

**Northeastern Oklahoma Agricultural
and Mechanical College**

Independent Auditor's Reports and Financial Statements

June 30, 2020 and 2019

Northeastern Oklahoma Agricultural and Mechanical College

June 30, 2020 and 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northeastern Oklahoma Agricultural and Mechanical College (the "College") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Northeastern Oklahoma Agricultural and Mechanical College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Northeastern Oklahoma Agricultural and Mechanical Development Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Northeastern Oklahoma Agricultural and Mechanical College as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the College's internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
October 28, 2020

Northeastern Oklahoma Agricultural and Mechanical College

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

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, 2020. Fiscal years 2019 and 2018 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

- The College's net position increased to \$14,462,270 in 2020 from \$13,871,044 in 2019. The College's net position was \$13,576,270 in 2018.
- The College's total revenues increased slightly to \$25,741,499 in 2020 from \$25,701,037 in 2019. The College's total revenues were \$25,885,424 in 2018.
- The College's total expenses decreased slightly to \$24,916,620 in 2020 from \$25,406,263 in 2019. The College's total expenses were \$25,963,075 in 2018.

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, 2020 and 2019

The College's Condensed Statements of Net Position for fiscal years 2020, 2019, and 2018, follow:

	2020	2019	Increase (Decrease)	Percent Change
Assets				
Current assets	\$ 4,850,101	\$ 5,453,988	\$ (603,887)	-11.1%
Noncurrent assets	45,525,191	47,074,943	(1,549,752)	-3.3%
Total assets	50,375,292	52,528,931	(2,153,639)	-4.1%
Deferred Outflows of Resources	<u>3,085,797</u>	<u>2,911,306</u>	<u>174,491</u>	6.0%
Total assets and deferred outflows of resources	<u>\$ 53,461,089</u>	<u>\$ 55,440,237</u>	<u>\$ (1,979,148)</u>	
Liabilities				
Current liabilities	\$ 2,499,178	\$ 3,574,201	\$ (1,075,023)	-30.1%
Noncurrent liabilities	32,354,775	33,046,985	(692,210)	-2.1%
Total liabilities	<u>34,853,953</u>	<u>36,621,186</u>	<u>(1,767,233)</u>	-4.8%
Deferred Inflows of Resources	<u>4,144,866</u>	<u>4,948,007</u>	<u>(803,141)</u>	-16.2%
Net Position				
Net investment in capital assets	24,436,567	22,685,509	1,751,058	7.7%
Restricted	1,478,093	3,255,597	(1,777,504)	-54.6%
Unrestricted	<u>(11,452,390)</u>	<u>(12,070,062)</u>	<u>617,672</u>	5.1%
Total net position	<u>14,462,270</u>	<u>13,871,044</u>	<u>591,226</u>	4.3%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 53,461,089</u>	<u>\$ 55,440,237</u>	<u>\$ (1,979,148)</u>	

Northeastern Oklahoma Agricultural and Mechanical College
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

	2019	2018	Increase (Decrease)	Percent Change
Assets				
Current assets	\$ 5,453,988	\$ 7,326,998	\$ (1,873,010)	-25.6%
Noncurrent assets	47,074,943	45,609,603	1,465,340	3.2%
Total assets	52,528,931	52,936,601	(407,670)	-0.8%
Deferred Outflows of Resources	2,911,306	2,528,813	382,493	15.1%
Total assets and deferred outflows of resources	\$ 55,440,237	\$ 55,465,414	\$ (25,177)	
Liabilities				
Current liabilities	\$ 3,574,201	\$ 3,250,498	\$ 323,703	10.0%
Noncurrent liabilities	33,046,985	33,389,463	(342,478)	-1.0%
Total liabilities	36,621,186	36,639,961	(18,775)	-0.1%
Deferred Inflows of Resources	4,948,007	5,249,183	(301,176)	-5.7%
Net Position				
Net investment in capital assets	22,685,509	19,663,332	3,022,177	15.4%
Restricted	3,255,597	4,665,923	(1,410,326)	-30.2%
Unrestricted	(12,070,062)	(10,752,985)	(1,317,077)	-12.2%
Total net position	13,871,044	13,576,270	294,774	2.2%
Total liabilities, deferred inflows of resources, and net position	\$ 55,440,237	\$ 55,465,414	\$ (25,177)	

The College's net position improved by \$591,226 in 2020 after increasing \$294,774 in 2019. The improvement in 2020 was primarily due to investment in capital assets on campus. The implementation of GASB statement numbers 68, 73, and 75 continue to have a significant impact on the College's financial statements. These GASB statements require governmental agencies to recognize potential liabilities related to pension plans and other post-employment benefits. The amounts of those potential liabilities are based on actuarial assumptions and, in the case of pensions, market valuations of the pension's assets.

