: Governmental Activities – Endowment Trust Fund (*continued*):

2. *Global Equity.* This investment strategy is composed of a limited liability company interest through a single fund that buys and holds publicly traded equity securities of companies within the United States and throughout the world. Equity securities are valued based on quoted prices from the applicable primary market exchange.
3. *Real Assets – Illiquid Real Estate.* This type includes limited partnership interests in fourteen (14) funds that invest in real estate, real estate-related assets and interests in entities that own or operate real property, either directly or through one or more entities holding equity and/or debt interests in real estate. The valuation techniques used to measure the fair value of investments in real estate will vary depending on the type of investment. Due to the fact that a quoted market exchange generally does not exist, investments in real estate are generally valued using a discounted projected cash flow methodology using estimates which are considered Level 3 inputs, including (1) the amount of expected future cash flows, (2) the timing of receipt of those cash flows and (3) the discount rate. These investments can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 10 years. Commitments of \$39,103,665 remain unfunded.
4. *Real Assets – Illiquid Natural Resources.* This type includes limited partnership interests in eight (8) funds that invest in the energy industry including: oil, natural gas, midstream, oil field services, coal, power and renewable/alternative energy. Generally, fair market value reports are prepared for each fund's portfolio investments annually which usually occur at December 31<sup>st</sup>. This information together with engineering economics based on a third party reserve reports are used to calculate discount rates for reserves and other cash flows. Where appropriate, market comparisons and transaction comparisons are used to value certain assets. These investments can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 7 years. Commitments of \$4,752,886 remain unfunded.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
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NOTE C--DEPOSITS AND INVESTMENTS (*continued*)

Investments: Governmental Activities – Endowment Trust Fund (*continued*):

5. *Real Assets – Illiquid Infrastructure.* This type includes limited partnership interests in four (4) funds that invest primarily in the domestic independent midstream oil and gas sector. Funds are invested in privately negotiated equity and equity related investments. Generally, there is no readily available market for such investments and, as such, it might take longer to liquidate these positions than would be the case for investments in publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices on these sales could be less than those originally paid. It is expected that the underlying assets of the funds will be liquidated over the next 3 to 9 years. Commitments of \$9,244,529 remain unfunded.
6. *Private Equity Funds – Venture Capital.* This type includes limited partnership interests in nine (9) funds that seek capital appreciation by making, managing, supervising, and disposing of private equity and related securities, principally in venture capital and growth private equity funds. The methods used to estimate the fair value of private investments include the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods. The fair value of an investment is the point within the range that each of the investment funds' General Partner believes is most representative of fair value. These investments can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of these funds will be liquidated over the next 1 to 9 years. Commitments of \$14,644,591 remain unfunded.
7. *Private Equity Funds – Special Situations.* This type includes limited partnership interests in seven (7) funds that invest primarily in the securities of entities that, or are owned by persons that, are undergoing, are considered likely to undergo or have undergone (i) reorganization under the federal bankruptcy law or similar laws in other countries or (ii) other extraordinary transactions, such as debt restructurings, reorganizations and liquidations outside of bankruptcy. Fund investments may also include other instruments that the General Partner believes are undervalued, focusing primarily on debt and equity securities in special event-driven situations (e.g. non-distressed investments).

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
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**For the Year Ended June 30, 2021**

NOTE C -- DEPOSITS AND INVESTMENTS (*continued*)

Investments: Governmental Activities – Endowment Trust Fund (*continued*):

The fair values of non-publicly traded private equity investments are determined by using a market approach or income approach. A market approach utilizes valuations of comparable public companies or transactions in order to establish the enterprise value of the portfolio company. This approach takes into account a specific financial measure (such as EBITDA, adjusted EBITDA, free cash flow, net operating income, net income, book value or net asset value) believed to be most relevant for the given company. Consideration may also be given to such factors as acquisition price of the security, historical and projected operational and financial results for the portfolio company, the strengths and weaknesses of the portfolio company relative to its comparable companies, industry trends, general economic and market conditions and other factors deemed relevant. The income approach is typically a discounted cash flow method that incorporates expected timing and level of cash flows. It incorporates assumptions in determining growth rates, income and expense projections, discount rates, capital structure, terminal values and other factors. The applicability and weight assigned to market and income approaches are determined based on the availability of reliable projections and comparable companies and transactions. The funds can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of these funds will be liquidated over the next 1 to 10 years. Commitments of \$18,194,075 remain unfunded.

8. *Private Equity Funds – Buyout.* This type includes limited partnership interests in fifteen (15) funds that seek capital appreciation by acquiring, holding, and disposing of primarily equity and equity-related securities in companies. The fair values of non-publicly traded private equity investments are determined by using a market approach or income approach. A market approach utilizes valuations of comparable public companies or transactions and generally seeks to establish the enterprise value of the portfolio company using a market multiple approach. This approach takes into account a specific financial measure (such as EBITDA, adjusted EBITDA, free cash flow, net operating income, net income, book value or net asset value) believed to be most relevant for the given company. Consideration may also be given to such factors as acquisition price of the security, historical and projected operational and financial results for the portfolio company, the strengths and weaknesses of the portfolio company relative to its comparable companies, industry trends, general economic and market conditions and other factors deemed relevant.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C -- DEPOSITS AND INVESTMENTS (continued)

Investments: Governmental Activities – Endowment Trust Fund (continued):

The income approach is typically a discounted cash flow method that incorporates expected timing and level of cash flows. It incorporates assumptions in determining growth rates, income and expense projections, discount rates, capital structure, terminal values and other factors. The applicability and weight assigned to market and income approaches are determined based on the availability of reliable projections and comparable companies and transactions. These investments can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of these funds will be liquidated over the next 1 to 10 years. Commitments of \$37,626,334 remain unfunded.

9. *Private Equity Funds – Debt/Opportunistic Fixed Income.* This type includes five (5) limited partnership interests that focus on credit investing and direct lending, mainly through middle market loans to U.S. based private equity sponsored companies and senior secured debt obligations. The determination of the current fair value of each portfolio loan or other investment is based on several inputs, including, among other factors, scheduled payments and comparable market yields. These investments can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 3 to 10 years. Commitments of \$2,544,455 remain unfunded.
10. *Hedge Funds – Long / Short Equity.* This investment strategy includes limited partnership interests in two (2) hedge funds that invest both long and short in equity securities of global companies that operate in a wide range of industries. The methods used to estimate the fair value of hedge funds includes the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS (continued)

Investments: Governmental activities - Endowment Trust Fund (continued):

11. *Hedge Funds – Event Driven.* This investment type includes limited partnership interests in a single hedge fund that invests in companies through distressed credit and event-driven strategies. The methods used to estimate the fair value of hedge funds include the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods. The fair value of an investment is the point within the range that each of the investment funds' General Partner believes is most representative of fair value.
12. *Hedge Funds – Global Macro.* This investment strategy includes limited partnership interests in one (1) hedge fund that analyzes macroeconomic trends in order to arrive at an investment strategy that includes taking positions on the fixed-income, currency and equity markets through either direct investments or futures and other derivative products. The methods used to estimate the fair value of hedge funds include the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods. The fair value of an investment is the point within the range that each of the investment funds' General Partner believes is most representative of fair value.
13. *Hedge Funds – Long / Short Credit.* This investment is composed of limited partnership interests in three (3) hedge funds that utilize both hedged and directional investment strategies primarily in the leveraged issuer, distressed debt and reorganized equity markets. The methods used to estimate the fair value of hedge funds include the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods. The fair value of an investment is the point within the range that each of the investment funds' General Partner believes is most representative of fair value. One Fund has instituted a 25% investor-level gate, and if elected full redemptions would be filled over four quarterly periods. This investment represents 5.09% of the Fund's total Hedge Fund portfolio.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS (*continued*)

Investments: Governmental activities - Endowment Trust Fund (*continued*):

14. *Hedge Funds – Multi-Strategy.* This investment strategy includes limited partnership interests in five (5) hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The methods used to estimate the fair value of hedge funds include the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods. The fair value of an investment is the point within the range that each of the investment funds' General Partner believes is most representative of fair value.

The pooled Endowment Trust balance as of June 30, 2021 is \$936,785,782 which includes investments, cash deposited with OST, and other investment receivables. A portion of these assets are held on behalf of Langston University in the amount of \$52,945,831. These funds have also been presented as an asset in the separate financial statements of Langston University.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS (*continued*)

Investments: Fiduciary Fund – OSRHE Supplemental Retirement Plan

The purpose of the OSRHE Supplemental Retirement Plan Trust is to provide retirement benefits for the eligible employees and to distribute the funds accumulated in the trust, in accordance with the plan, to the participants and their designated beneficiaries. The following inputs were used to determine the fair value level of the Supplemental Plan at June 30, 2021.

|                                                                           |           | FAIR VALUE MEASUREMENTS USING                                              |                                                     |                                                    |
|---------------------------------------------------------------------------|-----------|----------------------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------------|
|                                                                           |           | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <i>Fiduciary activities</i><br><b>OSRHE Supplemental Retirement Plan</b>  |           | Fair Value<br>6/30/2021                                                    |                                                     |                                                    |
| <b>Investments by fair value level</b>                                    |           |                                                                            |                                                     |                                                    |
| Equity                                                                    | \$        | 10,963,274                                                                 | \$                                                  | 10,963,274                                         |
| Fixed Income/Debt                                                         |           | 4,029,739                                                                  |                                                     | 4,029,739                                          |
| <b>Total investments measured by fair value level</b>                     |           | 14,993,013                                                                 |                                                     | 14,993,013                                         |
| <b>Total OSRHE Supplemental Retirement Plan investments at fair value</b> | <b>\$</b> | <b>14,993,013</b>                                                          | <b>\$</b>                                           | <b>14,993,013</b>                                  |

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**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS (*continued*)

Investments: Fiduciary Fund – OSRHE Retiree Medical Plan (OPEB Plan)

The OSRHE Retiree Medical Plan provides funding for payment of eligible Regents retirees' group health insurance, including dental and vision, less any amount paid by Oklahoma Teachers' Retirement System (OTRS) for that purpose, through the month in which the retiree attains age 65 and becomes eligible for Medicare. If the retiree receives Medicare benefits, the Regents will continue to pay on behalf of the retiree the Medicare supplemental insurance cost, less any amount paid by OTRS for that purpose, for the remaining life of the retiree.

