

**NORTHEASTERN OKLAHOMA AGRICULTURAL  
AND MECHANICAL COLLEGE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2023**



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**NORTHEASTERN OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGE  
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## INDEPENDENT AUDITORS' REPORT

Oklahoma Agricultural and Mechanical Colleges Board of Regents  
Northeastern Oklahoma Agricultural and Mechanical College  
Oklahoma City, Oklahoma

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Northeastern Oklahoma Agricultural and Mechanical College, a component unit of the State of Oklahoma, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Northeastern Oklahoma Agricultural and Mechanical College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Northeastern Oklahoma Agricultural and Mechanical College as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of College's Proportionate Share of the Net Pension Liability, Schedule of the College's Proportionate Share of the Net OPEB Liability, and Schedule of the College's Contributions, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

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



**CliftonLarsonAllen LLP**

St. Louis, Missouri  
October 27, 2023

# Northeastern Oklahoma Agricultural and Mechanical College

## Management's Discussion and Analysis

### Years Ended June 30, 2023 and 2022

#### ***Introduction***

The following discussion and analysis of the financial performance of Northeastern Oklahoma Agricultural and Mechanical College (the "College") provides management's overview of the College's financial activities for the fiscal year ended June 30, 2023. Fiscal years 2022 and 2021 are presented for comparative purposes. This analysis is intended to provide a summary of significant financial activities and information and should be read in conjunction with the College's audited financial statements and footnotes.

#### ***Financial Highlights***

- During 2023, the College implemented GASB Statement No. 96 Subscription-based Information Technology Arrangements. However, this implementation did not affect previous years activity or balances.
- The College's net position increased to \$24,000,738 in 2023 from \$19,626,097 in 2022. The College's net position was \$15,649,249 in 2021.
- The College's total revenues decreased to \$29,431,783 in 2023 from \$31,049,400 in 2022. The College's total revenues were \$27,284,112 in 2021.
- The College's total expenses decreased to \$25,057,742 in 2023 from \$27,071,952 in 2022. The College's total expenses were \$26,097,133 in 2021.

#### ***Basic Financial Statements***

The College's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* and, accordingly, include management's discussion and analysis (as required supplementary information); the statements of net position, statements of revenues, expenses, and changes in net position and statements of cash flows; and explanatory notes to the financial statements.

#### ***Statement of Net Position***

The Statement of Net Position presents the financial position of the College at the end of the fiscal year. This statement includes all assets, deferred outflows of resources, all liabilities, and deferred inflows of resources of the College utilizing the accrual method of accounting. The Statement of Net Position enables users to assess the financial health of the College. Over time, increases or decreases in the College's net position are one indicator of whether the College's financial health is improving or deteriorating. However, nonfinancial factors such as changes in the College's programs and degrees offered, accreditation status, and condition of physical facilities must also be considered to accurately assess the health of the College.

# Northeastern Oklahoma Agricultural and Mechanical College

## Management's Discussion and Analysis

### Years Ended June 30, 2023 and 2022

The College's Condensed Statements of Net Position for fiscal years 2023, 2022, and 2021, follow:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Assets</b>				
Current assets	\$ 10,832,138	\$ 11,147,066	\$ (314,928)	-2.8%
Noncurrent assets	<u>44,416,326</u>	<u>42,360,613</u>	<u>2,055,713</u>	4.9%
Total assets	55,248,464	53,507,679	1,740,785	3.3%
<b>Deferred Outflows of Resources</b>	<u>3,607,276</u>	<u>3,459,201</u>	<u>148,075</u>	4.3%
Total assets and deferred outflows of resources	<u>\$ 58,855,740</u>	<u>\$ 56,966,880</u>	<u>\$ 1,888,860</u>	
<b>Liabilities</b>				
Current liabilities	\$ 4,047,654	\$ 3,769,673	\$ 277,981	7.4%
Noncurrent liabilities	<u>26,882,890</u>	<u>25,769,942</u>	<u>1,112,948</u>	4.3%
Total liabilities	<u>30,930,544</u>	<u>29,539,615</u>	<u>1,390,929</u>	4.7%
<b>Deferred Inflows of Resources</b>	<u>3,924,458</u>	<u>7,800,568</u>	<u>(3,876,110)</u>	-49.7%
<b>Net Position</b>				
Net investment in capital assets	27,577,751	23,369,988	4,207,763	18.0%
Restricted	1,281,395	1,601,543	(320,148)	-20.0%
Unrestricted	<u>(4,858,408)</u>	<u>(5,344,834)</u>	<u>486,426</u>	5.1%
Total net position	<u>24,000,738</u>	<u>19,626,697</u>	<u>4,374,041</u>	22.3%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 58,855,740</u>	<u>\$ 56,966,880</u>	<u>\$ 1,888,860</u>	

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2023 and 2022**

	2022	2021	Increase (Decrease)	Percent Change
<b>Assets</b>				
Current assets	\$ 11,147,066	\$ 7,926,390	\$ 3,220,676	40.6%
Noncurrent assets	<u>42,360,613</u>	<u>43,727,497</u>	<u>(1,366,884)</u>	-3.1%
Total assets	53,507,679	51,653,887	1,853,792	3.6%
<b>Deferred Outflows of Resources</b>	<u>3,459,201</u>	<u>5,610,804</u>	<u>(2,151,603)</u>	-38.3%
Total assets and deferred outflows of resources	<u>\$ 56,966,880</u>	<u>\$ 57,264,691</u>	<u>\$ (297,811)</u>	-0.5%
<b>Liabilities</b>				
Current liabilities	\$ 3,769,673	\$ 2,998,373	\$ 771,300	25.7%
Noncurrent liabilities	<u>25,769,942</u>	<u>34,390,983</u>	<u>(8,621,041)</u>	-25.1%
Total liabilities	<u>29,539,615</u>	<u>37,389,356</u>	<u>(7,849,741)</u>	-21.0%
<b>Deferred Inflows of Resources</b>	<u>7,800,568</u>	<u>4,226,086</u>	<u>3,574,482</u>	84.6%
<b>Net Position</b>				
Net investment in capital assets	23,369,988	23,655,551	(285,563)	-1.2%
Restricted	1,601,543	2,449,210	(847,667)	-34.6%
Unrestricted	<u>(5,344,834)</u>	<u>(10,455,512)</u>	<u>5,110,678</u>	-48.9%
Total net position	<u>19,626,697</u>	<u>15,649,249</u>	<u>3,977,448</u>	25.4%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 56,966,880</u>	<u>\$ 57,264,691</u>	<u>\$ (297,811)</u>	-0.5%

The College's net position improved by \$4,374,041 in 2023 after increasing by \$3,977,448 in 2022. The improvement in 2023 is primarily due to increased operating revenues including tuition and fees and Federal Grants combined with an overall decrease in operating expenses and in 2022 was primarily due to an increase in Federal nonoperating grants and contracts revenue, specifically related to HEERF funds. During 2023 Noncurrent assets increased by \$2,055,713 due to increased construction in progress for the campus HVAC upgrades. The effects of GASB statement numbers 68, 73, and 75 continue to have a significant impact on the College's financial statements. The increase in deferred outflows of \$148,075, the increase in non-current liabilities of \$1,112,948, and the decrease in deferred inflows of \$3,876,100 in FY23 are all primarily due to the change in market value and proportionate share of the OTRS net pension liability for the College.



# Northeastern Oklahoma Agricultural and Mechanical College

## Management's Discussion and Analysis

### Years Ended June 30, 2023 and 2022

#### **Statement of Revenues, Expenses, and Changes of Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Revenues and expenses are classified as either operating or nonoperating. Operating revenues are those earned by providing goods and services to carry out the mission of the College. Operating expenses are those expenses incurred in order to provide goods and services. The Governmental Accounting Standards Board requires state appropriations, federal funds, gifts, and investment income as well as interest expense to be classified as nonoperating. A public college's reliance on state appropriations and gifts quite often results in operating losses.

Readers of the College's Statement of Revenues, Expenses, and Changes in Net Position will be able to identify the sources of funds and the use of those funds as the College carries out its mission.

The College's Condensed Statements of Revenues, Expenses, and Changes in Net Position for fiscal years 2023, 2022, and 2021 follow:

	<u>Year Ended June 30</u>		<b>Increase (Decrease)</b>	<b>Percent Change</b>
	<b>2023</b>	<b>2022</b>		
<b>Operating Revenues</b>				
Tuition and fees, net	\$ 4,533,262	\$ 4,429,773	\$ 103,489	2.3%
Grants and contracts	2,470,141	1,577,974	892,167	56.5%
Auxiliary, net	4,336,796	4,743,628	(406,832)	-8.6%
Other	292,429	176,442	115,987	65.7%
Total operating revenue	<u>11,632,628</u>	<u>10,927,817</u>	<u>704,811</u>	6.4%
Less operating expenses	<u>24,444,508</u>	<u>26,457,029</u>	<u>(2,012,521)</u>	-7.6%
Net operating loss	<u>(12,811,880)</u>	<u>(15,529,212)</u>	<u>2,717,332</u>	17.5%
<b>Nonoperating Revenues</b>				
State appropriations	8,131,819	7,617,530	514,289	6.8%
State grants and contracts	562,573	559,207	3,366	0.6%
Federal grants and contracts	7,412,052	10,439,357	(3,027,305)	-29.0%
Private gifts and contributions	238,288	453,852	(215,564)	-47.5%
Investment income	24,963	-	24,963	100.0%
Gain (loss) on investments	-	(7,944)	7,944	-100.0%
Interest expenses	<u>(613,234)</u>	<u>(614,923)</u>	<u>1,689</u>	-0.3%
Total net nonoperating revenue	<u>15,756,461</u>	<u>18,447,079</u>	<u>(2,690,618)</u>	-14.6%
State appropriation for capital	1,000,000	900,000	100,000	11.1%
On-behalf payments for OCIA capital leases	420,160	142,081	278,079	195.7%
Capital contributions	<u>9,300</u>	<u>17,500</u>	<u>(8,200)</u>	-46.9%
Change in net position	4,374,041	3,977,448	396,593	10.0%
Net position, beginning of year	<u>19,626,697</u>	<u>15,649,249</u>	<u>3,977,448</u>	25.4%
Net position, end of year	<u>\$ 24,000,738</u>	<u>\$ 19,626,697</u>	<u>\$ 4,374,041</u>	22.3%

# Northeastern Oklahoma Agricultural and Mechanical College

## Management's Discussion and Analysis

### Years Ended June 30, 2023 and 2022

	<u>Year Ended June 30</u>		<b>Increase (Decrease)</b>	<b>Percent Change</b>
	<b>2022</b>	<b>2021</b>		
<b>Operating Revenues</b>				
Tuition and fees, net	\$ 4,429,773	\$ 3,503,170	\$ 926,603	26.5%
Grants and contracts	1,577,974	1,326,366	251,608	19.0%
Auxiliary, net	4,743,628	4,471,320	272,308	6.1%
Other	176,442	366,751	(190,309)	-51.9%
Total operating revenue	<u>10,927,817</u>	<u>9,667,607</u>	1,260,210	13.0%
Less operating expenses	<u>26,457,029</u>	<u>25,465,640</u>	991,389	3.9%
Net operating loss	<u>(15,529,212)</u>	<u>(15,798,033)</u>	268,821	1.7%
<b>Nonoperating Revenues</b>				
State appropriations	7,617,530	7,382,355	235,175	3.2%
State grants and contracts	559,207	602,128	(42,921)	-7.1%
Federal grants and contracts	10,439,357	7,343,211	3,096,146	42.2%
OMES flood reimbursement	-	936,194	(936,194)	-100.0%
Private gifts and contributions	453,852	455,119	(1,267)	-0.3%
Investment income	-	6,376	(6,376)	-100.0%
Interest expenses	(614,923)	(631,493)	16,570	-2.6%
Total net nonoperating revenue	<u>18,447,079</u>	<u>16,093,890</u>	2,353,189	14.6%
State appropriation for capital	900,000	741,541	158,459	21.4%
On-behalf payments for OCIA capital leases	142,081	142,081	-	0.0%
Gain/Loss on sale of property	<u>17,500</u>	<u>7,500</u>	10,000	133.3%
Change in net position	3,977,448	1,186,979	2,790,469	235.1%
Net position, beginning of year	<u>15,649,249</u>	<u>14,462,270</u>	1,186,979	8.2%
Net position, end of year	<u>\$ 19,626,697</u>	<u>\$ 15,649,249</u>	<u>\$ 3,977,448</u>	25.4%

The College's operating revenues increased by 6.4 percent in 2023, after a 13 percent increase in 2022. The increase in 2023 was due to increased Federal grant funding for a new titled "Serving the New Majority". Net nonoperating revenues decreased approximately 15 percent in 2023, after a 15 percent increase in 2022. The decrease was primarily due to a decrease in Federal nonoperating grants and contracts revenue during 2023 due to a large utilization of Federal HEERF funding during 2022.