The following inputs were used to determine the fair value of the OSRHE Retire Medical Plan's investments at June 30, 2021.

| <i>Fiduciary activities</i><br><b>OSRHE Retiree Medical Plan</b>  | <b>FAIR VALUE MEASUREMENTS USING</b> |                                                                         |                                                     |                                                    |
|-------------------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------------|
|                                                                   | Fair Value<br>6/30/2021              | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments by fair value level</b>                            |                                      |                                                                         |                                                     |                                                    |
| Cash/Cash Equivalents                                             | \$ 14,925                            | \$ 14,925                                                               |                                                     |                                                    |
| Equity                                                            | 15,741,476                           | \$ 15,741,476                                                           |                                                     |                                                    |
| Fixed Income/Debt                                                 | 6,095,463                            | 6,095,463                                                               |                                                     |                                                    |
| <b>Total investments measured by fair value level</b>             | 21,851,864                           | 21,851,864                                                              | -                                                   |                                                    |
| <b>Total OSRHE Retiree Medical Plan investments at fair value</b> | <b>\$ 21,851,864</b>                 | <b>\$ 21,851,864</b>                                                    | <b>\$ -</b>                                         |                                                    |

Investments: Interest Rate Risk and Credit Risk

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments can be highly sensitive to changes in interest rates due to their terms or

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS *(continued)*

Investments: Interest Rate Risk and Credit Risk – *(continued)*

characteristics. Duration is a measure of the weighted-average time to receive the discounted present values of all the cash flows (including both principal and interest). Weighted-Average Life is a measure of the time to receive the principal payments (not including interest, and not discounting). Weighted-average maturity is an average of the maturity dates of multiple loans, not an average of principal repayments.

*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk is measured by the credit quality ratings of investments in debt securities as described by the nationally recognized statistical rating organizations (rating agencies).

The following table summarizes the Regent's investments in fixed income/debt securities subject to interest rate risk and credit risk as of June 30, 2021.

| Fixed Income / Debt Securities<br>Investment Type | Fair Value<br>6/30/2021 | Average Credit<br>Quality / Rating | Effective Duration<br>(years) | Average Life<br>(years) | Average<br>Maturity<br>(years) |
|---------------------------------------------------|-------------------------|------------------------------------|-------------------------------|-------------------------|--------------------------------|
| <i>Governmental activities</i>                    |                         |                                    |                               |                         |                                |
| <b>Endowment Trust Fund</b>                       |                         |                                    |                               |                         |                                |
| <i>Bond Market Index Fund</i>                     | \$ 30,789,759           | AA                                 | 6.84                          | N/A                     | 8.70                           |
| <i>Total Return Bond Fund</i>                     | 30,902,032              | BB                                 | 3.71                          | N/A                     | 5.60                           |
| <i>Special Purpose Vehicles</i>                   | 20,519,565              | BB                                 | 2.30                          | 4.80                    | 15.20                          |
| <i>Fiduciary-type activities</i>                  |                         |                                    |                               |                         |                                |
| <b>OSRHE Supplemental Retirement Plan</b>         |                         |                                    |                               |                         |                                |
| <i>Multi-Strategy Fund</i>                        | \$ 4,029,739            | BBB                                | 4.02                          | N/A                     | 7.70                           |
| <i>Fiduciary-type activities</i>                  |                         |                                    |                               |                         |                                |
| <b>OSRHE Retiree Medical Plan</b>                 |                         |                                    |                               |                         |                                |
| <i>Multi-Strategy Fund</i>                        | \$ 6,095,463            | BBB                                | 5.75                          | N/A                     | 7.79                           |
| <i>Money Market Fund</i>                          | 14,925                  | Not Rated                          | N/A                           | N/A                     | < 1 year                       |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS *(continued)*

Investments: Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer, not including investments issued or guaranteed by the U.S. Government, investments in mutual funds or external investment pools.

Investment - Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

The international equity manager will invest primarily in non-dollar denominated equity securities. The managers are required to operate under certain restrictions including: regional constraints, diversification requirements and percentage of U.S. securities as dictated by the terms of the commingled or mutual funds in which they are invested.

The international fixed income manager may enter into forward currency exchange contracts, agreements to exchange one currency for another at a future date, in order to manage risk arising from exposure to changing currency fluctuations; buy or sell futures and options contracts relating to foreign currencies; purchase securities indexed to foreign currencies, contingent upon their being within those countries comprising the Salomon Non-U.S. Bond Index or denominated in the U.S. dollar; and hedge portfolio securities from time to time by shifting investment exposure from one currency to another, contingent upon the currencies being within those countries comprising the Salomon Non-U.S. Bond Index.

Investments: Asset Allocation

*Endowment Trust Fund*

The Endowment Trust Fund's investing activities are managed under the custody of investment managers. Each investment manager is evaluated against the appropriate comparative benchmark to ensure investing is performed in accordance with internal investment policies. Endowment Trust Funds may be invested in Domestic Equity, International Equity, Private Equity, Domestic/Global Fixed Income, International Fixed Income, Hedge Funds, Domestic Inflation Protected Fixed Assets and REITS/Real Estate. The overall level of risk in the investment portfolio will be primarily mitigated by attention to asset allocation.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS *(continued)*

Investments: Asset Allocation *(continued)*:

The focus is on overall portfolio risk, not risk related to specific asset classes. Asset allocation guidelines approved by the State Regents for the Endowment Trust Fund are as follows:

| <b>REGENTS ENDOWMENT TRUST FUND</b>                                   |                            |                                    |                                    |
|-----------------------------------------------------------------------|----------------------------|------------------------------------|------------------------------------|
| <b>TARGET POLICY ASSET ALLOCATION AND ALLOWABLE RANGE PERCENTAGES</b> |                            |                                    |                                    |
| <b>Asset Class</b>                                                    | <b>Target Allocation %</b> | <b>Minimum Target Allocation %</b> | <b>Maximum Target Allocation %</b> |

***GROWTH ASSETS:***

|                             |           |           |           |
|-----------------------------|-----------|-----------|-----------|
| Domestic Equity             | <b>18</b> | <b>12</b> | <b>45</b> |
| International Equity        | <b>15</b> | <b>5</b>  | <b>25</b> |
| Global Equity               | <b>10</b> | <b>0</b>  | <b>10</b> |
| Growth Fixed Income         | <b>5</b>  | <b>0</b>  | <b>10</b> |
| Private Equity              | <b>15</b> | <b>0</b>  | <b>15</b> |
| <b>Total, Growth Assets</b> | <b>63</b> |           |           |

***RISK REDUCTION ASSETS:***

|                                     |           |          |           |
|-------------------------------------|-----------|----------|-----------|
| Domestic/Fixed Income               | <b>7</b>  | <b>5</b> | <b>30</b> |
| International Fixed Income          | <b>2</b>  | <b>0</b> | <b>10</b> |
| Absolute Return (Hedge Funds)       | <b>15</b> | <b>0</b> | <b>25</b> |
| Cash                                | <b>1</b>  | <b>0</b> | <b>15</b> |
| <b>Total, Risk Reduction Assets</b> | <b>25</b> |          |           |

***INFLATION PROTECTED ASSETS:***

|                                          |           |          |           |
|------------------------------------------|-----------|----------|-----------|
| Domestic Inflation Protected Fixed       | <b>0</b>  | <b>0</b> | <b>10</b> |
| REITS/Real Assets                        | <b>12</b> | <b>0</b> | <b>15</b> |
| <b>Total, Inflation Protected Assets</b> | <b>12</b> |          |           |

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**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE C--DEPOSITS AND INVESTMENTS (*continued*)

Investments: Asset Allocation (*continued*)

*William P. Willis Trust Fund*

The principal of the fund, defined as the total legislative appropriations, may be treated as quasi-endowment funds and invested in up to sixty percent (60%) equity and equity-like investments. The remainder of the principal should be held in fixed income investments and cash.

*Retirement Funds*

The Retirement Fund's investing activities are managed under the custody of investment managers. The long-term horizon of these funds permits exposure to volatility associated with equity investments. Equity and equity like investments should comprise no more than 70% of the portfolio.

*Investment of All Other Funds*

All other funds investing activities, managed under the custody of investment managers shall be restricted to fixed income investments.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE D--CAPITAL ASSETS**

A summary of the changes in capital assets is as follows for the year ended June 30, 2021:

|                                 | Balance<br>June 30, 2020 | Additions      | Retirements | Balance<br>June 30, 2021 |
|---------------------------------|--------------------------|----------------|-------------|--------------------------|
| <i>Business-type activities</i> |                          |                |             |                          |
| Capital assets                  |                          |                |             |                          |
| Buildings                       | \$ 9,593,216             | \$ 166,081     | \$ -        | \$ 9,759,297             |
| Equipment                       | 67,942,459               | 2,615,561      |             | 70,558,020               |
| Motor vehicles                  | 438,512                  | -              | -           | 438,512                  |
| Total capital assets            | 77,974,187               | 2,781,642      | -           | 80,755,829               |
| Less accumulated depreciation   |                          |                |             |                          |
| Buildings                       | (7,028,424)              | (111,380)      | -           | (7,139,804)              |
| Equipment                       | (58,125,464)             | (3,779,179)    | -           | (61,904,643)             |
| Motor vehicles                  | (438,512)                | -              | -           | (438,512)                |
| Total accumulated depreciation  | (65,592,400)             | (3,890,559)    | -           | (69,482,959)             |
| Capital assets, net             | \$ 12,381,787            | \$ (1,108,917) | \$ -        | \$ 11,272,870            |
| <br>                            |                          |                |             |                          |
|                                 | Balance<br>June 30, 2020 | Additions      | Retirements | Balance<br>June 30, 2021 |
| <i>Fiduciary Fund</i>           |                          |                |             |                          |
| Capital assets                  |                          |                |             |                          |
| Equipment                       | \$ 249,304               | \$ -           | \$ -        | \$ 249,304               |
| Total capital assets            | 249,304                  | -              | -           | 249,304                  |
| Less accumulated depreciation   |                          |                |             |                          |
| Equipment                       | (249,304)                | -              | -           | (249,304)                |
| Total accumulated depreciation  | (249,304)                | -              | -           | (249,304)                |
| Capital assets, net             | \$ -                     | \$ -           | \$ -        | \$ -                     |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE E--EMPLOYEE RETIREMENT BENEFITS**

Personnel of the Regents are covered by various retirement plans. The plans available to Regents personnel include the Oklahoma Teachers' Retirement System, which is a state of Oklahoma public employee's retirement system and provides pension and other post-employment benefits, the Oklahoma State Regents for Higher Education Supplemental Retirement Plan, and the Oklahoma State Regents for Higher Education Retiree Medical Plan.

*Oklahoma Teachers' Retirement System*

*Plan description:* As the employer, the Regents participate in the Oklahoma Teachers' Retirement Plan. The plan is 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 retirement requirements. The Regents also participate in medical supplemental plan – a cost-sharing multiple-employer defined benefit OPEB plan administered by OTRS. Title 74 O.S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. The financial reports for OTRS are available to the public at [www.ok.gov/TRS](http://www.ok.gov/TRS).

*Pension Benefit provisions:* Members become 100% vested in retirement benefits earned to date after five years (joined the system prior to November 1, 2017) or seven years (joined the system on or after November 1, 2017) of creditable service. OTRS provides retirement, disability, and death benefits to members of the plan.

- Eligibility for Distribution

Normal retirement:

1. Member before July 1, 1992 – age 62 or when the member's age and years of service total 80 points.
2. Member after July 1, 1992 and before November 1, 2011 – age 62 or when the member's age and years of service total 90 points.
3. Member on or after November 1, 2011 – age 65 or when the member's age is at least 60 and years of creditable service total at least 90 points.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS (*continued*)

Oklahoma Teachers' Retirement System (*continued*)

Reduced benefits are available for clients who have not reached full retirement eligibility under regular retirement. Reduction factors vary depending on age and date of membership when joining the System.

- 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 credited service.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the internal revenue codes.

*Health insurance benefit provisions:* 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, provided the member has ten years of Oklahoma service prior to retirement.

*Pension Funding Policy:* Contribution requirements of the plan are at an established rate determined by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 7.70% for any employees' salaries covered by federal funds. The Regents pay both employer and employee contributions. OTRS' allocation of employer contributions to the pension plan from the Regents totaled \$1,457,336. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$775,394 was recognized by the Regents; these on-behalf payments did not meet the criteria of special funding situation.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

Oklahoma Teachers' Retirement System *(continued)*

*Health insurance funding policy:* Employer and employee OPEB contribution are made based upon 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 above under the pension funding policy; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. FY21 cost of the subsidy averages 0.13% of normal cost, as determined by an actuarial valuation on June 30, 2020. OTRS' allocation of employer contributions to the OPEB plan from the Regents totaled \$2,742.

*Pension/OPEB Liabilities (assets), Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB:* At June 30, 2021, the Regents reported a liability of \$28,448,868 for its proportionate share of the net pension liability and \$29,697 for its proportionate share of the net OPEB assets. The amounts were measured as of June 30, 2020, and the total liability (asset) used to calculate these amounts were determined by an actuarial valuation as of June 30, 2020. The Regents' proportion of these amounts was based on the Regents' contributions received by the plans relative to the total contributions received by the plans for all participating employers as of June 30, 2020. Based upon this information, the Regents' proportionate share was 0.2998%.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

Oklahoma Teachers' Retirement System (continued)

For the year ended June 30, 2021, the Regents recognized pension expense of \$4,142,566 on OTRS – Pension Plan. At June 30, 2021, the Regents reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

*Oklahoma Teachers' Retirement System - Pension Plan*

|                                                                      | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|----------------------------------------------------------------------|--------------------------|-------------------------|
| Net difference between projected and actual plan investment earnings | \$ 1,384,946             | \$ 481,835              |
| Net differences between expected and actual experience               | 2,452,303                |                         |
| Change in assumptions                                                | 3,488,896                | 411,016                 |
| Change in proportion                                                 |                          | 5,379,237               |
| Regents' contributions subsequent to the measurement date            | 1,415,974                |                         |
|                                                                      | <u>\$ 8,742,119</u>      | <u>\$ 6,272,088</u>     |

The \$1,415,974 reported as deferred outflows reflected above will be recognized as a reduction of the net pension liability in next period. The amortization of other deferred outflows and inflows related to pension plan at June 30, 2021 is as follows:

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

Oklahoma Teachers' Retirement System (continued)

*Oklahoma Teachers' Retirement System - Pension Plan*

|                     | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|---------------------|--------------------------|-------------------------|
| Year ended June 30: |                          |                         |
| 2022                | \$ 1,229,483             | \$ 1,052,590            |
| 2023                | 1,692,535                | 1,449,020               |
| 2024                | 2,274,193                | 1,946,991               |
| 2025                | 1,835,490                | 1,571,407               |
| 2026                | 294,444                  | 252,081                 |
|                     | <u>\$ 7,326,145</u>      | <u>\$ 6,272,088</u>     |

For the year ended June 30, 2021 the Regents recognized pension benefit of \$2,772 on OTRS – OPEB Plan. At June 30, 2021, the Regents reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

*Oklahoma Teachers' Retirement System - OPEB Plan*

|                                                                      | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|----------------------------------------------------------------------|--------------------------|-------------------------|
| Net difference between projected and actual plan investment earnings | \$ 64,862                |                         |
| Net differences between expected and actual experience               |                          | 65,241                  |
| Change in assumption                                                 | 64,254                   |                         |
| Change in proportion                                                 |                          | 21,194                  |
| Regents' contribution subsequent to the measurement date             | 2,742                    |                         |
|                                                                      | <u>\$ 131,858</u>        | <u>\$ 86,435</u>        |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

Oklahoma Teachers' Retirement System (continued)

The \$2,742 reported as deferred outflows above will be recognized as a reduction of net pension liability in next period. The amortization of deferred inflows at June 30, 2021 is as follows:

*Oklahoma Teachers' Retirement System - OPEB Plan*

|                     | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|---------------------|--------------------------|-------------------------|
| Year ended June 30: |                          |                         |
| 2022                | \$ 30,752                | \$ 38,900               |
| 2023                | 30,752                   | 22,431                  |
| 2024                | 30,752                   | 13,173                  |
| 2025                | 24,901                   | 7,849                   |
| 2026                | 9,966                    | 3,614                   |
| Thereafter          | 1,993                    | 468                     |
|                     | <u>\$ 129,116</u>        | <u>\$ 86,435</u>        |

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The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

Oklahoma Teachers' Retirement System (continued)

| <u>Asset Class</u>   | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate<br/>of Return</u> |
|----------------------|--------------------------------|---------------------------------------------------|
| Domestic Equity      | 43.5%                          | 7.5%                                              |
| International Equity | 19.0%                          | 8.5%                                              |
| Fixed Income         | 22.0%                          | 2.5%                                              |
| Real Estate          | 9.0%                           | 4.5%                                              |
| Alternative Assets   | 6.5%                           | 6.2%                                              |
| <br>TOTAL            | <br><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).