The College closely monitors expenses and during 2023 operating expenses decreased approximately 7.6 percent after a 3.9 percent increase in 2022. The decrease is due primarily to a decreases in scholarships and fellowships and HEERF reengagement expense for the paying off of student accounts receivable with allowable HEERF funding during 2022 that was not repeated in 2023 as funding was fully expended. Reductions in enrollment have forced the College to scrutinize all spending. The College's first priority is protecting the student experience and encouraging student success. Attracting and retaining the best administration, faculty, and staff is critical to accomplishing this priority.

# Northeastern Oklahoma Agricultural and Mechanical College

## Management's Discussion and Analysis

### Years Ended June 30, 2023 and 2022

#### Statement of Cash Flows

The Statement of Cash Flows is used to report the cash the College generates from operating activities, financing activities, and investing activities. Readers of the statement make judgments about the College's ability to pay its bills particularly in the short term.

The College's Condensed Statements of Cash Flows for fiscal years 2023, 2022, and 2021 follow:

	<u>Year Ended June 30</u>		<u>Increase (Decrease)</u>	<u>Percent Change</u>
	<u>2023</u>	<u>2022</u>		
<b>Cash Provided by (Used in)</b>				
Operating activities	\$(12,142,422)	\$(12,971,845)	\$ 829,423	6.4%
Noncapital financing activities	15,728,125	18,617,692	(2,889,567)	-15.5%
Capital and related financing activities	(4,906,564)	(1,297,938)	(3,608,626)	-278.0%
Investing activities	(217,666)	9,035	(226,701)	-2509.1%
Net increase (decrease) in cash	(1,538,527)	4,356,944	(5,895,471)	-135.3%
Cash and cash equivalents, beginning of year	<u>9,609,501</u>	<u>5,252,557</u>	<u>4,356,944</u>	82.9%
Cash and cash equivalents, end of year	<u>\$ 8,070,974</u>	<u>\$ 9,609,501</u>	<u>\$ (1,538,527)</u>	-16.0%

	<u>Year Ended June 30</u>		<u>Increase (Decrease)</u>	<u>Percent Change</u>
	<u>2022</u>	<u>2021</u>		
<b>Cash Provided by (Used in)</b>				
Operating activities	\$(12,971,845)	\$(13,207,931)	\$ 236,086	1.8%
Noncapital financing activities	18,617,692	16,191,865	2,425,827	15.0%
Capital and related financing activities	(1,297,938)	(1,214,790)	(83,148)	-6.8%
Investing activities	9,035	(30,587)	39,622	-129.5%
Net increase (decrease) in cash	4,356,944	1,738,557	2,618,387	-150.6%
Cash and cash equivalents, beginning of year	<u>5,252,557</u>	<u>3,514,000</u>	<u>1,738,557</u>	49.5%
Cash and cash equivalents, end of year	<u>\$ 9,609,501</u>	<u>\$ 5,252,557</u>	<u>\$ 4,356,944</u>	82.9%

Cash reserves decreased in 2023 after a significant increase in 2022. The decrease in 2023 is primarily due to the expenditure of funding on a campus-wide HVAC upgrade and the increase in cash in 2022 is from Federal nonoperating grants and contracts, specifically related to HEERF funds. The College will continue to monitor and reduce operating expenses to protect and grow current cash reserve balances. Given the uncertainty of state funding, the administration believes that a significant balance of unrestricted cash is necessary.

# Northeastern Oklahoma Agricultural and Mechanical College

## Management's Discussion and Analysis

### Years Ended June 30, 2023 and 2022

#### Capital Assets and Debt Administration

The College has effectively utilized a varied source of funds to maintain and improve the campus buildings and infrastructure. The administration aggressively pursues grant opportunities that include capital expenditure funds. The College also participates in the state's ODFA Debt Program. This program allows the College to borrow money at competitive rates with lower origination costs.

	<u>Year Ended June 30</u>		<u>Increase (Decrease)</u>	<u>Percent Change</u>
	<u>2023</u>	<u>2022</u>		
Land	\$ 518,216	\$ 518,216	\$ -	0.0%
Construction in progress	3,887,183	333,008	3,554,175	1067.3%
Buildings and improvements	61,996,981	61,454,882	542,099	0.9%
Nonstructural improvements	3,107,847	3,098,609	9,238	0.3%
Infrastructure	1,377,873	1,377,873	-	0.0%
Equipment	9,306,062	9,185,210	120,852	1.3%
Library materials	2,884,438	2,848,499	35,939	1.3%
Leased assets-equipment	115,333	40,430	74,903	185.3%
SBITA assets-intangibles	102,710	-	102,710	100.0%
Total	83,296,643	78,856,727	4,439,916	5.6%
Less accumulated depreciation	<u>(39,346,429)</u>	<u>(37,588,654)</u>	<u>(1,757,775)</u>	4.7%
Capital assets, net	<u>\$ 43,950,214</u>	<u>\$ 41,268,073</u>	<u>\$ 2,682,141</u>	6.5%

	<u>Year Ended June 30</u>		<u>Increase (Decrease)</u>	<u>Percent Change</u>
	<u>2022</u>	<u>2021</u>		
Land	\$ 518,216	\$ 500,716	\$ 17,500	3.5%
Construction in progress	333,008	-	333,008	100.0%
Buildings and improvements	61,454,882	61,264,311	190,571	0.3%
Nonstructural improvements	3,098,609	3,098,609	-	0.0%
Infrastructure	1,377,873	1,377,873	-	0.0%
Equipment	9,185,210	9,087,014	98,196	1.1%
Library materials	2,848,499	2,795,545	52,954	1.9%
Leased assets-equipment	40,430	40,430	-	0.0%
Total	78,856,727	78,164,498	692,229	0.9%
Less accumulated depreciation	<u>(37,588,654)</u>	<u>(35,423,600)</u>	<u>(2,165,054)</u>	6.1%
Capital assets, net	<u>\$ 41,268,073</u>	<u>\$ 42,740,898</u>	<u>\$ (1,472,825)</u>	-3.4%

# Northeastern Oklahoma Agricultural and Mechanical College

## Management's Discussion and Analysis

### Years Ended June 30, 2023 and 2022

#### **Long-Term Debt**

The College's long-term debt falls into four categories: OCIA debt, ODFA debt, other notes payable, and leases/SBITA payables.

The OCIA debt is managed by the Oklahoma State Regents for Higher Education (OSRHE). All activities including refunding, repayment, extensions, etc. are under the direct control of the OSRHE.

ODFA debt is issued through the OSRHE while managed by the College. The debt service is from reserves and a student fee assessed on all classes that meet face-to-face on campus.

	<b>Year Ended June 30</b>		<b>Increase (Decrease)</b>	<b>Percent Change</b>
	<b>2023</b>	<b>2022</b>		
OCIA master leases	\$ 2,705,039	\$ 2,983,117	\$ (278,078)	-9.3%
ODFA master leases	12,239,503	13,415,585	(1,176,082)	-8.8%
Premiums on leases	654,751	737,807	(83,056)	-11.3%
Discount on leases	(18,188)	(19,101)	913	-4.8%
DELL note payable	50,626	64,566	(13,940)	-21.6%
NEO Development Foundation - Multipurpose Athletic Center	623,807	729,739	(105,932)	-14.5%
Leases payable	69,028	9,327	59,701	640.1%
SBITA payable	69,298	-	69,298	100.0%
Total	<u>\$ 16,393,864</u>	<u>\$ 17,921,040</u>	<u>\$ (1,527,176)</u>	-8.5%

	<b>Year Ended June 30</b>		<b>Increase (Decrease)</b>	<b>Percent Change</b>
	<b>2022</b>	<b>2021</b>		
OCIA leases	\$ 2,983,117	\$ 2,983,117	\$ -	0.0%
ODFA leases	13,415,585	14,465,252	(1,049,667)	-7.3%
Premiums on leases	737,807	820,863	(83,056)	-10.1%
Discount on leases	(19,101)	(20,014)	913	-4.6%
DELL note payable	64,566	-	64,566	100.0%
NEO Development Foundation - Multipurpose Athletic Center	729,739	830,140	(100,401)	-12.1%
Leases payable	9,327	30,500	(21,173)	-69.4%
Total	<u>\$ 17,921,040</u>	<u>\$ 19,109,858</u>	<u>\$ (1,188,818)</u>	-6.2%

# **Northeastern Oklahoma Agricultural and Mechanical College**

## **Management's Discussion and Analysis**

### **Years Ended June 30, 2023 and 2022**

#### ***Economic Factors and the College's Future***

The College has identified and is focused on two significant factors that will affect its future:

#### **ENROLLMENT**

The College faces several enrollment challenges. The number of graduating high school seniors in the College's three county "service area," Ottawa, Craig, and Delaware counties, is steadily declining. The border states Arkansas, Kansas, and Missouri have all increased their efforts to keep students in state by offering tuition-free education in their community colleges. In response, the College seeks to market itself as a unique two-year college with a four-year college experience.

The College is also initiating programs to improve retention of current students. Open enrollment, two-year colleges contend with significant retention issues. Student's stop-out for any number of reasons. The College is focused on identifying students at risk for stopping out and providing the needed assistance.

#### **OUTSIDE RESOURCES**

The College continues to pursue significant grant funds and currently receives funds from four U.S. Department of Education grants. In fiscal year 2023 the College received:

- \$ 365,000 – Upward Bound
- \$ 316,000 – Student Support Services
- \$ 302,000 – Title III
- \$ 132,000 – Adult Education and Literacy
- \$2,693,000 – CARES Act – Higher Education Emergency Relief Fund (HEERF)

These grant funds enable the College to support targeted groups of students and enhance their ultimate success in higher education.

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Statements of Net Position**  
**June 30, 2023 and 2022**

	<b>Primary Government - College</b>		<b>Component Unit - Foundation</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 7,615,482	\$ 8,734,642	\$ 1,294,890	\$ 987,321
Restricted cash and cash equivalents	403,441	398,110	-	-
Accounts receivable, net	2,113,047	1,548,024	-	-
Lease receivables	67,025	66,587	-	-
Other receivables	389,782	27,681	20,022	15,141
Investments	19,397	138,961	-	-
Inventories	223,964	233,061	-	-
Total current assets	<u>10,832,138</u>	<u>11,147,066</u>	<u>1,314,912</u>	<u>1,002,462</u>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	52,051	476,749	-	-
Investments	224,270	222,401	7,226,491	6,621,832
Restricted net OPEB asset	71,434	208,008	-	-
Lease receivables	118,357	185,382	-	-
Due from primary government			658,168	773,978
Other assets			115,008	115,008
Capital assets, net	<u>43,950,214</u>	<u>41,268,073</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>44,416,326</u>	<u>42,360,613</u>	<u>7,999,667</u>	<u>7,510,818</u>
Total assets	<u>55,248,464</u>	<u>53,507,679</u>	<u>9,314,579</u>	<u>8,513,280</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions	3,361,864	2,922,766	-	-
Deferred outflows related to OPEB	146,799	425,366	-	-
Deferred outflows related to leases	<u>98,613</u>	<u>111,069</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>3,607,276</u>	<u>3,459,201</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 58,855,740</u>	<u>\$ 56,966,880</u>	<u>\$ 9,314,579</u>	<u>\$ 8,513,280</u>

(Continued)

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Statements of Net Position**  
**June 30, 2023 and 2022**