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the System's employers calculated using the discount rate of 7.00 % as well as what the employers' liability would be if it were calculated using a discount rate that is 1 percent point lower or 1 percent point higher than the current rate:

|                                          | <u>1% Decrease<br/>(6.00%)</u> | <u>Current Discount<br/>Rate (7.00%)</u> | <u>1% Increase<br/>(8.00%)</u> |
|------------------------------------------|--------------------------------|------------------------------------------|--------------------------------|
| <u>Defined Benefit Pension Plan</u>      |                                |                                          |                                |
| Employer's net pension liability (asset) | <u>\$ 37,969,577</u>           | <u>\$ 28,448,868</u>                     | <u>\$ 20,567,203</u>           |
| <br><u>OPEB Plan</u>                     |                                |                                          |                                |
| Employer's net pension liability (asset) | <u>\$ 107,805</u>              | <u>\$ (29,697)</u>                       | <u>\$ (146,297)</u>            |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS (continued)

*Oklahoma Teachers' Retirement System (continued)*

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

- Actuarial Cost Method – Entry Age Normal
- Inflation – 2.25 percent
- 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 percent
- 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 Ultimate MP scales are projected from the year 2010.

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

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS (continued)

*Oklahoma State Regents for Higher Education Supplemental Retirement Plan*

*Plan Description:* The Supplemental Retirement Plan was established by the Oklahoma State Regents to provide supplemental retirement benefits to employees who: (a) were hired prior to March 12, 1999, (b) have been a member of the Oklahoma Teachers' Retirement System (OTRS) for a minimum of 10 years, and (c) have been a full-time permanent employee for at least 10 years. The primary components of the Supplemental Retirement Plan consist of (1) the calculation of the guaranteed retirement benefit, and (2) the calculation of the sources that will fund the guaranteed retirement benefit: Oklahoma Teachers' Retirement System, Social security, TIAA-CREF Annuity and, if necessary, the Regents' supplement. Specific calculation methods can be found in the Plan on file with the Oklahoma State Regents for Higher Education. The Supplemental Benefit Plan does not issue a stand-alone financial report nor is it included in the financial report of another entity. The benefits payable under this plan are supplemental to the benefits that the participants receive under OTRS, TIAA, and Social Security. The authority to amend the Supplemental Benefit Plan's benefit provisions rests with the Regents.

*Funding Policy:* Contribution requirements of the Regents are established and may be amended by the Regents. All contributions are made by the Regents. Eligible employees are not required to make contributions to the Plan. Benefits are funded under a "pay as you go" funding method; however, expenses are recorded as benefits accumulate. Contributions required to fund the cost of pension and other benefits provided by the Plan shall be made solely by the Regents.

The Regents shall contribute to the Plan from time to time such sums as are required by the actuary to pay benefits from the Plan, in accordance with actuarial practices acceptable to the Internal Revenue Service. Actual payment of a contribution may be made at any time permitted by law and regulations. Contributions by the participant are neither permitted nor required under this Plan. All payments made and increments thereon pursuant to this Plan shall be held and disbursed in accordance with the provisions of the Plan. No person shall have any interest in, or right to, any part of the funds so held in the Plan, except as expressly provided in the Plan.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* At June 30, 2021, the Regents reported a liability of \$2,116,054. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

Oklahoma State Regents for Higher Education Supplemental Retirement Plan (continued)

For the year ended June 30, 2021, the Regents recognized pension expense of \$925,710. At June 30, 2021, the Regents reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                               | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|-------------------------------------------------------------------------------|--------------------------|-------------------------|
| Differences between expected and actual experience                            | \$ 342,306               | \$ 62,518               |
| Differences between projected and actual earnings on pension plan investments | 1,098,418                |                         |
| Change in Assumption                                                          |                          | 343,252                 |
| Regents' contributions subsequent to the measurement date                     | 240,561                  |                         |
|                                                                               | <u>\$ 1,681,285</u>      | <u>\$ 405,770</u>       |

The \$240,561 reported as deferred outflows reflected above will be recognized as a reduction of the net pension liability in next period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Annual Amortization of Deferred Outflows (Inflows)  
Year ended June 30:

|      |                     |
|------|---------------------|
| 2022 | \$ 306,809          |
| 2023 | 360,057             |
| 2024 | 225,027             |
| 2025 | 82,354              |
| 2026 | 60,707              |
|      | <u>\$ 1,034,954</u> |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

Oklahoma State Regents for Higher Education Supplemental Retirement Plan (continued)

The components of the net pension liability at June 30, 2021 were as follows:

|                                                    | <u>FY21</u>               |
|----------------------------------------------------|---------------------------|
| Beginning net pension liability                    | \$ 1,859,958              |
| Service cost                                       | 52,624                    |
| Interest cost                                      | 788,426                   |
| Change in assumption                               | (336,316)                 |
| Differences between expected and actual experience | 342,306                   |
| Employer contribution                              | (175,000)                 |
| Net investment income                              | (415,944)                 |
| Net Pension Liability - end of year                | <u><u>\$2,116,054</u></u> |

Sensitivity of the net pension liability to changes in the discount rate - The following shows how the net pension liability would be affected by changes to the blended discount rate. A blended discount rate of 5.93% was used. Results are shown assuming a 1% reduction in the blended discount rate (to 4.93%) and a 1% increase in the blended discount rate (to 6.93%).

|                                                      | 1% Decrease<br><u>(4.93%)</u> | Current<br>Discount Rate<br><u>(5.93%)</u> | 1% Increase<br><u>(6.93%)</u> |
|------------------------------------------------------|-------------------------------|--------------------------------------------|-------------------------------|
| Employer's net pension liability (Supplemental Plan) | <u>\$ 3,526,957</u>           | <u>\$ 2,116,054</u>                        | <u>\$ 919,718</u>             |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

Oklahoma State Regents for Higher Education Supplemental Retirement Plan *(continued)*

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

- Actuarial Cost Method – Individual Entry Age Normal Cost Method
- Long-Term Rate of Return on Plan Assets – 6%
- Salary Increase Rate – 2.50%
- Single Blended Discount Rate – 5.93%
- Retirement Age – Earlier of: (a) attainment of age 62 and completion of 10 years of OTRS service, or (b) when age plus OTRS service total at least 80 (90 for members joining OTRS after June 30, 1992).
- Mortality – Pub-2010 Pubic Retirement Plans General Mortality (PubG-2010)

Pre-Retirement: PubG-2010 generational table for non-annuitants projected with scale MP-2019

Post-Retirement: PubG-2010 generational table for annuitants projected with scale MP-2019

Other Post-Employment Benefits (OPEB) – Retiree Medical Plan

*Plan Description* - As authorized by Title 70, Section 3205, of the Oklahoma State Statutes, the Regents cover the cost of health and dental insurance for any employee retiring after March 12, 1999 who has been a full-time employee for not less than ten (10) years immediately preceding the date of retirement and has been a member of the OTRS during that time and elected to receive a monthly life annuity under the provisions of OTRS regulations immediately upon retirement, less any amount paid by OTRS for that purpose through the month in which the retiree reaches age 65 and becomes eligible for Medicare. If the retiree receives Medicare benefits, the Regents will continue to pay on behalf of the retiree the Medicare supplemental insurance costs, less any amount paid by OTRS for that purpose, for the remaining life of the employee.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

*Other Post-Employment Benefits (OPEB) – Retiree Medical Plan*

*Funding Policy* - Contribution requirements of the Regents are established and may be amended by the State Board of Regents. All contributions are made by the Regents. Benefits are funded under a “pay as you go” funding method; however, expenses are recorded as benefits accumulate. The annual contribution for 2021 was determined as part of an actuarial valuation on June 30, 2020, using the entry age normal level percent of salary method.

The actuarial assumptions included (a) discount rate of 4.91% per year compounded annually, (b) retirement at the earlier of (1) attainment of age 62 or attained age if greater, and completion of 10 years of OTRS service, or (2) when age plus OTRS service total at least 80 (90 for members joining OTRS after June 30, 1992), and (c) medical, dental, and vision rates increasing 3-7.5% annually.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB* - At June 30, 2021, the Regents reported a net OPEB liability of \$86,459. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Projections include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods used are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective.

For the year ended June 30, 2021, the Regents recognized pension expense of \$368,597. The Regents reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

Other Post-Employment Benefits (OPEB) – Retiree Medical Plan

|                                                        | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|--------------------------------------------------------|--------------------------|-------------------------|
| Net differences between expected and actual experience | \$ -                     | \$ 1,865,032            |
| Changes in assumptions                                 | 4,765,906                | 4,958,178               |
| Net differences between projected and actual earnings  | -                        | 3,735,248               |
|                                                        | <u>\$ 4,765,906</u>      | <u>\$ 10,558,458</u>    |

The balance of June 30, 2021 of the deferred outflows/(inflows) of resources will be recognized in pension expense in the future fiscal years as noted below.