	Primary Government - College		Component Unit - Foundation	
	2023	2022	2023	2022
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 968,672	\$ 746,045	\$ 2,000	\$ -
Accrued interest payable	34,494	40,369	-	-
Accrued payroll and other accrued expenses	521,687	501,104	-	-
Unearned revenues	516,140	475,671	-	-
Student and other deposits	119,154	93,120	373,450	404,350
Accrued compensated absences	277,377	275,686	-	-
Current portion of total OPEB liability	55,000	53,000	-	-
Current portion of note and leases payable	1,555,130	1,584,678	-	-
Total current liabilities	<u>4,047,654</u>	<u>3,769,673</u>	<u>375,450</u>	<u>404,350</u>
<b>Other Liabilities</b>				
Net pension liability	11,924,315	8,343,557	-	-
Total OPEB liability	119,841	1,090,023	-	-
Note payable	-	-	328,085	455,978
Note payable to Foundation	512,039	623,807	-	-
Notes payable to state agencies	14,209,802	15,673,855	-	-
Note payable to Dell Financial Services	26,300	38,700	-	-
Leases payable	54,652	-	-	-
SBITA payable	35,941	-	-	-
Total other liabilities	<u>26,882,890</u>	<u>25,769,942</u>	<u>328,085</u>	<u>455,978</u>
Total liabilities	<u>30,930,544</u>	<u>29,539,615</u>	<u>703,535</u>	<u>860,328</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to OCIA lease	77,213	88,114	-	-
Deferred inflows related to leases	184,126	251,080	-	-
Deferred inflows related to pensions	1,974,077	6,172,673	-	-
Deferred inflows related to OPEB	1,689,042	1,288,701	-	-
Total deferred outflows of resources	<u>3,924,458</u>	<u>7,800,568</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	27,577,751	23,369,988		
Restricted for				
Nonexpendable			-	3,941,356
Expendable				
Scholarships, research, instruction, and other	1,157,910	916,786	-	2,136,899
Capital projects	52,051	476,749		
Other postemployment benefits	71,434	208,008		
Unrestricted	(4,858,408)	(5,344,834)	-	1,574,697
Total net position	<u>24,000,738</u>	<u>19,626,697</u>	<u>-</u>	<u>7,652,952</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 58,855,740</u>	<u>\$ 56,966,880</u>	<u>\$ 703,535</u>	<u>\$ 8,513,280</u>



**Northeastern Oklahoma Agricultural and Mechanical College**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2023 and 2022**

	<b>Primary Government - College</b>		<b>Component Unit - Foundation</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Operating Revenues</b>				
Tuition and fees, net of scholarship discounts and allowances; 2023 - \$5,915,000; 2022 - \$6,670,000	\$ 4,533,262	\$ 4,429,773		
Federal grants and contracts	2,252,541	1,576,974		
State and local grants and contracts	178,000	-		
Private gifts and contributions	39,600	1,000		
Auxiliary enterprise charges				
Housing, net of scholarship discounts and allowances; 2023 - \$285,000; 2022 - \$322,000	1,328,478	1,524,432		
Food services, net of scholarship discounts and allowances; 2023 - \$499,000; 2022 - \$563,000	1,454,921	1,615,699		
Bookstore, net of scholarship discounts and allowances; 2023 - \$428,000; 2022 - \$482,000	508,005	428,002		
Student Union	462,364	505,630		
Athletics	50,262	28,521		
Other	532,766	641,344		
Gifts and contributions	-	-	1,081,544	499,813
Other operating revenues	292,429	176,442	39,101	67,824
<b>Total operating revenues</b>	<b>11,632,628</b>	<b>10,927,817</b>	<b>1,120,645</b>	<b>567,637</b>
<b>Operating Expenses</b>				
Compensation and employee benefits	10,282,575	9,156,166	-	-
Contractual services	4,980,899	4,512,594	-	-
Supplies and materials	1,917,030	1,611,891	-	-
Utilities	1,295,417	1,371,736	-	-
Communications	55,815	72,057	-	-
Other operating expenses	481,783	1,028,986	596,960	474,432
Scholarships and fellowships	3,227,293	4,517,286	247,861	135,780
Student reengagement	-	2,017,859	-	-
Depreciation	2,203,696	2,168,454	-	-
<b>Total operating expenses</b>	<b>24,444,508</b>	<b>26,457,029</b>	<b>844,821</b>	<b>610,212</b>
<b>Operating income (loss)</b>	<b>(12,811,880)</b>	<b>(15,529,212)</b>	<b>275,824</b>	<b>(42,575)</b>

(Continued)

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2023 and 2022**

	<b>Primary Government - College</b>		<b>Component Unit - Foundation</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	\$ 7,515,212	\$ 7,165,276	\$ -	\$ -
On-behalf payments for OTRS	616,607	452,254	-	-
Federal grants and contracts	7,412,052	10,439,357	-	-
State grants and contracts	562,573	559,207	-	-
Private gifts and contributions	238,288	453,852	-	-
Investment income	24,963	-	123,103	84,983
Gain (Loss) on investments	-	(7,944)	577,406	(1,130,589)
Interest expense	(613,234)	(614,923)	(18,241)	(26,327)
<b>Net nonoperating revenues</b>	<b>15,756,461</b>	<b>18,447,079</b>	<b>682,268</b>	<b>(1,071,933)</b>
Income (loss) before other revenues, expenses, gains, and losses	<u>2,944,581</u>	<u>2,917,867</u>	<u>682,268</u>	<u>(1,114,508)</u>
<b>Other Revenues, Expenses, Gains, and Losses</b>				
State appropriations restricted for capital purposes	1,000,000	900,000	-	-
On-behalf payments for OCIA capital leases	420,160	142,081	-	-
Capital contribution	9,300	17,500	-	-
Total other revenues, expenses, gains, and losses	<u>1,429,460</u>	<u>1,059,581</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	4,374,041	3,977,448	958,092	(1,114,508)
<b>Net Position, Beginning of Year</b>	<u>19,626,697</u>	<u>15,649,249</u>	<u>7,652,952</u>	<u>8,767,460</u>
<b>Net Position, End of Year</b>	<u>\$ 24,000,738</u>	<u>\$ 19,626,697</u>	<u>\$ 8,611,044</u>	<u>\$ 7,652,952</u>

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 4,484,863	\$ 4,043,233
Federal Direct Student Loan receipts	4,719,897	4,136,520
Federal Direct Student Loan disbursements	(4,719,897)	(4,136,520)
Grants and contracts	2,025,024	2,580,470
Auxiliary enterprise charges	4,305,758	5,287,341
Other Operating Receipts	223,698	107,005
Payments to employees for salaries and benefits	(10,853,330)	(10,139,599)
Payments to suppliers	(12,395,022)	(14,916,447)
	<u>(12,209,009)</u>	<u>(13,037,997)</u>
<b>Net cash used in operating activities</b>		
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	7,515,212	7,165,276
Federal grants and contracts	7,412,052	10,439,357
State and local grants and contracts	562,573	559,207
Private gifts and contributions	238,288	453,852
	<u>15,728,125</u>	<u>18,617,692</u>
<b>Net cash provided by noncapital financing activities</b>		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Cash paid for capital assets	(4,004,381)	(467,905)
Other non-operating receipts	66,587	66,152
Capital appropriations received	1,000,000	900,000
Repayments of notes payable	(1,295,954)	(1,150,068)
Repayments of leases payable	(15,202)	(21,173)
Repayments of SBITA payable	(33,412)	-
Interest paid	(557,615)	(558,792)
	<u>(4,839,977)</u>	<u>(1,231,786)</u>
<b>Net cash used in capital and related financing activities</b>		
<b>Cash Flows from Investing Activities</b>		
Sale (purchase) of investments	(242,305)	17,032
Interest received on investments	24,639	(7,997)
	<u>(217,666)</u>	<u>9,035</u>
<b>Net cash provided (used) by investing activities</b>		
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(1,538,527)</u>	<u>4,356,944</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>9,609,501</u>	<u>5,252,557</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 8,070,974</u>	<u>\$ 9,609,501</u>

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Current assets		
Cash and cash equivalents	\$ 7,615,482	\$ 8,734,642
Restricted cash and cash equivalents	403,441	398,110
Noncurrent assets		
Restricted cash and cash equivalents	52,051	476,749
Total cash and cash equivalents	<b>\$ 8,070,974</b>	<b>\$ 9,609,501</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$(12,811,880)	\$(15,529,212)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	2,203,696	2,168,454
On-behalf payments for OTRS	616,607	452,254
Changes in net assets and liabilities		
Accounts receivable	(566,800)	1,116,546
Inventories	9,097	22,858
Accounts payable and accrued expenses	(451,333)	267,419
Other postemployment benefits	(831,608)	(523,445)
Net pension liability	3,580,758	(6,787,691)
Deferred outflows of resources for pensions	(439,098)	1,797,640
Deferred inflows of resources for pensions	(4,198,596)	3,409,016
Deferred outflows of resources for OPEB	278,567	341,506
Deferred inflows of resources for OPEB	400,341	243,322
Deferred inflows related to leases	(66,954)	(66,955)
Unearned revenues	40,469	40,641
Compensated absences	1,691	18,500
Student and other deposits	26,034	(8,850)
<b>Net Cash Used in Operating Activities</b>	<b>\$(12,209,009)</b>	<b>\$(13,037,997)</b>
<b>Noncash Investing, Noncapital Financing, and Capital and Related Financing Activities</b>		
Principal and interest on capital debt paid by state agency on behalf of the College	\$ 420,160	\$ 142,081
Accounts payable incurred for the purchase of capital assets	\$ 145,658	\$ 145,658
Capital gifts	\$ 9,300	\$ 17,500
Leases contracts	\$ 141,490	\$ 130,718
SBITA contracts	\$ 102,710	\$ -

**See notes to financial statements.**

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

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

##### ***Nature of Operations***

Northeastern Oklahoma Agricultural and Mechanical College (the “College”) is an associate degree granting institution established by an act of the Oklahoma State Legislature in 1919. The College’s mission is to provide higher education primarily for people of northeastern Oklahoma and surrounding areas through academic programs, cultural enrichment, lifelong learning experiences, and public service activities. The College is under the governance of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the “Board of Regents”).

##### ***Reporting Entity***

The College is one of five institutions of higher education in Oklahoma that comprise part of the Oklahoma Agricultural and Mechanical Colleges, which is a member of the Oklahoma State System of the Higher Education, a component unit of the State of Oklahoma, and is included in the comprehensive annual financial report of the State of Oklahoma as part of Higher Education component unit.

The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges has constitutional authority to govern, control, and manage the Oklahoma Agricultural and Mechanical Colleges, which consist of five institutions. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, acquire and take title to real and personal property in its name, and appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

Accordingly, the College is considered an organizational unit of the Oklahoma Agricultural and Mechanical Colleges reporting entity for financial reporting purposes due to the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*.

##### ***Discretely Presented Component Unit***

Northeastern Oklahoma A&M College Development Foundation, Inc. (the “Foundation”) is a legally separate, tax-exempt component unit of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests is restricted to the activities governed by donors, bond documents, and/or trustees. Accordingly, resources received and held by the Foundation can only be used by, or for the benefit of, the College. The Foundation is considered a discretely-presented component unit of the College under the definition of GASB Statement No. 39. The Foundation reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The Foundation prepares separate, standalone financial statements which may be obtained by contacting the Foundation’s management.

# **Northeastern Oklahoma Agricultural and Mechanical College**

## **Notes to Financial Statements**

### **June 30, 2023 and 2022**

#### ***Financial Statement Presentation***

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

#### ***Basis of Accounting***

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated, or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as state appropriations), investment income, and interest on capital asset-related debt are included in nonoperating revenues and expenses. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

#### ***Cash Equivalents***

For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program and the College's ODFA bond funds held in money market funds are considered cash equivalents.

#### ***Investments***

The College accounts for its investments at fair value based on quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

#### ***Accounts Receivable***

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

# **Northeastern Oklahoma Agricultural and Mechanical College**

## **Notes to Financial Statements**

### **June 30, 2023 and 2022**

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

#### ***Inventories***

Inventories consist primarily of books and supplies held for resale and livestock. Books and supplies held for resale are valued at the lower of cost or market on the first in, first-out basis. Livestock are valued at estimated current fair market value.

#### ***Restricted Cash and Cash Equivalents***

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

#### ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 40 years for buildings, infrastructure, and land improvements and 7 years for library materials and equipment. Leases assets are amortized over the life of the associated contract.

#### ***Leases***

The College is a party as lessee and lessor for various non-cancellable long-term leases of equipment and building space. The corresponding lease payable and lease receivable are recorded in an amount equal to the present value of the expected future minimum lease payments paid or received, respectively, discounted by an applicable interest rate.

#### ***Unearned Revenues***

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

#### ***Compensated Absences***

Employee vacation pay is accrued at year-end for financial statement purposes and is earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statements of net position, and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net position.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at statement of net position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

#### ***Use of Estimates***

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

#### ***Net Position***

The College's net position is classified as follows:

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

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

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

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



# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

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

#### ***Income Taxes***

As a state institution of higher education, the income of the College is generally exempt from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the College may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511(a)(2)(B).

#### ***Classification of Revenues***

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

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

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

#### ***Tuition and Fees Revenue***

Tuition and fees revenue is recognized in the term to which it relates. The summer term is allocated by the number of days falling within each fiscal year.

#### ***Scholarship Discounts and Allowances***

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

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

#### ***Deferred Outflows of Resources***

Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. At June 30, 2023 and 2022, the College's deferred outflows of resources were comprised of deferred charges related to pensions and other postemployment benefits and leases related to the lease cancellation.

#### ***Deferred Inflows of Resources***

Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2023 and 2022, the College's deferred inflows of resources were comprised of deferred credits related to leases, pensions, and other postemployment benefits.

Lease-related amounts are recognized at the inception of leases in which the College is the lessor and are recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

#### ***Defined Benefit Pension and Other Postemployment Benefits Plans***

The College participates in a cost-sharing, multiple-employer defined benefit pension plan. The fiduciary net position of the Teacher Retirement System of Oklahoma (OTRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting.

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

The College has a single-employer defined benefit other postemployment benefit (OPEB) plan, providing health insurance and life insurance to retirees (the "OPEB Plans"). For purposes of measuring the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the OPEB Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

#### ***Single-Employer Defined Benefit – Other Postemployment Benefit Plan***

The College has a single-employer defined benefit OPEB plan, the NEO Retiree Health Insurance and Death Benefits Plan (the NEO OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the NEO OPEB Plan and additions to/deductions from the NEO OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the NEO OPEB Plan. For

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

#### ***Cost-Sharing Defined Benefit – Other Postemployment Benefit Plan***

The College participates in a cost-sharing, multiple-employer defined benefit OPEB plan, the OTRS Supplemental Health Insurance Plan (the OTRS OPEB Plan). For purposes of measuring the net OPEB liability (asset), deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OTRS OPEB Plan and additions to/deductions from the OTRS OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***New Accounting Pronouncement Adopted in Fiscal Year 2023***

The College adopted the following new accounting pronouncement during the year ended June 30, 2023:

##### ***GASB Statement No. 96, Subscription-based Information Technology Arrangements (SBITA)***

GASB 96 was issued in May 2020; this Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The College adopted GASB 96 for the June 30, 2023, reporting year and the implementation had no material effect on the College's financials.

## **Note 2: Deposits and Investments**

### ***Deposits***

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

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

At June 30, 2023 and 2022, the carrying amount of the College's deposits with the State Treasurer and other financial institutions were as follows:

	2023	2022
Deposits with the State Treasurer	\$ 8,011,273	\$ 9,125,102
Petty cash	7,650	7,650
Total deposits	\$ 8,018,923	\$ 9,132,752

Of the \$8,011,273 and \$9,125,102 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2023 and 2022, respectively, \$811,039 and \$2,375,277, respectively, represent amounts held within *OK INVEST*, an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages, and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. The College considers the amount on deposit with *OK INVEST* to be demand accounts and they are reported as cash equivalents.

### **Investments**

Investments are recorded at fair value in accordance with GAAP. The College's investments are measured and reported at fair value and classified according to the following hierarchal input levels:

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

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

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

At June 30, 2023 and 2022, the College had the following investments:

Types of Investments	Fair Value Hierarchy	Credit Rating	Maturities	2023	2022
U.S. Treasury securities	Level 1	Aaa	0 - 10 years	\$ 232,912	\$341,732
Bank certificates of deposit	N/A	N/A	Less than one year	974	6,514
U.S. agency mortgage-backed securities	Level 2	Aaa	1 - 25 years	9,781	13,116
				\$ 243,667	\$361,362

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

June 30, 2023 and 2022

### ***Interest Rate Risk***

The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### ***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The College is authorized to invest in obligations of the United States government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Regents.

### ***Custodial Credit Risk***

All United States government obligations are held by the Federal Reserve Bank in the name of the College. The majority of the College's certificates of deposit were invested through the State Treasurer. The Board has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the United States Government and its agencies, certificates of deposit, and demand deposits.

### ***ODFA Bond Fund Cash and Investments***

Certain non-pooled cash and investments are restricted in purpose by policies incorporated in applicable bond indentures. Credit risk policy generally restricts investing to cash, investments fully insured by the FDIC and U.S. government and agency securities, or mutual funds investing in these types of securities. There may be some variance among the investments authorized by the specific bond indentures of College bond issues. The OST and/or a trustee bank generally provide the management of restricted, non-pooled investments. Custodial credit risk is not addressed by bond indentures. Interest rate risk in bond indentures provide that investments mature in no more than six to sixty months depending on the purpose of the funds and the requirements of the account in which the funds are deposited, *i.e.*, construction, reserve, operations, and maintenance, etc. Concentration of credit risk is not addressed.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

At June 30, 2023 and 2022, the College had the following bond fund investments, which are reported as restricted cash equivalents in the accompanying statement of net position.

	Fair Value Hierarchy	Average Credit Quality Ratings (1)	Weighted Average No. of Years to Maturity (2)	2023 Fair Value	2022 Fair Value
Cavanal Hill U.S. Treasury - Admin #0002	Level 1	AAAm	0.10	\$ 51,033	\$ 100,568
Black Rock Liquid FedFund - Cash Res #00U3	Level 1	AAAm	0.10	1,018	376,181
				<u>\$ 52,051</u>	<u>\$ 476,749</u>

1. Ratings are provided where applicable to indicate Credit Risk. Ratings report are Standards and Poor's.
2. Interest Rate Risk is estimated using weighted average years to maturity.

### Note 3: Accounts Receivable and Other Receivables

Accounts receivable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Student tuition and fees	\$ 3,052,159	\$ 2,637,813
Auxiliary enterprises and other student activities	1,145,042	1,101,048
Federal and state granting agencies	<u>963,793</u>	<u>518,676</u>
	5,160,994	4,257,537
Less allowance for doubtful accounts	<u>3,047,947</u>	<u>2,709,513</u>
Accounts receivable, net	<u>\$ 2,113,047</u>	<u>\$ 1,548,024</u>

Other receivables consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Interest receivable	\$ 661	\$ 337
OSRHE Endowment Trust Receivable	29,121	27,344
Dobson Trust Receivable	<u>360,000</u>	<u>-</u>
Total other receivables	<u>\$ 389,782</u>	<u>\$ 27,681</u>

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 4: Leases Receivables**

The College as a lessor, has entered into a lease agreement with the Peoria Tribe involving the Early Childhood Lab in the Kah-Ne Hall building. A summary of the lease terms and interest rate is as follows:

Lease of building with office space, classrooms, and public gathering spaces:  
Monthly installments totaling \$5,670 with an imputed interest rate of 0.656 percent over a 5-year lease term ending April 2026. The balance outstanding at June 30 was:

<u>2023</u>	<u>2022</u>
\$185,382	\$251,969

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 5: Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2023:

	<b>Restated Balance at June 30, 2022</b>	<b>Additions</b>	<b>Transfers and Retirements</b>	<b>Balance at June 30, 2023</b>
Capital assets not being depreciated/amortized				
Land	\$ 518,216	\$ -	\$ -	\$ 518,216
Construction in progress	333,008	3,554,175	-	3,887,183
Total not being depreciated/amortized	<u>851,224</u>	<u>3,554,175</u>	<u>-</u>	<u>4,405,399</u>
Capital assets being depreciated				
Buildings and improvements	61,454,882	542,099		61,996,981
Nonstructural improvements	3,098,609	9,238		3,107,847
Infrastructure	1,377,873	-		1,377,873
Equipment	9,185,210	566,773	(445,921)	9,306,062
Library materials	2,848,499	35,939		2,884,438
Leased assets-equipment	40,430	74,903		115,333
SBITA assets-intangibles	-	102,710		102,710
Total capital assets being depreciated/amortized	<u>78,005,503</u>	<u>1,331,662</u>	<u>(445,921)</u>	<u>78,891,244</u>
Accumulated depreciation/amortization				
Depreciation:				
Buildings and improvements	(24,884,910)	(1,462,637)	-	(26,347,547)
Nonstructural improvements	(796,640)	(187,352)	-	(983,992)
Infrastructure	(976,764)	(46,492)	-	(1,023,256)
Equipment	(8,107,724)	(440,931)	445,921	(8,102,734)
Library materials	(2,791,490)	(41,300)	-	(2,832,790)
Amortization:				
Leased assets-equipment	(31,126)	(16,425)		(47,551)
SBITA assets-intangibles	-	(8,559)	-	(8,559)
Total accumulated depreciation/amortization	<u>(37,588,654)</u>	<u>(2,203,696)</u>	<u>445,921</u>	<u>(39,346,429)</u>
Capital assets, net	<u>\$ 41,268,073</u>	<u>\$ 2,682,141</u>	<u>\$ -</u>	<u>\$ 43,950,214</u>
Capital asset summary				
Capital assets not being depreciated/amortized	\$ 500,716	\$ 3,554,175	\$ -	\$ 4,054,891
Other capital assets, at cost	77,663,782	1,331,662	(445,921)	78,549,523
Total cost of capital assets	<u>78,164,498</u>	<u>4,885,837</u>	<u>(445,921)</u>	<u>82,604,414</u>
Less accumulated deprecation/amortization	<u>(35,423,600)</u>	<u>(2,203,696)</u>	<u>445,921</u>	<u>(37,181,375)</u>
Capital assets, net	<u>\$ 41,268,073</u>	<u>\$ 2,682,141</u>	<u>\$ -</u>	<u>\$ 43,950,214</u>



**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

Following are the changes in capital assets for the year ended June 30, 2022:

	<b>Balance at June 30, 2021</b>	<b>Additions</b>	<b>Transfers and Retirements</b>	<b>Balance at June 30, 2022</b>
Capital assets not being depreciated				
Land	\$ 500,716	\$ 17,500	\$ -	\$ 518,216
Construction in progress	-	333,008	-	333,008
Total not being depreciated	<u>500,716</u>	<u>350,508</u>	<u>-</u>	<u>851,224</u>
Capital assets being depreciated				
Buildings and improvements	61,264,311	190,571	-	61,454,882
Nonstructural improvements	3,098,609	-	-	3,098,609
Infrastructure	1,377,873	-	-	1,377,873
Equipment	9,087,014	101,596	(3,400)	9,185,210
Library materials	2,795,545	52,954	-	2,848,499
Leased assets-equipment	40,430	-	-	40,430
Total capital assets being depreciated	<u>77,663,782</u>	<u>345,121</u>	<u>(3,400)</u>	<u>78,005,503</u>
Accumulated depreciation				
Buildings and improvements	(23,445,263)	(1,439,647)	-	(24,884,910)
Nonstructural improvements	(608,320)	(188,320)	-	(796,640)
Infrastructure	(919,116)	(57,648)	-	(976,764)
Equipment	(7,696,009)	(415,115)	3,400	(8,107,724)
Library materials	(2,744,942)	(46,548)	-	(2,791,490)
Leased assets-equipment	(9,950)	(21,176)	-	(31,126)
Total accumulated depreciation	<u>(35,423,600)</u>	<u>(2,168,454)</u>	<u>3,400</u>	<u>(37,588,654)</u>
Capital assets, net	<u>\$ 42,740,898</u>	<u>\$ (1,472,825)</u>	<u>\$ -</u>	<u>\$ 41,268,073</u>
Capital asset summary				
Capital assets not being depreciated	\$ 500,716	\$ 350,508	\$ -	\$ 851,224
Other capital assets, at cost	77,663,782	345,121	(3,400)	78,005,503
Total cost of capital assets	<u>78,164,498</u>	<u>695,629</u>	<u>(3,400)</u>	<u>78,856,727</u>
Less accumulated depreciation	<u>(35,423,600)</u>	<u>(2,168,454)</u>	<u>3,400</u>	<u>(37,588,654)</u>
Capital assets, net	<u>\$ 42,740,898</u>	<u>\$ (1,472,825)</u>	<u>\$ -</u>	<u>\$ 41,268,073</u>

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 6: Long-Term Liabilities**

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

	<b>Balance at June 30, 2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at June 30, 2023</b>	<b>Amounts Due Within One Year</b>
Long-term liabilities					
OCIA Series 2014A (2.00% - 5.00%)	\$ 2,983,117	\$ -	\$ (278,078)	\$ 2,705,039	\$ 292,214
ODFA Series 2011C (0.45% - 5.00%)	101,002	-	(13,000)	88,002	11,083
ODFA Series 2013A (2.00% - 4.00%)	1,659,500	-	(58,167)	1,601,333	47,833
ODFA Series 2014C (2.00% - 4.125%)	769,583	-	(57,583)	712,000	49,750
ODFA Series 2016F (0.55% - 3.06%)	3,763,584	-	(110,083)	3,653,501	96,500
ODFA Series 2017C (2.00% - 4.00%)	512,166	-	(285,500)	226,666	226,666
ODFA Series 2018A (3.75% - 4.00%)	2,221,167	-	(180,833)	2,040,334	158,250
ODFA Series 2019A (3.00% - 5.00%)	923,083	-	(64,250)	858,833	56,250
ODFA Series 2020A (3.00% - 5.00%)	1,489,417	-	(177,750)	1,311,667	156,333
ODFA Series 2020B (3.00% - 4.00%)	298,916	-	(35,583)	263,333	30,000
ODFA Series 2020D (4.00% - 5.00%)	1,677,167	-	(193,333)	1,483,834	166,000
Premiums on ODFA debt	737,807	-	(83,056)	654,751	81,337
Discount on ODFA debts	(19,101)	-	913	(18,188)	(913)
DELL Note Payable - Direct Borrowing	64,566	-	(13,940)	50,626	24,326
NEO Development Foundation - Multipurpose Athletic Center ( <i>Note 10</i> ) - Direct Borrowing	729,739	-	(105,932)	623,807	111,768
Leases Payable	9,327	74,903	(15,202)	69,028	14,376
SBITA Payable	-	102,710	(33,412)	69,298	33,357
Total Notes and Leases Payable	<u>17,921,040</u>	<u>177,613</u>	<u>(1,704,789)</u>	<u>16,393,864</u>	<u>1,555,130</u>
Other liabilities					
Accrued compensated absences	<u>275,686</u>	<u>184,022</u>	<u>(182,331)</u>	<u>277,377</u>	<u>277,377</u>
Total other liabilities	<u>275,686</u>	<u>184,022</u>	<u>(182,331)</u>	<u>277,377</u>	<u>277,377</u>
Total long-term liabilities	<u>\$ 18,196,726</u>	<u>\$ 361,635</u>	<u>\$ (1,887,120)</u>	<u>\$ 16,671,241</u>	<u>\$ 1,832,507</u>