Annual Amortization of Deferred Outflows (Inflows)

Year ended June 30:

|      |                       |
|------|-----------------------|
| 2022 | \$ (1,377,403)        |
| 2023 | (1,452,778)           |
| 2024 | (1,373,449)           |
| 2025 | (1,590,222)           |
| 2026 | 1,300                 |
|      | <u>\$ (5,792,552)</u> |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

Other Post-Employment Benefits (OPEB) – Retiree Medical Plan (continued)

The components of the OPEB liability at June 30, 2021 were as follows:

|                                                    | FY21             |
|----------------------------------------------------|------------------|
| Beginning net OPEB liability                       | \$ 563,688       |
| Service cost                                       | 480,423          |
| Interest cost                                      | 829,100          |
| Trust admin fee                                    | 28,379           |
| Change in assumption                               | 4,076,959        |
| Differences between expected and actual experience | (4,365,840)      |
| Employer contribution                              | (556,945)        |
| Net investment income                              | (969,305)        |
| Ending net OPEB Liability                          | <u>\$ 86,459</u> |

Sensitivity of the net OPEB liability to changes in the discount rate: The following shows how the net OPEB liability would be affected by changes to the blended discount rate. A blended discount rate of 4.91% was used. Results are shown assuming a 1% reduction in the blended discount rate (to 3.91%) and a 1% increase in the blended discount rate (to 5.91%).

|                               | 1% Decrease<br>(3.91%) | Current<br>Discount Rate<br>(4.91%) | 1% Increase<br>(5.91%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| Employer's net OPEB liability | <u>\$ 4,232,636</u>    | <u>\$ 86,459</u>                    | <u>\$ (3,165,754)</u>  |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE E--EMPLOYEE RETIREMENT BENEFITS *(continued)*

*Other Post-Employment Benefits (OPEB) – Retiree Medical Plan (continued)*

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

- Actuarial Cost Method - Entry Age Normal as a Level % of Salary
- Salary Increases – Average salary increase used for the Entry Age Normal actuarial cost method is assumed to be 3.00%
- Investment Rate of Return – 4.91%
- Mortality – Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019

NOTE F--TRANSFERS TO SYSTEM INSTITUTIONS

Transfers to system institutions consist principally of funds for educational and general operations, capital improvements, and technical and other educational programs. Such transfers are made for designated purposes subsequent to official resolutions of the Regents.

NOTE G--LONG-TERM LIABILITIES

*Master Equipment Lease – Series 2019B*

In November 2019, the State Regents entered into a five-year capital lease agreement with the Oklahoma Development Finance Authority as a beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Master Lease Revenue Bonds, Series 2019B. The amount of \$3,016,000 is held in trust for the State Regents for the purchase of data processing and fiber optic telecommunications equipment.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE G--LONG-TERM LIABILITIES (*continued*)

*Master Equipment Lease – Series 2019B (continued)*

The following is a schedule of annual future minimum payments as of June 30, 2021:

| <u>Year Ending June 30,</u> | <u>Principal</u>   | <u>Interest</u>  |
|-----------------------------|--------------------|------------------|
| 2022                        | 589,917            | 101,350          |
| 2023                        | 614,500            | 76,688           |
| 2024                        | 645,083            | 45,963           |
| 2025                        | <u>274,167</u>     | <u>13,708</u>    |
| Total                       | <u>\$2,123,667</u> | <u>\$237,709</u> |

*OCIA Lease – Endowed Chairs Funding Program – Series 2010*

The Oklahoma Capital Improvement Authority (“OCIA”) issued \$132,075,000 aggregate original principal amount of its bonds, designated as Oklahoma Capitol Improvement Authority, Oklahoma Regents for Higher Education Endowed Chairs Funding and Refunding Program Bonds, Federally Taxable Series 2010.

The Series 2010 Bonds, dated as of the date of delivery, were issued pursuant to a Resolution adopted by the Authority on September 29, 2004, as supplemented by a 2010 Supplemental Resolution adopted by the Authority on April 21, 2010 and collectively with the Original Resolution. Under the Resolution, the State Treasurer serves as Paying Agent and Registrar for the Series 2010 Bonds.

The proceeds from the sale of the Series 2010 Bonds will be issued (i) to fund a portion of the State of Oklahoma matching contribution to the Oklahoma Regents’ Endowment Trust Fund

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE G--LONG-TERM LIABILITIES (*continued*)

*OCIA Lease – Endowed Chairs Funding Program – Series 2010 (continued)*

established pursuant to Title 70, Oklahoma Statutes 2001, Sections 3951 *et seq.*, (ii) to advance refund \$28,670,000 principal amount of the Series 2006 Bonds maturing July 1, 2011-2016, inclusive, and (iii) to pay costs of issuance of the Series 2010 Bonds.

The Series 2010 Bonds are payable solely from payments to be received by the Authority from the Regents pursuant to the terms of an Amended Agreement for Use of Bond Proceeds dated July 1, 2010. The payments under the Agreement are payable from monies budgeted and appropriated by the Oklahoma State Legislature and allocated by the Regents to such payments.

The following is a schedule of annual future minimum payments as of June 30, 2021:

| <u>Year Ending June 30,</u> | <u>Principal</u>     | <u>Interest</u>      |
|-----------------------------|----------------------|----------------------|
| 2022                        | 7,160,000            | 4,500,755            |
| 2023                        | 7,525,000            | 4,143,123            |
| 2024                        | 7,910,000            | 3,767,187            |
| 2025                        | 8,320,000            | 3,372,051            |
| 2026                        | 8,745,000            | 2,956,263            |
| 2027-2030                   | <u>40,160,000</u>    | <u>5,786,154</u>     |
| Total                       | <u>\$ 79,820,000</u> | <u>\$ 24,525,533</u> |

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE G-- LONG-TERM LIABILITIES (*continued*)

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

|                                      | Balance<br>June 30, 2020 | Additions          | Deletions             | Balance<br>June 30, 2021 | Due Within<br>One Year |
|--------------------------------------|--------------------------|--------------------|-----------------------|--------------------------|------------------------|
| <i>Business-type activities</i>      |                          |                    |                       |                          |                        |
| Compensated absences                 | \$ 1,590,902             | \$ 550,825         | \$ (368,146)          | \$ 1,773,581             | \$ 368,146             |
| Net pension liability - OTRS         | 20,435,443               | 8,013,425          | -                     | 28,448,868               | -                      |
| Net pension liability - OPEB         | 563,688                  | -                  | (477,229)             | 86,459                   | -                      |
| Net pension liability - Supplemental | 1,859,958                | 256,096            |                       | 2,116,054                | -                      |
| Master equipment leases payable      | 2,692,834.00             |                    | (569,167)             | 2,123,667                | 589,917                |
| Unamortized bond premium             | 233,200                  | -                  | (52,800)              | 180,400                  | -                      |
| Business-type activities total       | <u>\$ 27,376,025</u>     | <u>\$8,820,346</u> | <u>\$ (1,467,342)</u> | <u>\$ 34,729,029</u>     | <u>\$ 958,063</u>      |
| <i>Governmental Activities</i>       |                          |                    |                       |                          |                        |
| OCIA lease payable                   | <u>\$ 86,630,000</u>     | <u>\$ -</u>        | <u>\$ (6,810,000)</u> | <u>\$ 79,820,000</u>     | <u>\$ 7,160,000</u>    |

NOTE H--OPERATING LEASE COMMITMENTS

The Regents lease office space from the University of Oklahoma Health Science Center (OUHSC). Monthly rentals of approximately \$90,000 are due through July 2021.

NOTE I--RISK MANAGEMENT

The Regents are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Regents pay an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, property loss, and general liability insurance coverage. The Regents purchase commercial employee life insurance. The Regents, as a state agency, participates in the Oklahoma State and Education Employee's Group Insurance Board (the Board), a public entity risk pool. The Regents pay an annual premium to the Board for its employee health insurance coverage. The Board is self-insured and self-

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**NOTE I--RISK MANAGEMENT** *(continued)*

sustaining through member premiums. The Regents carry insurance with the State Insurance Fund for other risks of loss including workers' compensation and employee accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE J--COMMITMENTS AND CONTINGENCIES**

The Regents have received certain federal and state grants that are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Regents' management believes that disallowances, if any, would not be material.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic and recommended containment and mitigation measures. Since then, extraordinary actions have been taken by federal, state, and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19. These actions include travel bans, quarantines, "stay-at home" orders, and similar mandates for many individuals to substantially restrict daily activities and for many organizations to curtail or cease normal operations. The full impact of the COVID-19 pandemic will depend on future developments, such as the ultimate duration and scope of the outbreak, its impact on tribal citizens and customers, the rate at which economic conditions and operations return to pre-COVID-19 levels, and the risk of a recession in key geographic markets due to the effects of the pandemic. The ultimate impact cannot be determined; however, funding from federal awards is generally assured and is not expected to be adversely affected.