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

Long-term liability activity for the year ended June 30, 2022, was as follows:

	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022	Amounts Due Within One Year
Long-term liabilities					
OCIA Series 2014A (2.00% - 5.00%)	\$ 2,983,117	\$ -	\$ -	\$ 2,983,117	\$ 278,078
ODFA Series 2011C (0.45% - 5.00%)	112,085	-	(11,083)	101,002	12,000
ODFA Series 2013A (2.00% - 4.00%)	1,711,667	-	(52,167)	1,659,500	53,833
ODFA Series 2014C (2.00% - 4.125%)	818,000	-	(48,417)	769,583	53,083
ODFA Series 2016F (0.55% - 3.06%)	3,866,417	-	(102,833)	3,763,584	101,333
ODFA Series 2017C (2.00% - 4.00%)	764,083	-	(251,917)	512,166	262,833
ODFA Series 2018A (3.75% - 4.00%)	2,381,250	-	(160,083)	2,221,167	166,500
ODFA Series 2019A (3.00% - 5.00%)	980,250	-	(57,167)	923,083	59,167
ODFA Series 2020A (3.00% - 5.00%)	1,646,917	-	(157,500)	1,489,417	163,583
ODFA Series 2020B (3.00% - 4.00%)	330,333	-	(31,417)	298,916	32,750
ODFA Series 2020D (4.00% - 5.00%)	1,854,250	-	(177,083)	1,677,167	178,250
Premiums on ODFA debt	820,863	-	(83,056)	737,807	83,056
Discount on ODFA debt	(20,014)	-	913	(19,101)	(913)
DELL Note Payable - Direct Borrowing	-	64,566	-	64,566	25,866
NEO Development Foundation - Multipurpose Athletic Center ( <i>Note 10</i> ) Direct Borrowing	830,140	-	(100,401)	729,739	105,932
Leases Payable	30,500	-	(21,173)	9,327	9,327
Total Notes and Leases Payable	<u>19,109,858</u>	<u>64,566</u>	<u>(1,253,384)</u>	<u>17,921,040</u>	<u>1,584,678</u>
Other liabilities					
Accrued compensated absences	257,186	182,594	(164,094)	275,686	275,686
Total other liabilities	<u>257,186</u>	<u>182,594</u>	<u>(164,094)</u>	<u>275,686</u>	<u>275,686</u>
Total long-term liabilities	<u>\$ 19,367,044</u>	<u>\$ 247,160</u>	<u>\$ (1,417,478)</u>	<u>\$ 18,196,726</u>	<u>\$ 1,860,364</u>

NO ASSURANCES PROVIDED

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

#### ***Oklahoma Capital Improvement Authority Obligations (OCIA)***

In 1999, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the OSRHE allocated \$500,611 to the College. Concurrently with the allocation, the College entered into an agreement with OCIA, for the project being funded by the OCIA bonds. The agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent agreements are to provide for capital improvements at the College.

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. Consequently, the amortization of the 1999A bond issue ended in 2010. The agreement will no longer secure the 1999A bond issue but will now act as security for the 2004A bond issue over the term of the agreement through the year 2020.

In 2015, the College's remaining 2004 agreement with OCIA was restructured through a complete refunding of the Series 2004A bonds. OCIA issued new bonds, Series 2014B, to accomplish the refunding. As a result, the total liability of the remaining 2004A bonds was refunded and the amount of the 2014B bonds acquired was a gain on restructuring of \$15,855, which was recorded as a deferred inflow of resources that will be amortized over a period of five years. The restructured agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original agreement and the refinanced agreement of \$26,006, which approximates the economic savings of the transaction.

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the OSRHE allocated approximately \$6,000,000 to the College. Total payments over the term of the agreement including principal and interest, beginning July 1, 2006, through July 1, 2030, will be \$10,400,529. Payments will be made annually ranging from \$164,494 to \$442,595. Concurrently with the allocation, the College entered into an agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent agreements are to provide for capital improvements at the College.

In 2011, the OCIA Series 2005F agreement was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the agreement with OCIA was automatically restructured to secure the new bond issues. This restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring that has been recorded as a charge of \$339,333 on restructuring as a deferred outflow of resources that was amortized over a period of six years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original agreement and the restructured agreement of \$64,688, which also approximates the economic cost of the restructuring. Although this restructuring resulted in a cost to the College, it is anticipated that the on-behalf payments provided to cover the original agreement will also cover the deferred restructuring charge.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

In 2014, the College's remaining 2005 agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds was refunded and the amount of the 2014A bonds acquired was a credit on restructuring of \$178,047, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2021, and 2020, the unamortized credit totaled \$99,016 and \$109,916, respectively. The restructured agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original agreement and the refinanced agreement of \$419,355, which approximates the economic savings of the transaction.

Principal and interest payments to OCIA, totaling \$420,160 and \$142,081 during the years ended June 30, 2023 and 2022, were made by the State of Oklahoma on behalf of the College. These payments have been recorded as on-behalf payments for OCIA in the statements of revenues, expenses, and changes in net position.

#### ***Oklahoma Development Finance Authority Obligations (ODFA)***

In 2010, the College entered into a debt obligation for the ODFA Agreement, Series 2010B in the amount of \$1,627,812. Total payments over the term of the agreement, beginning January 15, 2011, through November 15, 2030, will be \$2,023,077. Payments will be made monthly ranging from \$17,802 to \$19,168. Proceeds from the obligation were used for the Student Union Renovation Project. Through June 30, 2012, the College had drawn its total allotment for expenditures incurred in connection with the project. In 2021, the Series 2010B was fully refunded with the issuance of the ODFA Master Real Property Revenue Bonds, Series 2020B in the amount of \$349,000. Total payments over the term of the agreement, beginning December 15, 2020, through November 15, 2030, will be \$420,668. Payments will be made monthly ranging from \$3,310 to \$3,684.

In 2010, the College entered into a debt obligation for the ODFA Revenue Bonds, Series 2010A in the amount of \$3,500,000. Total payments over the term of the agreement, beginning July 14, 2011, through May 15, 2031, will be \$4,579,321. Payments will be made monthly ranging from \$19,165 to \$21,124. Proceeds from the obligation were used for the Student Union Renovation Project. Through June 30, 2012, the College had drawn its total allotment for expenditures incurred in connection with the project. In 2020, the Series 2010A was fully refunded with the issuance of the ODFA Revenue Bonds, Series 2020A in the amount of \$1,810,000. Total payments over the term of the agreement, beginning July 15, 2020, through May 15, 2030, will be \$ 2,248,643. Payments will be made monthly ranging from \$18,652 to \$21,147.

In 2011, the College entered into a debt obligation for the ODFA Revenue Bonds, Series 2011A in the amount of \$3,065,000. Total payments over the term of the agreement, beginning July 14, 2011, through May 15, 2031, will be \$4,560,290. Payments will be made monthly ranging from \$19,158 to \$21,004. Proceeds from the obligation were used for the Student Union Renovation Project.

Through June 30, 2012, the College had drawn its total allotment for expenditures incurred in connection with the project. In August 2011, the Student Union Renovation was completed and the facility placed in service. In 2021, the Series 2011A was fully refunded with the issuance of the ODFA Revenue Bonds, Series 2020D in the amount of \$1,989,000.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

Total payments over the term of the agreement, beginning November 15, 2020, through May 15, 2031, will be \$2,193,196. Payments will be made monthly ranging from \$17,064 to \$19,771.

In 2011, the College entered into a debt obligation for the ODFFA Revenue Bonds, Series 2011A in the amount of \$167,000. Total payments over the term of the agreement, beginning May 11, 2011, through May 15, 2018, will be \$188,409. Payments will be made monthly ranging from \$2,205 to \$2,281. Proceeds from the obligation will be used for lighting upgrades. In October 2012, the lighting upgrade project was completed and placed in service. Through June 30, 2015, the College had drawn its total allotment for expenditures incurred in connection with the project.

In 2011, the College entered into a debt obligation for the ODFFA Revenue Bonds, Series 2011C in the amount of \$665,000. Total payments over the term of the agreement, beginning October 15, 2011, through May 15, 2031, will be \$823,610. Payments will be made monthly ranging from \$868 to \$8,611. Proceeds from the obligation were used for upgrades to campus equipment, a new VOIP phone system, and the construction of a new Student Housing Project. Through June 30, 2013, the College had drawn its total allotment for expenditures incurred in connection with the project. In October 2012, the VOIP project was completed and placed in service. The Student Housing Complex was completed and placed into service in January 2012.

In 2013, the College entered into a debt obligation for the ODFFA Revenue Bonds, Series 2013A in the amount of \$2,433,000. Total payments over the term of the agreement, beginning December 15, 2013, through May 15, 2043, will be \$4,104,857. Payments will be made monthly ranging from \$10,300 to \$17,967. Proceeds from the obligation were used for reimbursing 2013 expenditures for the Kah-Ne Hall renovation, campus vehicles, and classroom furniture. Through June 30, 2015, the College had drawn its total allotment for reimbursing expenditures incurred in connection with the projects.

In 2014, the College entered into a debt obligation for the ODFFA Revenue Bonds, Series 2014C in the amount of \$1,145,000. Total payments over the term of the agreement, beginning May 15, 2014, through May 15, 2034, will be \$1,614,149. Payments will be made monthly ranging from \$6,229 to \$6,838. Proceeds from the obligation will be used for improvements to the Synar Farm. Through June 30, 2023, the College has drawn all but \$50,950 of its total allotment.

In 2016, the College entered into a debt obligation for the ODFFA Revenue Bonds, Series 2015C in the amount of \$201,000. Total payments over the term of the agreement, beginning January 15, 2016, through May 15, 2020, will be \$218,609. Payments will be made monthly ranging from \$4,050 to \$4,571. Proceeds from the obligation will be used for the purchase of a new telephone system for the entire campus. Through June 30, 2023, the College has drawn all but \$83 of its total allotment.

In 2017, the College entered into a debt obligation for the ODFFA Revenue Bonds, Series 2016F in the amount of \$4,328,000. Total payments over the term of the agreement, beginning October 15, 2016, through May 15, 2046, will be \$6,879,502. Payments will be made monthly ranging from \$19,087 to \$23,118. Proceeds from the obligation will be used for the construction of a new Student Housing Project. Through June 30, 2019, the College had drawn its total allotment for expenditures incurred in connection with the project.

In 2017, the College entered into a debt obligation for the ODFFA Revenue Bonds, Series 2017C in the amount of \$1,696,000. Total payments over the term of the agreement, beginning June 15, 2017, through May 15, 2024, will be \$1,991,629. Payments will be made monthly ranging from \$23,243 to \$24,526.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

Proceeds from the obligation will be used for the purchase of a new fiber optic system and a new security camera system for the entire campus. Through June 30, 2020, the College had drawn its total allotment for expenditures incurred in connection with the project.

In 2018, the College entered into a debt obligation for the ODFA Revenue Bonds, Series 2018A in the amount of \$2,834,000. Total payments over the term of the agreement, beginning July 15, 2018, through May 15, 2033, will be \$3,888,524. Payments will be made monthly ranging from \$21,227 to \$23,685. Proceeds from the obligation will be used for the deferred maintenance of various buildings on campus. Through June 30, 2021, the College had drawn its total allotment for expenditures incurred in connection with the project.

In 2019, the College entered into a debt obligation for the ODFA Revenue Bonds, Series 2019A in the amount of \$1,250,000. Total payments over the term of the agreement, beginning June 15, 2019, through May 15, 2034, will be \$1,545,043. Payments will be made monthly ranging from \$8,404 to \$8,897. Proceeds from the obligation will be used for the deferred maintenance of various fixtures, equipment, and buildings on campus. Through June 30, 2023, the College has drawn all but \$1,018 of its total allotment.

Future minimum payments under the College’s obligations to the OCIA and ODFA are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30			
2024	1,290,879	534,646	1,825,525
2025	1,169,734	520,536	1,690,270
2026	1,210,670	479,894	1,690,564
2027	1,253,316	434,698	1,688,014
2028	1,299,516	387,442	1,686,958
2029 - 2033	5,160,507	1,180,464	6,340,971
2034 - 2038	1,418,250	521,919	1,940,169
2039 - 2043	1,509,170	262,460	1,771,630
2044 - 2048	632,500	37,825	670,325
	<u>\$ 14,944,542</u>	<u>\$ 4,359,884</u>	<u>\$ 19,304,426</u>

#### ***Multipurpose Athletic Center Note Payable to NEO Foundation***

In November 2012, the College entered into an agreement with the Foundation for the purpose of constructing an indoor athletic facility to be known as the Multipurpose Athletic Center (the “facility”). In exchange for payments to the College, the Foundation agreed to construct the facility for the management, use, operation, and benefit of the College. Upon completion of the facility, the College agreed to rent the facility from the Foundation.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

The facility was completed in August 2013, at which time the College began occupancy of the facility. The term of this agreement is 180 months, beginning on November 1, 2012, and ending on October 31, 2027. The annual rental payment amount is \$146,134, with the first payment being made on July 15, 2013, and the final payment occurring on July 15, 2027. At the conclusion of the annual rental payments, the College will own the facility and all improvements thereof. The facility is accounted for as a capital asset and a note payable of the College in the statements of net position.

Future minimum payments under the College's obligation to the Foundation are as follows:

Years ending June 30	<b>Direct Borrowing</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	111,768	34,366	146,134
2025	117,848	28,286	146,134
2026	124,417	21,716	146,133
2027	131,272	14,862	146,134
2028	138,502	7,630	146,132
	\$ 623,807	\$ 106,860	\$ 730,667

#### ***Computers Note Payable to Dell Financial Services***

In June 2022, the College entered into a note payable obligation with Dell Financial Services (DFS) in the amount of \$64,566 for the purchase of 60 computers which will serve as collateral. Payments over the term of the agreement including interest, total \$69,699. Payments were scheduled to begin June 1, 2022, and go through June 1, 2026, and are to be made annually in the amount of \$13,940. However, the first payment was not made until July 2022, and the second payment was not made until July 2023. Therefore, both the 2023 and 2024 payments are reported in the current portion amount at June 30, 2023. In the event of default the College will be required to surrender possession of the products to DFS.

Future minimum payments under the College's obligation to DFS are as follows:

Years ending June 30	<b>Direct Borrowing</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	24,326	3,553	27,879
2025	12,894	1,046	13,940
2026	13,406	533	13,939
	\$ 50,626	\$ 5,132	\$ 55,758



**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Leases Payable**

The College as a lessee, has entered into lease agreements involving various equipment summarized below.

Leases of copiers, printers, and mailing equipment with monthly installments totaling \$1,324 with interest rates ranging from 0.50% to 3.00%, and due dates ranging from December 2027 to May 2028.

	<b>2023</b>	<b>2022</b>	
	\$ 69,028	\$ 9,327	
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending June 30			
2024	14,376	1,509	15,885
2025	14,728	1,159	15,887
2026	15,087	800	15,887
2027	15,455	431	15,886
2028	9,382	78	9,460
	\$ 69,028	\$ 3,977	\$ 73,005

**SBITA Payable**

The College as a lessee, has entered into Subscription-Based Information Technology Arrangements (SBITA) involving various intangible software summarized below.

Subscription of software (intangible asset) with annual installments totaling \$35,000 - \$37,000, with an interest rate of 2.49%, and a due date of April 2025 .

		\$ 69,298	
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending June 30			
2024	33,357	1,726	35,083
2025	35,941	895	36,837
	\$ 69,298	\$ 2,621	\$ 71,920

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Note 7: Retirement Plans**

A summary of pension amounts as of June 30, 2023 and 2022, follows:

	<b>As of June 30, 2023</b>			
	<b>Net Pension Liability</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Pension Expense</b>
OTRS Pension Liability	<u>\$ 11,924,315</u>	<u>\$ 3,361,864</u>	<u>\$ 1,974,077</u>	<u>\$ 377,933</u>
	<b>As of June 30, 2022</b>			
	<b>Net Pension Liability</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Pension Expense (Benefit)</b>
OTRS Pension Liability	<u>\$ 8,343,557</u>	<u>\$ 2,922,766</u>	<u>\$ 6,172,673</u>	<u>\$ (349,611)</u>

**Oklahoma Teachers Retirement System**

**Plan Description**

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

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

#### Benefits Provided

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

Benefit provisions include:

- Members who join OTRS after July 1, 1991, become fully vested in retirement benefits earned to date after five years of credited service. Members who join OTRS on or after November 1, 2017, become fully vested after seven years of credited service. Any member who has attained age 55 or who has completed 30 years of creditable service, or for any person who initially became a member prior to July 1, 1992, whose age and number of years of creditable service total 80 may be retired upon proper application for retirement on forms established by the System and executing a retirement contract. Any person who became a member after June 30, 1992, but prior to November 1, 2011, whose age and number of years of creditable service total 90 may be retired upon proper application for retirement and executing a retirement contract. Any person who becomes a member on or after November 1, 2011, who attains the age of 65 years or who reaches a normal retirement date having attained a minimum age of 60 years may be retired upon proper application for retirement and executing a retirement contract.
- Final compensation for members who joined the System prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995, to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2 percent of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC Section 403(b).

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

At the election of each eligible member initiating receipt of retirement benefits, the System remits between \$100 and \$105 per month per eligible retiree to the Employees Group Insurance Division (EGID), depending on the members' years of service.

#### **Contributions**

The contributions 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 percent of the employees' annual pay and an additional 8 percent for any employees' salaries covered by federal funds.

Contributions to the pension plan from the College were \$827,438 and \$788,802 for the years ended June 30, 2023 and 2022, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, totaling \$616,607 and \$452,254 for the years ended June 30, 2023 and 2022, respectively. These on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2023 and 2022, the College reported a liability of \$11,924,315 and \$8,343,557, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers for the years ended June 30, 2022 and 2021. Based upon this information, the College's proportion for June 30, 2022 and 2021, was 0.145252 percent and 0.163316 percent, respectively. For the years ended June 30, 2023 and, 2022, the College recognized pension expense (benefit) of \$377,933 and (\$349,611), respectively.

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 382,000	\$ 149,161
Change of assumptions	804,554	-
Net difference between projected and actual earnings on pension plan investments	1,135,197	-
Changes in College's proportionate share of contributions	176,642	1,763,731
Differences between College contributions and proportionate share of contributions	45,209	61,185
College contributions subsequent to the measurement date	<u>818,262</u>	<u>-</u>
Total	<u>\$ 3,361,864</u>	<u>\$ 1,974,077</u>

At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 550,150	\$ 310,268
Change of assumptions	1,297,920	83,091
Net difference between projected and actual earnings on pension plan investments	-	4,333,542
Changes in College's proportionate share of contributions	230,661	1,354,621
Differences between College contributions and proportionate share of contributions	64,865	91,151
College contributions subsequent to the measurement date	<u>779,170</u>	<u>-</u>
Total	<u>\$ 2,922,766</u>	<u>\$ 6,172,673</u>

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

The amounts of \$818,262 and \$779,170, which are reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2024	\$	126,047
2025		74,558
2026		(381,663)
2027		801,520
2028		(50,937)
	<u>\$</u>	<u>569,525</u>

#### **Actuarial Assumptions**

The total pension liability as of June 30, 2023 and 2022, was determined based on an actuarial valuation prepared as of June 30, 2022 and 2021, respectively, using the following actuarial assumptions, which were the same for both years:

- Actuarial Cost Method – Entry Age
- Inflation – 2.25 percent
- Future Ad Hoc Cost-of-Living Increases – None
- Salary Increases – Composed of 2.25 percent for inflation, including 0.75 percent for price inflation, 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 the Ultimate MP scales are projected from the year 2010

Best estimates of arithmetic real rates of return for each major asset class included in the plan’s target asset allocation as of June 30, 2023 and 2022, are summarized below:

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
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Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.3%	4.9%
International Equity	16.7%	5.5%
Fixed Income	22.0%	1.3%
Real Estate**	10.0%	3.5%
Private Equity	8.0%	7.6%
Private Debt	5.0%	4.6%
Total	100%	

\* The real estate total expected return is a combination of U.S. Direct Real Estate (unlevered) and U.S. Value added

***Discount Rate***

A single discount rate of 7.00 percent was used to measure the total pension liability reported as of June 30, 2023 and 2022. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.00 percent. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

The following presents the College’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent as of June 30, 2023 and 2022, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
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For June 30, 2023:

	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
College's proportionate share of the net pension liability	\$ 16,789,507	\$ 11,924,315	\$ 7,924,556

For June 30, 2022:

	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
College's proportionate share of the net pension liability	\$ 13,637,681	\$ 8,343,557	\$ 3,960,742

***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).

**Note 8: Other Postemployment Benefits**

Currently, the College provides post-employment benefits to retirees under two post-employment benefit (OPEB) plans:

1. OTRS Supplemental Health Insurance Program (SHIP) – a cost-sharing multiple-employer defined benefit plan administered by OTRS
2. NEO Retiree Benefits Plan – a single employer defined benefit health insurance and death benefit plan



# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

A summary of the amounts recorded in the College's financial statements for the plans is as follows:

As of June 30, 2023					
	Net OPEB Asset	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense (Benefit)
OTRS Supplemental Health Insurance Program	\$ 71,434	\$ -	\$ 74,560	\$ 30,456	\$ (3,806)
NEO Health & Death Benefits Plan	-	174,841	72,239	1,658,586	(85,109)
Total	\$ 71,434	\$ 174,841	\$ 146,799	\$ 1,689,042	\$ (88,915)
As of June 30, 2022					
	Net OPEB Asset	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense (Benefit)
OTRS Supplemental Health Insurance Program	\$ 208,008	\$ -	\$ 47,111	\$ 152,564	\$ 29,687
NEO Health & Death Benefits Plan	-	1,143,023	378,255	1,136,137	153,797
Total	\$ 208,008	\$ 1,143,023	\$ 425,366	\$ 1,288,701	\$ 183,484

### **Supplemental Health Insurance Program**

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

**Benefits Provided** – OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Oklahoma Higher Education Employee Interlocal Group (OKHEEI), provided the member has ten years of Oklahoma service prior to retirement.

**Contributions** – Employer and employee contributions are made based upon the OTRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70, employers and employees contribute a single amount based on a single contribution rate as described in *Note 7*; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program.

The cost of the supplemental health insurance program averages 0.12 percent and 0.12 percent of normal cost, as determined by an actuarial valuation as of June 30, 2022 and 2021. Contributions allocated to the OPEB plan from the College were \$9,176 and \$9,631 for 2023 and 2022, respectively.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

**OPEB Liabilities (Assets), OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – At June 30, 2023 and 2022, the College reported an asset of \$71,434 and \$208,008, respectively, for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022 and 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2022 and 2021. The College’s proportion of the net OPEB asset was based on the College’s contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2022 and 2021. Based upon this information, the College’s proportion was 0.163309 percent and 0.163309 percent for June 30, 2023 and 2022, respectively.

For the years ended June 30, 2023 and 2022, the College recognized OPEB (benefit) expense of \$(3,806) and \$29,687, respectively.