**NOTE K—NEW PRONOUNCEMENTS**

New Accounting Pronouncements Issued Not Yet Adopted: A description of the new accounting pronouncement is described below:

GASB Statement No. 84, Fiduciary Activities, issued February 2017, will be effective for the Regents beginning with its fiscal year ending June 30, 2023, with early adoption permitted. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

NOTE K—NEW PRONOUNCEMENTS (*continued*)

The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

## REQUIRED SUPPLEMENTARY INFORMATION

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - LAST 10 YEARS\***  
**OKLAHOMA TEACHERS' RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN**

| As of plan year-end of June 30,                                                                          | 2021          | 2020          | 2019          | 2018          | 2017          |
|----------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| OSRHE percentage of the net pension liability                                                            | 0.29976997%   | 0.30878580%   | 0.33575179%   | 0.36576708%   | 0.38266503%   |
| OSRHE proportionate share of the net pension liability                                                   | \$ 28,448,868 | \$ 20,435,443 | \$ 20,293,214 | \$ 24,218,595 | \$ 31,935,538 |
| OSRHE's covered-employee payroll                                                                         | \$ 10,851,927 | \$ 11,735,920 | \$ 11,366,508 | \$ 11,368,743 | \$ 11,945,582 |
| OSRHE's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 262.15%       | 174.13%       | 178.54%       | 213.03%       | 267.34%       |
| Plan fiduciary net position as a percentage of the total pension liability                               | 63.47%        | 71.56%        | 72.74%        | 69.32%        | 62.24%        |

| As of plan year-end of June 30,                                                                          | 2016          | 2015          |
|----------------------------------------------------------------------------------------------------------|---------------|---------------|
| OSRHE percentage of the net pension liability                                                            | 0.3883751%    | 0.4660000%    |
| OSRHE proportionate share of the net pension liability                                                   | \$ 23,585,081 | \$ 25,068,901 |
| OSRHE's covered-employee payroll                                                                         | \$ 12,630,188 | \$ 12,691,019 |
| OSRHE's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 186.74%       | 197.53%       |
| Plan fiduciary net position as a percentage of the total pension liability                               | 70.31%        | 72.43%        |

\* Note - Information to present a 10 year schedule is not currently available.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**SCHEDULE OF CONTRIBUTIONS - LAST 10 FISCAL YEARS\***  
**OKLAHOMA TEACHERS' RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN**

As of plan year-end of June 30,

|                                                                      | 2021         | 2020         | 2019         | 2018         | 2017         |
|----------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution                                  | \$ 1,415,974 | \$ 1,538,617 | \$ 1,444,346 | \$ 1,435,360 | \$ 1,526,867 |
| Contributions in relation to the contractually required contribution | \$ 1,415,974 | \$ 1,538,617 | \$ 1,444,346 | \$ 1,435,360 | \$ 1,526,867 |
| Contribution deficiency (excess)                                     | -            | -            | -            | -            | -            |
| OSRHE covered-employee payroll                                       | 10,851,927   | 11,735,920   | 11,366,508   | 11,368,743   | 11,945,582   |
| Contributions as a percentage of covered-employee payroll            | 13.05%       | 13.11%       | 12.71%       | 12.63%       | 12.78%       |

As of plan year-end of June 30,

|                                                                      | 2016         | 2015         |
|----------------------------------------------------------------------|--------------|--------------|
| Contractually required contribution                                  | \$ 1,620,231 | \$ 1,892,016 |
| Contributions in relation to the contractually required contribution | \$ 1,620,231 | \$ 1,892,016 |
| Contribution deficiency (excess)                                     | -            | -            |
| OSRHE covered-employee payroll                                       | 12,630,188   | 12,691,019   |
| Contributions as a percentage of covered-employee payroll            | 12.83%       | 14.91%       |

\* Note - Information to present a 10 year schedule is not currently available.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**SCHEDULE OF CHANGES IN OSRHE NET PENSION LIABILITY AND RELATED RATIOS - Last 10 Fiscal Years\***  
**OSRHE Supplemental Retirement Plan**

As of plan year-end of June 30,

|                                                                            | 2021                 | 2020                 | 2019                 | 2018                 | 2017                 | 2016                 | 2015                 |
|----------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b><u>Total pension liability</u></b>                                      |                      |                      |                      |                      |                      |                      |                      |
| Service cost                                                               | \$ 52,624            | \$ 53,248            | \$ 54,945            | \$ 67,401            | \$ 80,760            | \$ 79,527            | \$ 71,268            |
| Interest cost                                                              | 788,426              | 846,590              | 791,601              | 793,068              | 774,935              | 877,209              | 913,757              |
| Changes in benefit terms                                                   | -                    | -                    | -                    | -                    | -                    | -                    | 309,899              |
| Experience (Gain)/Loss                                                     | 342,306              | (187,555)            | 153,678              | (16,519)             | 190,784              | (1,332,369)          | 16,570               |
| Assumption changes                                                         | (336,316)            | (20,807)             | 971,445              | 14,070               | (21,053)             | 626,712              | (753,553)            |
| Benefit payments                                                           | (1,046,513)          | (1,028,390)          | (932,674)            | (813,097)            | (773,797)            | (754,715)            | -                    |
| <b>Net change in total pension liability</b>                               | <b>(199,473)</b>     | <b>(336,914)</b>     | <b>1,038,995</b>     | <b>44,923</b>        | <b>251,629</b>       | <b>(503,636)</b>     | <b>557,941</b>       |
| <b>Total pension liability - beginning</b>                                 | <b>\$ 14,395,225</b> | <b>\$ 14,732,139</b> | <b>13,693,144</b>    | <b>13,648,221</b>    | <b>13,396,592</b>    | <b>13,900,228</b>    | <b>13,342,287</b>    |
| <b>Total pension liability - ending (a)</b>                                | <b>\$ 14,195,752</b> | <b>\$ 14,395,225</b> | <b>\$ 14,732,139</b> | <b>\$ 13,693,144</b> | <b>\$ 13,648,221</b> | <b>\$ 13,396,592</b> | <b>\$ 13,900,228</b> |
| <b><u>Plan fiduciary net position</u></b>                                  |                      |                      |                      |                      |                      |                      |                      |
| Contributions - employer                                                   | \$ 175,000           | \$ 142,079           | \$ 763,584           | \$ 513,741           | \$ 1,291,647         | \$ -                 | \$ 13,076,131        |
| Net investment income                                                      | 415,944              | 627,300              | 33,808               | 94,436               | 630,259              | 132,505              | 286,003              |
| Benefit payments                                                           | (1,046,513)          | (1,028,390)          | (932,674)            | (813,097)            | (773,797)            | (754,715)            | (753,553)            |
| <b>Net change in plan fiduciary net position</b>                           | <b>\$ (455,569)</b>  | <b>\$ (259,011)</b>  | <b>\$ (135,282)</b>  | <b>\$ (204,920)</b>  | <b>\$ 1,148,109</b>  | <b>\$ (622,210)</b>  | <b>\$ 12,608,581</b> |
| <b>Plan fiduciary net position - beginning</b>                             | <b>\$ 12,535,267</b> | <b>\$ 12,794,278</b> | <b>12,929,560</b>    | <b>13,134,480</b>    | <b>11,986,371</b>    | <b>12,608,581</b>    | <b>-</b>             |
| <b>Plan fiduciary net position - ending (b)</b>                            | <b>\$ 12,079,698</b> | <b>\$ 12,535,267</b> | <b>\$ 12,794,278</b> | <b>\$ 12,929,560</b> | <b>\$ 13,134,480</b> | <b>\$ 11,986,371</b> | <b>\$ 12,608,581</b> |
| <br>OSRHE net pension liability - ending (a) - (b)                         | <br>\$ 2,116,054     | <br>\$ 1,859,958     | <br>\$ 1,937,861     | <br>\$ 763,584       | <br>\$ 513,741       | <br>\$ 1,410,221     | <br>\$ 1,291,647     |
| Plan fiduciary net position as a percentage of the total pension liability | 85.1%                | 87.1%                | 86.8%                | 94.4%                | 96.2%                | 89.5%                | 90.7%                |
| <br>Covered-employee payroll                                               | <br>\$ 2,704,245     | <br>\$ 3,137,034     | <br>\$ 3,385,085     | <br>\$ 4,391,867     | <br>\$ 5,232,408     | <br>\$ 5,645,441     | <br>\$ 5,660,742     |
| OSRHE net pension liability as a percentage of covered-employee payroll    | 78.2%                | 59.3%                | 57.2%                | 17.4%                | 9.8%                 | 25.0%                | 22.8%                |

\* Note - Information to present a 10 year schedule is not currently available.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - LAST 10 YEARS\***  
**OKLAHOMA TEACHERS' RETIREMENT SYSTEM - OPEB PLAN**

| As of plan year-end of June 30,                                                                                  | <u>2021</u>   | <u>2020</u>   | <u>2019</u>   | <u>2018</u>   |
|------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| OSRHE percentage of the net pension liability (asset)                                                            | 0.29976997%   | 0.30878580%   | 0.33575179%   | 0.36576708%   |
| OSRHE proportionate share of the net pension liability (asset)                                                   | \$ (29,697)   | \$ (190,930)  | \$ (216,981)  | \$ (163,110)  |
| OSRHE's covered-employee payroll                                                                                 | \$ 10,851,927 | \$ 11,735,920 | \$ 11,366,508 | \$ 11,368,743 |
| OSRHE's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -0.2737%      | -1.6269%      | -1.9090%      | -1.4347%      |
| Plan fiduciary net position as a percentage of the total pension liability (asset)                               | 102.30%       | 115.07%       | 115.41%       | 110.40%       |

\* Note - Information to present a 10 year schedule is not currently available.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION  
SCHEDULE OF CONTRIBUTIONS - LAST 10 FISCAL YEARS\*  
OKLAHOMA TEACHERS' RETIREMENT SYSTEM - OPEB PLAN**

As of plan year-end of June 30,

|                                                                      | 2021       | 2020       | 2019       | 2018       |
|----------------------------------------------------------------------|------------|------------|------------|------------|
| Contractually required contribution                                  | \$ 2,742   | \$ 2,710   | \$ 9,779   | \$ 23,823  |
| Contributions in relation to the contractually required contribution | 2,742      | 2,710      | 9,779      | 23,823     |
| Contribution deficiency (excess)                                     | -          | -          | -          | -          |
| OSRHE covered-employee payroll                                       | 10,851,927 | 11,735,920 | 11,366,508 | 11,368,743 |
| Contributions as a percentage of covered-employee payroll            | 0.03%      | 0.02%      | 0.09%      | 0.21%      |

\* Note - Information to present a 10 year schedule is not currently available.

**OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION**  
**SCHEDULE OF CHANGES IN OSRHE OPEB LIABILITY AND RELATED RATIOS - Last 10 Fiscal Years\***  
**OSRHE Post Employment Benefits Other Than Pension Plan (OPEB) - Retiree Medical Plan**

As of plan year-end of June 30,

|                                                                         | 2021                 | 2020                 | 2019                 | 2018                 | 2017                 |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b><u>Total OPEB liability</u></b>                                      |                      |                      |                      |                      |                      |
| Service cost                                                            | \$ 480,423           | \$ 790,373           | \$ 821,102           | \$ 809,411           | \$ 945,053           |
| Interest                                                                | 829,100              | 846,110              | 911,024              | 929,313              | 766,195              |
| Changes of assumptions                                                  | 3,888,636            | (6,941,448)          | 149,283              | 495,920              | 2,160,581            |
| Differences between expected and actual experience                      | -                    | (571,881)            | (870,953)            | (1,583,415)          | (304,581)            |
| Benefit payments                                                        | (479,906)            | (433,081)            | (396,273)            | (314,584)            | (283,126)            |
| <b>Net change in total OPEB liability</b>                               | <b>4,718,253</b>     | <b>(6,309,927)</b>   | <b>614,183</b>       | <b>336,645</b>       | <b>3,284,122</b>     |
| <b>Total OPEB liability - beginning</b>                                 | <b>17,220,070</b>    | <b>23,529,997</b>    | <b>22,915,814</b>    | <b>22,579,169</b>    | <b>19,295,047</b>    |
| <b>Total OPEB liability - ending (a)</b>                                | <b>\$ 21,938,323</b> | <b>\$ 17,220,070</b> | <b>\$ 23,529,997</b> | <b>\$ 22,915,814</b> | <b>\$ 22,579,169</b> |
| <b><u>Plan fiduciary net position</u></b>                               |                      |                      |                      |                      |                      |
| Contributions - employer                                                | \$ 556,944           | \$ 1,379,860         | \$ 1,265,703         | \$ 1,000,000         | \$ 1,000,000         |
| Net investment income                                                   | 969,306              | 1,022,435            | 866,104              | 63,842               | 248,311              |
| Differences between expected and actual experience                      | 4,177,517            |                      |                      |                      |                      |
| Benefit payments, including refunds of employee contributions           | (479,906)            | (433,081)            | (396,273)            | (314,584)            | (283,126)            |
| Administrative expense                                                  | (28,379)             | (20,823)             | (19,662)             | (18,293)             | (16,845)             |
| <b>Net change in plan fiduciary net position</b>                        | <b>\$ 5,195,482</b>  | <b>\$ 1,948,391</b>  | <b>\$ 1,715,872</b>  | <b>\$ 730,965</b>    | <b>\$ 948,340</b>    |
| <b>Plan fiduciary net position - beginning</b>                          | <b>16,656,382</b>    | <b>14,707,991</b>    | <b>12,992,119</b>    | <b>12,261,154</b>    | <b>11,312,814</b>    |
| <b>Plan fiduciary net position - ending (b)</b>                         | <b>\$ 21,851,864</b> | <b>\$ 16,656,382</b> | <b>\$ 14,707,991</b> | <b>\$ 12,992,119</b> | <b>\$ 12,261,154</b> |
| <br>OSRHE net OPEB liability - ending (a) - (b)                         | <br>\$ 86,459        | <br>\$ 563,688       | <br>\$ 8,822,006     | <br>\$ 9,923,695     | <br>\$ 10,318,015    |
| Plan fiduciary net position as a percentage of the total OPEB liability | 99.6%                | 96.7%                | 62.5%                | 56.7%                | 54.3%                |
| Covered-employee payroll                                                | \$ 10,851,927        | \$ 11,735,920        | \$ 11,366,508        | \$ 11,368,743        | \$ 11,945,582        |
| OSRHE net OPEB liability as a percentage of covered-employee payroll    | 0.8%                 | 4.8%                 | 77.6%                | 87.3%                | 86.4%                |

\* Note - Information to present a 10 year schedule is not currently available

## OTHER SUPPLEMENTAL INFORMATION

STATEMENT OF NET POSITION - OCAP COST CENTER

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

June 30, 2021

ASSETS

Restricted Assets

Current Assets

|                               |               |
|-------------------------------|---------------|
| Cash and cash equivalents     | \$ 30,385,270 |
| Receivables                   |               |
| Receivable between funds      | 3,832,222     |
| Administrative cost allowance | 134,056       |
| Interest                      | <u>29,917</u> |
| Total Current Assets          | 34,381,465    |

Noncurrent Assets

|                     |               |
|---------------------|---------------|
| Capital assets, net | <u>14,076</u> |
|---------------------|---------------|

TOTAL ASSETS 34,395,541

LIABILITIES

Liabilities payable from restricted assets

Current liabilities

|                                       |                |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | 184,316        |
| Compensated absences                  | <u>50,221</u>  |
| Total current liabilities             | <u>234,537</u> |

Long-term liabilities

|                             |               |
|-----------------------------|---------------|
| Compensated absences        | <u>93,264</u> |
| Total long-term liabilities | <u>93,264</u> |

TOTAL LIABILITIES 327,801

NET POSITION

|                                     |                   |
|-------------------------------------|-------------------|
| Net investment in capital assets    | 14,076            |
| Restricted                          |                   |
| Oklahoma College Assistance Program | <u>34,053,664</u> |

TOTAL NET POSITION \$ 34,067,740

See notes to supplemental information.

# STATEMENT OF ACTIVITIES - OCAP COST CENTER

## OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

Year Ended June 30, 2021

### OPERATING REVENUES

|                          |                  |
|--------------------------|------------------|
| Default loan collections | \$ 7,997,772     |
| Administrative fees      | 566,381          |
| Default aversion fees    | 237,882          |
| Other sources            | <u>10,253</u>    |
| TOTAL OPERATING REVENUES | <u>8,812,288</u> |

### OPERATING EXPENSES

|                               |                  |
|-------------------------------|------------------|
| Compensation                  | 1,715,979        |
| Rent                          | 164,267          |
| Processing charges            | 422,264          |
| Postage                       | 664              |
| Collection agency fees        | 1,023,870        |
| Default aversion fees         | 222,360          |
| Other                         | 4,468,465        |
| Depreciation and amortization | <u>7,830</u>     |
| TOTAL OPERATING EXPENSES      | <u>8,025,699</u> |

OPERATING INCOME 786,589

### NONOPERATING REVENUES (EXPENSES)

|                           |                |
|---------------------------|----------------|
| Interest income           | <u>514,010</u> |
| NET NONOPERATING REVENUES | <u>514,010</u> |

INCREASE IN NET POSITION 1,300,599

NET POSITION AT BEGINNING OF YEAR 32,767,141

NET POSITION AT END OF YEAR \$ 34,067,740

See notes to supplemental information.

## NOTES TO SUPPLEMENTAL INFORMATION

### OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

June 30, 2021

#### NOTE A – BASIS OF PRESENTATION

The supplemental balance sheet and income statement of the Oklahoma College Assistance Program (OCAP) cost center are presented on the accrual basis of accounting; however, these schedules do not recognize pension and other post employee benefit obligations as those are presented under the OSRHE . The statements are not intended to present financial position or results of operations in accordance with generally accepted accounting standards.

Nature of Operations: the Oklahoma College Assistance Program, a cost center of the Oklahoma State Regents for Higher Education (the State Regents), is responsible for the guarantee of federal student loans by certain lending institutions to students attending post-secondary schools, in compliance with operating agreements (the Agreements) with the U.S. Department of Education (the USDE) pursuant to Section 428 of the Higher Education Act of 1965 (HEA), as periodically amended.

The Federal Family Education Loan Program (FFELP) under which OCAP operates was established by Congress as a means of making loans available to students attending colleges, universities, and post-secondary educational and vocational schools. The FFELP provides for OCAP to guarantee the repayment of principal and accrued interest to lenders for each eligible loan. OCAP had been responsible for processing loans submitted for guarantee, issuing loan guarantees, providing financial literacy and college access activities, informing lenders and schools of FFELP regulations, providing default aversion assistance to lenders for delinquent loans, paying lender claims for loans in default and collecting loans on which default claims have been paid.

On March 30, 2010, President Obama signed into law the Health Care and Education Reconciliation Act (H.R. 4872). The Student Aid and Fiscal Responsibility Act (SAFRA), an attachment to H.R. 4872, ended OCAP's authority to guarantee new loans under the FFELP after June 30, 2010. All new Federal Stafford, PLUS, and Consolidation student loans were made under the William D. Ford Federal Direct Loan Program beginning July 1, 2010. OCAP continues to maintain loan guarantees for the existing FFELP portfolio, including compliance and program reviews, providing default aversion assistance to lenders for delinquent loans, paying lender claims for loans that default, and collecting on the defaulted loan portfolio. OCAP also continues to provide student support services including financial literacy and college access activities. OCAP's student support initiatives were further supported by an amendment to our enabling

statute which authorizes State Regents to contract with any necessary parties to provide these types of services.

Effective July 1, 2012, OCAP expanded its student loan guaranty servicing system agreement with Sallie Mae, Inc., now known as Navient Solutions, LLC, to handle transaction services for lender claims review processing and post-default collection activities. This expansion continued to provide the most robust and cost-effective servicing solution to allow OCAP to provide student support services as part of our business model.