At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 23,779
Changes in assumptions	21,541	0
Net difference between projected and actual earnings on OPEB plan investments	29,868	-
Changes in proportion and differences between the College’s contributions and proportionate share of contributions	3,936	808
College contributions at the measurement date	10,039	5,870
College contributions subsequent to the measurement date	9,176	-
Total	\$ 74,560	\$ 30,457

At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 32,565
Changes in assumptions	28,273	
Net difference between projected and actual earnings on OPEB plan investments	-	111,561
Changes in proportion and differences between the College’s contributions and proportionate share of contributions	5,367	1,000
College contributions at the measurement date	3,840	7,438
College contributions subsequent to the measurement date	9,631	-
Total	\$ 47,111	\$ 152,564

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

The \$9,176 and \$9,631 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date for June 30, 2023 and 2022, will be recognized as a reduction of the net OPEB liability (asset) in the years ended June 30, 2024 and 2023, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30		
2024	\$	5,539
2025		4,382
2026		(3,823)
2027		28,190
2028		433
Thereafter		206
Total	\$	34,927

#### **Actuarial Assumptions**

The total OPEB liability (asset) as of June 30, 2022 and 2021, was determined based on an actuarial valuation prepared as of June 30, 2021 and 2020, respectively, using the following actuarial assumptions, which were the same for both years:

- Actuarial Cost Method – Entry Age
- Inflation – 2.25 percent
- Future Ad Hoc Cost-of-Living Increases – None
- Salary Increases – Composed of 2.25 percent for inflation, including 0.75 percent for price inflation, 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 the Ultimate MP scales are projected from the year 2010

Best estimates of arithmetic real rates of return for each major asset class included in the plan’s target asset allocation as of June 30, 2023 and 2022, are summarized below:

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
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Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.3%	4.9%
International Equity	16.7%	5.5%
Fixed Income	22.0%	1.3%
Real Estate**	10.0%	3.5%
Private Equity	8.0%	7.6%
Private Debt	5.0%	4.6%
Total	100%	

\* The real estate total expected return is a combination of U.S. Direct Real Estate (unlevered) and U.S. Value added

**Discount Rate** – A single discount rate of 7.00 percent was used to measure the total OPEB liability (asset) reported as of June 30, 2023 and 2022. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00 percent. Based on the stated assumptions and the projection of cash flows, the OPEB plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.00 percent as of June 30, 2023 and 2022, as well as what the Plan’s net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

**Northeastern Oklahoma Agricultural and Mechanical College**  
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	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
<b>2023</b>			
College's proportionate share of the net OPEB liability (asset)	\$ 2,976	\$ (71,434)	\$ (134,443)
<b>2022</b>			
College's proportionate share of the net OPEB liability (asset)	\$ (133,634)	\$ (208,008)	\$ (271,027)

**OPEB Plan Fiduciary Net Position** – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at [www.ok.gov/OTRS](http://www.ok.gov/OTRS) .

***NEO Health and Death Benefits Plan***

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

**Benefits Provided** – The College provides medical and death benefits to eligible retirees and their dependents through the Oklahoma State University A&M System. This plan allows employees who retire from the College to continue to be covered under the College’s Health Insurance Plan until age 65. The retired participant must pay the active participant’s premium. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the College.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

The College pays life insurance premiums for individuals who meet the specified criteria to be considered a retiree as of the last day of continuous regular employment. Eligible retirees must (a) be at least 62 years of age and have at least ten continuous regular years of service, (b) have worked for the College for at least 25 years in a continuous regular appointment, regardless of age, or (c) meet the OTRS guidelines. In addition, the individual must also have been enrolled in the College’s life insurance program prior to retirement. Each retiree is eligible to receive \$10,000 of life insurance coverage at a cost to the College of \$0.29 per \$1,000 of coverage. Authority to establish and amend benefit provisions rests with the Board of Regents. The OPEB Plan does not issue a stand-alone financial report.

**Employees Covered by the Benefit Terms** – At June 30, 2023 and 2022, the following number of employees were covered by the benefit terms:

	2023	2022
Active employees (participants)	146	144
Retired participants (death benefits)	141	141

**Total OPEB Liability** – The College’s total OPEB liability of \$174,841 and \$1,143,023 was measured as of June 30, 2023 and 2022, respectively, and was determined by an actuarial valuation as July 1, 2022.

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

- Actuarial Cost Method – Entry Age Normal
- Discount Rate – 4.13 percent and 4.09 percent for 2023 and 2022, respectively, based on published Bond Buyer Go-20 bond index
- Healthcare Cost Trend Rates – 7.5% for 2023 and 7.5% for 2022, decreasing 0.50% annually to an ultimate rate of 4.50%
- Mortality Rates – 2023 & 2022 SOA RPH-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2020
- Pre-Retirement Termination – Oklahoma Teacher’s Retirement System actuarial valuation study as of June 30, 2022

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Changes in Total OPEB Liability** – The following table reports the components of changes in total OPEB liability for both 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Total OPEB liability, beginning of year	\$ 1,143,023	\$ 1,474,260
Changes for the year		
Service cost	14,090	23,525
Interest expense	46,220	32,223
Changes of assumptions	(953,352)	(326,323)
Difference between expected and actual experience	(20,531)	(7,566)
Benefits paid	(54,609)	(53,096)
Total OPEB liability, end of year	\$ 174,841	\$ 1,143,023

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** – The following presents the total OPEB liability (asset) of the employer calculated using the respective discount rate, as well as what the plan’s total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for both 2023 and 2022:

	<b>1% Decrease (3.13%)</b>	<b>Current Discount Rate (4.13%)</b>	<b>1% Increase (5.13%)</b>
<b>2023</b>			
Employers' total OPEB liability	\$ 192,141	\$ 174,841	\$ 159,370
	<b>1% Decrease (3.09%)</b>	<b>Current Discount Rate (4.09%)</b>	<b>1% Increase (5.09%)</b>
<b>2022</b>			
Employers' total OPEB liability	\$ 1,298,826	\$ 1,143,023	\$ 1,014,977

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rate** – The total OPEB liability of the College has been calculated using health care cost trend rates of 7.5 percent to 4.50 percent for 2023 and 2022. The following presented the total OPEB liability using health care cost trend rates 1-percent higher and 1-percent lower than the current health care cost trend rates:

	<b>1% Decrease (6.50%)</b>	<b>Healthcare Cost Trend Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
<b>2023</b>			
Employers' total OPEB liability	\$ 160,725	\$ 174,841	\$ 191,714
<b>2022</b>			
Employers' total OPEB liability	\$ 1,129,097	\$ 1,143,023	\$ 1,159,750

**OPEB Expense** – For the years ended June 30, 2023 and 2022, the College recognized OPEB expense of \$85,109 and \$153,797, respectively.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>2023</b>		
Differences between expected and actual experience	\$ 88	\$ 677,276
Changes of assumptions	72,151	981,309
Total	\$ 72,239	\$ 1,658,585
<b>2022</b>		
Differences between expected and actual experience	\$ 238,681	\$ 773,527
Changes of assumptions	139,574	362,610
Total	\$ 378,255	\$ 1,136,137

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



**Northeastern Oklahoma Agricultural and Mechanical College**  
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**June 30, 2023 and 2022**

Year ended June 30	
2024	\$ (400,540)
2025	(430,090)
2026	(345,919)
2027	(102,449)
2028	(102,449)
Thereafter	<u>(204,899)</u>
 Total	 <u>\$ (1,586,346)</u>

**Note 9: Funds Held in Trust by Others**

***Dobson Trust***

The College is an income beneficiary of the Dobson Trust (the “Trust”). The fair values of the Trust’s assets at June 30, 2023 and 2022, were \$12,201,601 and \$11,521,492, respectively. The Trustees’ bank has sole discretion for the distribution of income. Terms of the Trust restrict the use of the Trust’s income to providing student scholarships and for supplementing the income of individuals teaching at the College. The College recognized the Trust’s revenues of \$238,288 and \$441,852 for the years ended June 30, 2023 and 2022, respectively. The College distributed scholarships and awards of approximately \$360,000 and \$440,000 during the years ended June 30, 2023 and 2022, respectively.

**Note 10: Related Party Transactions**

In November 2012, the College entered into an agreement with the Foundation for the purpose of constructing an indoor athletic facility to be known as the Multipurpose Athletic Center (the “facility”). In exchange for rental payments to the College, the Foundation agreed to construct the facility for the management, use, operation, and benefit of the College. Upon completion of the facility, the College agreed to rent the facility from the Foundation.

The facility was completed in August 2013, at which time the College began occupancy of the facility. The term of this agreement is 180 months, beginning on November 1, 2012, and ending on October 31, 2027. The annual rental payment amount is \$146,134, with the first payment being made on July 15, 2013, and the final payment occurring on July 15, 2027. At the conclusion of the annual rental payments, the College will own the facility and all improvements thereof. The facility is accounted for as a debt and capital asset of the College in the statements of net position.

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

Future minimum payments under the College’s obligation to the Foundation are as follows:

	<b>Direct Borrowing</b>		
Years ending June 30	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 111,768	\$ 34,366	\$ 146,134
2025	117,848	28,286	146,134
2026	124,417	21,716	146,133
2027	131,272	14,862	146,134
2028	138,502	7,630	146,132
	\$ 623,807	\$ 106,860	\$ 730,667

**Note 11: Commitments and Contingencies**

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

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

**Note 12: Risk Management**

The College, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The College pays an annual premium to the pools for its torts, property, and workers’ compensation insurance coverages. The Oklahoma Risk Management Pool’s governing agreement specifies that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts. The College is self-insured for unemployment liabilities. Payments are made to the State Employment Security Commission on a claim paid basis. No reserve for potential liability for unemployment claims has been established. Any such liability would be paid from current operations.

# **Northeastern Oklahoma Agricultural and Mechanical College**

## **Notes to Financial Statements**

**June 30, 2023 and 2022**

### **Note 13: Current Economic Conditions**

As a result of the spread of the SARS-COV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the College. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

#### Note 14: Northeastern Oklahoma A&M College Development Foundation, Inc.

The following are significant disclosures of the Northeastern Oklahoma A&M College Development Foundation, Inc. (the "Foundation"):

##### ***Fair Value Measurements***

The Foundation follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

- Level 1** Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2** Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3** Unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All transfers between fair value hierarchy levels are recognized by the Foundation at the beginning of each reporting period.

Financial assets carried at fair value on a recurring basis consist of investments. There are no assets or liabilities carried at fair value on a nonrecurring basis at June 30, 2023 or 2022.

The methods and assumptions used to estimate the fair value of investments in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy for financial instruments carried at fair value, are as follows:

*Investments:* Investments are carried at fair value and are based on quoted market prices, when available. Generally, quoted market prices are available for cash and common stocks, and exchange traded index and mutual funds and as such are classified as Level 1 in the fair value hierarchy. The fair values of certificates of deposit are determined using the income approach. The key inputs include interest rates, maturity dates, and yield curves and as such are classified as Level 1 or Level 2 depending on the maturity date.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

Assets measured at fair value are classified within the fair value hierarchy as follows:

		As of June 30, 2023			
		Level 1	Level 2	Level 3	Total
Assets:					
Assets Recorded at Fair Value					
on a Recurring Basis:					
Investments:					
Cash Equivalents Funds	\$	340,195	\$ -	\$ -	\$ 340,195
Equity Mutual Funds		3,604,522	-	-	3,604,522
Fixed Income Mutual Funds		1,958,047	-	-	1,958,047
Index Funds		514,233	-	-	514,233
Alternative Strategy Funds		794,494	-	-	794,494
U.S. Treasury Bond		-	15,000	-	15,000
Total Investments	\$	7,211,491	\$ 15,000	\$ -	\$ 7,226,491
		As of June 30, 2022			
		Level 1	Level 2	Level 3	Total
Assets:					
Assets Recorded at Fair Value					
on a Recurring Basis:					
Investments:					
Cash Equivalents Funds	\$	432,620	\$ -	\$ -	\$ 432,620
Equity Mutual Funds		3,030,909	-	-	3,030,909
Fixed Income Mutual Funds		1,807,101	-	-	1,807,101
Index Funds		550,980	-	-	550,980
Alternative Strategy Funds		785,222	-	-	785,222
U.S. Treasury Bond		-	15,000	-	15,000
Total Investments	\$	6,606,832	\$ 15,000	\$ -	\$ 6,621,832

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

**Net Position**

Unrestricted net position consists of the following at June 30:

	2023	2022
Undesignated	\$ 1,797,409	\$ 1,288,371
Designated by the Board for Scholarships	151,006	154,355
Designated by the Board for Centennial Celebration	7,016	16,963
Designated by the Board for Endowment	75,000	-
Invested in Assets Held for Benefit of the College	115,008	115,008
Total Net Assets without Donor Restrictions	\$ 2,145,439	\$ 1,574,697

Expendable net position is restricted for the following purposes at June 30:

	2023	2022
Subject to Expenditure for a Specified Purpose:		
Scholarships	\$ 1,073,853	\$ 1,001,431
General College Support	1,370,439	1,135,468
Total Subject to Expenditure for a Specified Purpose	\$ 2,444,292	\$ 2,136,899

Nonexpendable net position is restricted for the following purposes at June 30:

Endowments:

Subject to NFP Endowment Spending

Policy and Appropriation:

Scholarships

Total Net Assets with Donor Restrictions

4,021,313	3,941,356
\$ 6,465,605	\$ 6,078,255

**Endowment Disclosures**

The Foundation's endowment consists of approximately 65 endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds, and at times, funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

The Trustees of the Foundation have chosen to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets to be held permanently (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment is included in the endowment until the amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA.

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

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

#### ***Return Objectives and Risk Parameters***

The Foundation has adopted investment and spending policies for endowment assets to provide for growth and a predictable level of funding to the College to enable it to maintain, improve, and expand its facilities and programs. It is recognized that these objectives require a long-term investment horizon. Investment risk is measured in terms of the total portfolio and is managed to ensure that the asset allocation does not expose the portfolio to unacceptable levels of risk but at the same time achieves the best possible returns over time. The asset allocation policies reflect and are consistent with the investment objectives and risk tolerances expressed through the Foundation's investment policy. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

#### ***Strategies for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Foundation relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's investment policy allocates its assets through a diversification that includes a mix of (1) no more than 40 percent in fixed income, (2) no more than 65 percent in equities, and (3) no more than 10 percent in cash and cash equivalents.

# Northeastern Oklahoma Agricultural and Mechanical College

## Notes to Financial Statements

### June 30, 2023 and 2022

#### **Spending Policy**

The Foundation's spending policy is the mechanism in which calculated amounts from endowments participating in the pooled investment fund are made available for the donor-restricted purpose, if any. The Foundation's spending policy allows for the use of a share of investment returns that will provide a full measure of current income consistent with the achievement of full long-term preservation of purchasing power of the endowment as a minimum goal. To achieve this, spending policy is expressed as a percentage, not to exceed 4 percent, of a five-year moving market value average (calculated as of the prior three fiscal year-ends) of its investable assets in funds functioning as endowment. The computation will be based on total return (capital appreciation and income).

#### **Endowment Composition**

The endowment consists of \$6,347,609 and \$5,874,758 as of June 30, 2023 and 2022, respectively, of donor-restricted funds. The endowment does not have any Board-restricted funds as of June 30, 2023 or 2022, respectively.

Changes in endowment net assets during June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Endowment Net Assets - Beginning of Year	\$ 5,874,758	\$ 6,294,698
Investment Return:		
Interest and Dividends	211,690	225,460
Net Realized and Unrealized Gains (Losses)	<u>289,376</u>	<u>(725,000)</u>
Total Investment Return	501,066	(499,540)
Contributions	64,247	173,737
Other Income	1,031	5,517
Reclassification - Board Designated	75,000	-
Reclassification - Donor Directed	42,426	11,619
Appropriation of Endowment Assets for Expenditure	<u>(210,919)</u>	<u>(111,273)</u>
Endowment Net Assets - End of Year	<u>\$ 6,347,609</u>	<u>\$ 5,874,758</u>

#### **Note Payable**

On February 15, 2013, the Foundation signed a loan agreement with a bank with a total principal of \$1,357,500 for the construction of an athletic facility building. The note calls for 15 regular annual principal and interest payments of \$146,133. The note bears interest at a rate of 4.22 percent and matures on July 15, 2027. The note is secured by the building. On September 1, 2020, the Foundation signed a promissory note with a vendor with original principal of \$30,000 for construction costs. The Foundation paid \$10,600 toward the note during 2022 and the remaining balance was forgiven by the vendor on May 13, 2022.



**Northeastern Oklahoma Agricultural and Mechanical College**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

Maturities of long-term debt for the years subsequent to June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 132,646
2025	137,841
2026	<u>57,598</u>
Total	<u>\$ 328,085</u>

## **Required Supplementary Information**

NO ASSURANCES PROVIDED

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Schedule of the College's Proportionate Share of the Net Pension Liability**  
**Oklahoma Teachers Retirement System**  
**Last 10 Fiscal Years\***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.1453%	0.1633%	0.1594%	0.1789%	0.1908%	0.1978%	0.2171%	0.2378%	0.2424%
College's proportionate share of the net pension liability	\$11,924,315	\$ 8,343,557	\$15,131,248	\$11,840,472	\$11,532,331	\$13,093,824	\$18,119,659	\$14,443,133	\$13,040,727
College's covered payroll	\$ 7,812,494	\$ 7,268,040	\$ 7,629,006	\$ 8,009,664	\$ 7,853,747	\$ 7,660,216	\$ 9,345,932	\$10,167,060	\$10,025,100
College's proportionate share of the net pension liability as a percentage of its covered payroll for the measurement year	153%	115%	198%	148%	147%	171%	194%	142%	130%
Plan fiduciary net position as a percentage of the total liability	70.05%	80.80%	63.47%	71.56%	72.74%	69.32%	62.24%	70.31%	72.43%

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

**Notes to Schedule:**

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

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Schedule of the College's Contributions**  
**Oklahoma Teachers Retirement System**  
**Last 10 Fiscal Years\***

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 818,262	\$ 779,170	\$ 738,975	\$ 879,298	\$ 795,239	\$ 771,894	\$ 734,820	\$ 916,388	\$ 1,001,214
Contribution in relation to the contractually required	<u>818,262</u>	<u>779,170</u>	<u>738,975</u>	<u>879,298</u>	<u>795,239</u>	<u>771,894</u>	<u>734,820</u>	<u>916,388</u>	<u>1,001,214</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 8,119,535	\$ 7,812,494	\$ 7,268,040	\$ 7,629,006	\$ 8,009,664	\$ 7,853,747	\$ 7,660,216	\$ 9,345,932	\$ 10,167,060
Contributions as a percentage of covered payroll	10.08%	9.97%	10.17%	11.53%	9.93%	9.83%	9.59%	9.81%	9.85%

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

**Notes to Schedule:**

This schedule presents the information available to the College and will include ten-year trend information once available.

\*\* Contributions for 2017 where restated due to implementation of GASB Statement No. 75.

**Benefit Changes**

There were no changes to benefit terms for OTRS for the years presented.

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Schedule of the College's Contributions**  
**Oklahoma Teachers Retirement System**  
**Last 10 Fiscal Years\***

***Changes of Assumptions***

There were no changes in assumptions in the valuation reports for the years ended June 30, 2023 and 2022.

Actuarial assumptions used in the June 30, 2021 valuation were changed as follows:

- Inflation was decreased to 2.25%.
- Investment rate of return was decreased to 7.00%.
- Salary increases were composed of 2.25% inflation, including 2.50% plus a service-related component ranging from 0.00% to 8.00% based on years of service.

There were no changes in assumptions in the valuation report for the years ended June 30, 2020, 2019, or 2018.

Actuarial assumptions used in the June 30, 2017 valuation were changed as follows:

- Salary increases were composed of 3.25% inflation, including 2.50% plus a service-related component ranging from 0.00% to 8.00% based on years of service.

Actuarial assumptions used in the June 30, 2016, valuation were changed as follows:

- Inflation was increased to 2.50%.
- Investment rate of return was decreased to 7.50%.

There were no changes in assumptions in the valuation report for the year ended June 30, 2015.

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Schedule of the College's Proportionate Share of the Net OPEB Liability (Asset)**  
**Oklahoma Teachers Retirement System Supplemental Health Insurance Program**  
**Last 10 Fiscal Years\***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net OPEB asset	0.1633%	0.1633%	0.1595%	0.1789%	0.1908%	0.1978%
College's proportionate share of the net OPEB asset	\$ (71,434)	\$ (208,008)	\$ (15,800)	\$ (110,596)	\$ (123,302)	\$ (88,186)
College's covered payroll	\$ 7,812,494	\$ 7,268,040	\$ 7,269,006	\$ 8,009,664	\$ 7,853,747	\$ 7,660,216
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.91%	2.86%	0.22%	1.38%	1.57%	1.15%
Plan fiduciary net position as a percentage of the net OPEB liability (asset)	110.31%	129.91%	102.30%	115.07%	115.41%	110.40%

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

**Notes to Schedule:**

This schedule presents the information available to the College and will include ten-year trend information once available.

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Schedule of the College's Contributions**  
**Oklahoma Teachers Retirement System Supplemental Health Insurance Program**  
**Last 10 Fiscal Years\***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 9,176	\$ 9,631	\$ 1,392	\$ 1,656	\$ 5,364	\$ 12,256
Contributions in relation to the contractually required contribution	<u>9,176</u>	<u>9,631</u>	<u>1,392</u>	<u>1,656</u>	<u>5,364</u>	<u>12,256</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered payroll	\$ 8,119,535	\$ 7,812,494	\$ 7,268,040	\$ 7,269,006	\$ 8,009,664	\$ 7,853,747
Plan fiduciary net position as a percentage of the net OPEB liability (asset)	0.11%	0.12%	0.02%	0.02%	0.07%	0.16%

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

**Notes to Schedule:**

This schedule presents the information available to the College and will include ten-year trend information once available.

**Benefit Changes**

There were no changes to benefit terms for OTRS for the years presented.

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Schedule of the College's Contributions**  
**Oklahoma Teachers Retirement System Supplemental Health Insurance Program**  
**Last 10 Fiscal Years\***

**Changes of Assumptions**

There were no changes in assumptions in the valuation reports for the years ended June 30, 2023 and 2022.

Actuarial assumptions used in the June 30, 2021 valuation were changed as follows:

- Inflation was decreased to 2.25%
- Investment rate of return was decreased to 7.00%.
- Salary increases were composed of 2.25% inflation, including 2.50% plus a service-related component ranging from 0.00% to 8.00% based on years of service.

There were no changes in assumptions in valuation reports for the years 2020, 2019, and 2018.



**Northeastern Oklahoma Agricultural and Mechanical College**  
**Schedule of Changes in the College's Total OPEB Liability and Related Ratios**  
**Health and Death Benefit Plan**  
**Last 10 Fiscal Years\***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 14,090	\$ 23,525	\$ 24,382	\$ 18,911	\$ 18,219	\$ -
Interest	46,220	32,223	39,213	46,562	3,775	43,490
Change in assumption	(953,352)	(326,323)	106,720	147,323	83,062	(191,538)
Differences between expected and actual experience	(20,531)	(7,566)	(110,212)	448	1,192,511	(1,140,300)
Benefit payments, including refunds of member	<u>(54,609)</u>	<u>(53,096)</u>	<u>(70,806)</u>	<u>(71,229)</u>	<u>(66,740)</u>	<u>(11,535)</u>
Net change in total OPEB liability	(968,182)	(331,237)	(10,703)	142,015	1,230,827	(1,299,883)
Total OPEB liability - beginning	<u>1,143,023</u>	<u>1,474,260</u>	<u>1,484,963</u>	<u>1,342,948</u>	<u>112,121</u>	<u>1,412,004</u>
Total OPEB liability - ending	<u>\$ 174,841</u>	<u>\$1,143,023</u>	<u>\$1,474,260</u>	<u>\$1,484,963</u>	<u>\$1,342,948</u>	<u>\$ 112,121</u>
<b>Covered Payroll</b>	\$ 8,119,535	\$7,812,494	\$7,268,040	\$7,629,006	\$8,009,664	\$7,853,747
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	2.15%	14.63%	20.28%	19.46%	16.77%	1.43%
<b>Discount Rate</b>	4.13%	4.09%	2.19%	2.66%	3.51%	3.88%

**Notes to Schedule:**

This schedule presents the information available to the College and will include ten-year trend information once available.

There are no assets accumulated in a trust for payment of this OPEB liability. Payments are on a pay-as-you-go basis.

**Benefit Changes**

There were no changes to benefit terms for the years presented.

**Northeastern Oklahoma Agricultural and Mechanical College**  
**Schedule of Changes in the University's Total OPEB Liability and Related Ratios**  
**Health and Death Benefit Plan**  
**Last 10 Fiscal Years\***

**Changes of Assumptions (NEO Retiree Benefits Plan)**

In 2023, the cost method to value life insurance benefits was changed from applying \$6,000 life insurance coverage to a flat insurance premium rate provided by the insurance provider.

In 2022, the health care cost trend rate was changed from a rate of 8.0% in 2021 to an initial rate of 7.5% decreasing by 0.5% annually to an ultimate rate of 4.5%.

In 2021, the health care cost trend rate was changed from a rate of 7.50% in 2020 to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%.

In 2020, the health care cost trend rate was changed from an initial rate of 8.0% in 2019 to an initial rate of 7.5% decreasing by 0.5% annually to an ultimate rate of 4.5%.

In 2019, the mortality table was changed to the SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 from the RP-2000 Combined Mortality Table projected to 2020 used in 2018.

In 2019, the health care cost trend rate was changed from a flat 5.0% in 2018 to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%.

In 2019, the assumed rates of employee turnover were changed from the T-3 Table used in 2018 to the rates used in the OTRS actuarial valuation study as of June 30, 2016. The assumed rates of retirement were changed from 100% at age 65 (health care) and age 63 (life insurance) to the rates used in the OTRS actuarial valuation study as of June 30, 2016.



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