Effective July 1, 2018, the student loan guaranty servicing system agreement including the default aversion services on behalf of OCAP's FFELP portfolio, the transaction services for lender claims review processing and the post-default collection activities was assigned by Navient Solutions, LLC and assumed by Educational Credit Management Corporation (ECMC).

In October 2013, OCAP contracted with Student Outreach Solutions, Inc. to provide student grace period and cohort management services for participating state system schools. Effective April 2015, USA Funds began performing the work on our behalf through a contract assignment with SOSI and the Student Assistance Corporation as part of the same contract assignment, which provides default aversion services on behalf of OCAP's FFELP portfolio to provide further cost-effective servicing solutions. Effective February 9, 2017, United Student Aid Funds, Inc. changed names to Strada Education Network, Inc. with the services provided by the affiliate Education@Work, Inc.

Effective June 1, 2018 Loan Science, LLC acquired Education @ Work, Inc. and continued to provide the grace period and cohort management services for participating state system schools. Effective October 25, 2018, Loan Science, LLC was awarded a new contract for grace period and cohort management services which subsequently ended June 30, 2020.

The OCAP Cost Center and a Federal Reserve Fund (Federal Fund) are used to account for the FFELP activities. The assets and earnings of the Cost Center may be used generally for guarantee agency related activities and other student financial aid related activities. The Federal Fund is considered property of the Federal Government, and its assets and earnings are restricted in use.

The OCAP Cost Center receives no appropriations from the State of Oklahoma. OCAP's revenue is primarily derived from loan collection fees, administrative allowances paid by the Department of Education, and investment income.

- At June 30, 2021, the Cost Center's net position increased to \$34,067,740 from \$32,767,141 in 2020.
- Total operating and non-operating revenues decreased by \$487,560 from \$9,813,858 to \$9,326,298 primarily due to decreased default loan collections income, administrative fees, and default aversion fee income as a result of the continued decline in the outstanding

portfolio and the impact of the COVID-19 National Emergency and the related Federal Student Aid guidance providing repayment moratoriums for student loan borrowers.

- Total operating and non-operating expenses decreased by \$3,532,830 from \$11,558,529 to \$8,025,699. This decrease was primarily due to decreases in processing charges, collection agency fees, and default aversion fees and the impact of the COVID-19 National Emergency and the related Federal Student Aid guidance providing repayment moratoriums for student loan borrowers.
- At June 30, 2021, the Cost Center recorded net capital assets of \$14,076 with a total of \$1,305,127 in capital assets and \$1,291,052 in accumulated depreciation.
- At June 30, 2020, the Cost Center had long-term liabilities of \$143,485. The current portion due within one year is \$50,221.

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*

Coordinating Board of Control  
Oklahoma State Regents for Higher Education  
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Oklahoma State Regents for Higher Education ("OSRHE"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise OSRHE's basic financial statements, and have issued our report thereon dated October 29, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered OSRHE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OSRHE's internal control. Accordingly, we do not express an opinion on the effectiveness of OSRHE's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether OSRHE'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Arledge & Associates, P.C.*

October 29, 2021



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

Coordinating Board of Control  
Oklahoma State Regents for Higher Education  
Oklahoma City, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited Oklahoma State Regents for Higher Education's ("OSRHE") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of OSRHE's major federal programs for the year ended June 30, 2021. OSRHE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

## Report on Internal Control over Compliance

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

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

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

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.

*Arledge & Associates, P.C.*

October 29, 2021

OSRHE  
Schedule of Expenditures of Federal Awards By Grant  
For the Year Ended June 30, 2021

| <i>Federal Grantor/Program or Cluster Title</i>                        | <i>Federal CFDA Number</i> | <i>Pass-through Grantor and Number</i> | <i>Name of Grant - Grant ID No.</i> | <i>Passed-through to Subrecipients (\$)</i> | <i>Federal Expenditures(\$)</i> |
|------------------------------------------------------------------------|----------------------------|----------------------------------------|-------------------------------------|---------------------------------------------|---------------------------------|
| <b>477 Cluster-Cluster</b>                                             |                            |                                        |                                     |                                             |                                 |
| Department of Health and Human Services                                |                            |                                        |                                     |                                             |                                 |
| Temporary Assistance for Needy Families (477 Cluster)                  |                            |                                        |                                     |                                             |                                 |
| Temporary Assistance for Needy Families (477 Cluster)                  | 93.558                     |                                        |                                     | 2,205,131                                   | 2,281,398                       |
|                                                                        |                            |                                        |                                     |                                             |                                 |
| Total Temporary Assistance for Needy Families (477 Cluster)            |                            |                                        |                                     | 2,205,131                                   | 2,281,398                       |
| <i>Total Department of Health and Human Services</i>                   |                            |                                        |                                     | 2,205,131                                   | 2,281,398                       |
| <b>Total 477 Cluster-Cluster</b>                                       |                            |                                        |                                     | 2,205,131                                   | 2,281,398                       |
| <b>CCDF Cluster-Cluster</b>                                            |                            |                                        |                                     |                                             |                                 |
| Department of Health and Human Services                                |                            |                                        |                                     |                                             |                                 |
| Child Care and Development Block Grant                                 |                            |                                        |                                     |                                             |                                 |
| Child Care and Development Block Grant                                 | 93.575                     |                                        |                                     | 1,645,484                                   | 2,308,814                       |
| Total Child Care and Development Block Grant                           |                            |                                        |                                     | 1,645,484                                   | 2,308,814                       |
| <i>Total Department of Health and Human Services</i>                   |                            |                                        |                                     | 1,645,484                                   | 2,308,814                       |
| <b>Total CCDF Cluster-Cluster</b>                                      |                            |                                        |                                     | 1,645,484                                   | 2,308,814                       |
| <b>Other Programs</b>                                                  |                            |                                        |                                     |                                             |                                 |
| Department of Education                                                |                            |                                        |                                     |                                             |                                 |
| Federal Family Education Loans                                         |                            |                                        |                                     |                                             |                                 |
| Federal Family Education Loans                                         | 84.032                     |                                        |                                     |                                             | 36,643,721                      |
| Total Federal Family Education Loans                                   |                            |                                        |                                     |                                             | 36,643,721                      |
| Gaining Early Awareness and Readiness for Undergraduate Programs       |                            |                                        |                                     |                                             |                                 |
| Gaining Early Awareness and Readiness for Undergraduate Programs       | 84.334                     |                                        |                                     | 1,103,738                                   | 3,175,849                       |
| Total Gaining Early Awareness and Readiness for Undergraduate Programs |                            |                                        |                                     | 1,103,738                                   | 3,175,849                       |
| <i>Total Department of Education</i>                                   |                            |                                        |                                     | 1,103,738                                   | 39,819,570                      |
| Department of Health and Human Services                                |                            |                                        |                                     |                                             |                                 |
| Opioid STR                                                             |                            |                                        |                                     |                                             |                                 |
| Opioid STR                                                             | 93.788                     | SAMHSA                                 |                                     | 114,314                                     | 130,388                         |
| Total Opioid STR                                                       |                            |                                        |                                     | 114,314                                     | 130,388                         |
| <i>Total Department of Health and Human Services</i>                   |                            |                                        |                                     | 114,314                                     | 130,388                         |
| National Science Foundation                                            |                            |                                        |                                     |                                             |                                 |
| Computer and Information Science and Engineering                       |                            |                                        |                                     |                                             |                                 |
| Computer and Information Science and Engineering                       | 47.070                     |                                        |                                     |                                             | 211,310                         |
| Total Computer and Information Science and Engineering                 |                            |                                        |                                     |                                             | 211,310                         |
| <i>Total National Science Foundation</i>                               |                            |                                        |                                     |                                             | 211,310                         |
| <b>Total Other Programs</b>                                            |                            |                                        |                                     | 1,218,052                                   | 40,161,268                      |
| <b>Total Expenditures of Federal Awards</b>                            |                            |                                        |                                     | \$ 5,068,667                                | \$ 44,751,480                   |

The accompanying notes are an integral part of this schedule

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

Year Ended June 30, 2021

#### NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Oklahoma State Regents for Higher Education ("OSRHE") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of OSRHE, it is not intended to and does not present the financial position, changes in net assets, or cash flows of OSRHE.

#### 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. OSRHE has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### NOTE C--FEDERAL FAMILY EDUCATION LOAN PROGRAM

OSRHE through its Oklahoma College Assistance Program ("OCAP") continues to maintain loan guarantees for the Federal Family Education Loan (FFEL) Program. No new loans are being made under the federal program but OCAP is responsible for the existing loan portfolio that totals \$866,302,032.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

Year Ended June 30, 2021

#### 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:

| <u>Program</u>                                                   | <u>CFDA Number</u> |
|------------------------------------------------------------------|--------------------|
| Federal Family Education Loans                                   | 84.032             |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334             |
| 477 Cluster                                                      | *                  |
| Child Care and Development Fund Cluster                          | *                  |

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

Year Ended June 30, 2021

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

None to report for the June 30, 2021 period.

**Section III--Finding Required to be Reported in Accordance with the Uniform Guidance:**

None to report for the June 30, 2021 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

Year Ended June 30, 2021

No matters were reportable.