Northeastern Oklahoma Agricultural and Mechanical College

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

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 2020, 2019, and 2018 follow:

	<u>Year Ended June 30</u>		Increase (Decrease)	Percent Change
	2020	2019		
Operating Revenues				
Tuition and fees, net	\$ 3,002,397	\$ 3,628,793	\$ (626,396)	-17.3%
Grants and contracts	1,946,359	1,065,177	881,182	82.7%
Auxiliary, net	4,488,509	5,680,195	(1,191,686)	-21.0%
Other	147,127	369,338	(222,211)	-60.2%
Total operating revenue	<u>9,584,392</u>	<u>10,743,503</u>	<u>(1,159,111)</u>	-10.8%
Less operating expenses	24,146,933	24,603,597	(456,664)	-1.9%
Net operating loss	<u>(14,562,541)</u>	<u>(13,860,094)</u>	<u>(702,447)</u>	-5.1%
Nonoperating Revenues				
State appropriations	7,825,030	7,566,051	258,979	3.4%
State grants and contracts	704,566	733,264	(28,698)	-3.9%
Federal grants and contracts	5,720,925	5,089,628	631,297	12.4%
OMES flood reimbursement	503,792	-	503,792	100.0%
Private gifts and contributions	439,781	345,847	93,934	27.2%
Investment income	45,225	96,419	(51,194)	-53.1%
Interest expenses	(769,687)	(802,666)	32,979	-4.1%
Total net nonoperating revenue	<u>14,469,632</u>	<u>13,028,543</u>	<u>1,441,089</u>	11.1%
State appropriation for capital	<u>772,011</u>	<u>330,792</u>	<u>441,219</u>	133.4%
On-behalf payments for OCIA capital leases	<u>145,777</u>	<u>795,533</u>	<u>(649,756)</u>	-81.7%
Gain (loss) on disposal of capital assets	<u>(233,653)</u>	<u>-</u>	<u>(233,653)</u>	100.0%
Change in net position	591,226	294,774	296,452	100.6%
Net position, beginning of year	<u>13,871,044</u>	<u>13,576,270</u>	<u>294,774</u>	2.2%
Net position, end of year	<u>\$ 14,462,270</u>	<u>\$ 13,871,044</u>	<u>\$ 591,226</u>	4.3%

Northeastern Oklahoma Agricultural and Mechanical College
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

	<u>Year Ended June 30</u>		Increase (Decrease)	Percent Change
	2019	2018		
Operating Revenues				
Tuition and fees, net	\$ 3,628,793	\$ 3,055,027	\$ 573,766	18.8%
Grants and contracts	1,065,177	2,099,332	(1,034,155)	-49.3%
Auxiliary, net	5,680,195	5,746,282	(66,087)	-1.2%
Other	369,338	181,469	187,869	103.5%
Total operating revenue	<u>10,743,503</u>	<u>11,082,110</u>	<u>(338,607)</u>	-3.1%
Less operating expenses	<u>24,603,597</u>	<u>25,215,883</u>	<u>(612,286)</u>	-2.4%
Net operating loss	<u>(13,860,094)</u>	<u>(14,133,773)</u>	<u>273,679</u>	1.9%
Nonoperating Revenues				
State appropriations	7,566,051	7,430,901	135,150	1.8%
State grants and contracts	733,264	618,580	114,684	18.5%
Federal grants and contracts	5,089,628	5,275,683	(186,055)	-3.5%
Private gifts and contributions	345,847	311,332	34,515	11.1%
Investment income	96,419	31,316	65,103	207.9%
Interest expenses	(802,666)	(747,192)	(55,474)	7.4%
Total net nonoperating revenue	<u>13,028,543</u>	<u>12,920,620</u>	<u>107,923</u>	0.8%
State appropriation for capital	<u>330,792</u>	<u>332,793</u>	<u>(2,001)</u>	-0.6%
On-behalf payments for OCIA capital leases	<u>795,533</u>	<u>802,709</u>	<u>(7,176)</u>	-0.9%
Change in net position	294,774	(77,651)	372,425	-479.6%
Net position, beginning of year	<u>13,576,270</u>	<u>13,653,921</u>	<u>(77,651)</u>	-0.6%
Net position, end of year	<u>\$ 13,871,044</u>	<u>\$ 13,576,270</u>	<u>\$ 294,774</u>	2.2%

The College's operating revenues decreased by 10.8 percent in 2020 and 3.1 percent in 2019 after an increase of 7.7 percent in 2018. The College raised tuition and mandatory fees 3.1 percent in 2020, and 7 percent in both 2019 and 2018. The College also increased some nonmandatory fees in 2019 to help offset the cost of deferred maintenance projects. These increases were not enough to offset a 6 percent decline in enrollment credit hours in 2020.

The College closely monitors expenses and was able to slightly reduce operating expenses by 1.9 percent in 2020 after a 2.4 percent decrease in 2019. 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, 2020 and 2019

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 2020, 2019, and 2018 follow:

	Year Ended June 30		Increase (Decrease)	Percent Change
	2020	2019		
Cash Provided by (Used in)				
Operating activities	\$ (12,766,370)	\$ (12,682,387)	\$ (83,983)	-0.7%
Noncapital financing activities	14,579,167	13,127,708	1,451,459	11.1%
Capital and related financing activities	(4,895,744)	(3,578,713)	(1,317,031)	-36.8%
Investing activities	<u>43,690</u>	<u>133,968</u>	<u>(90,278)</u>	-67.4%
Net decrease in cash	(3,039,257)	(2,999,424)	(39,833)	-1.3%
Cash and cash equivalents, beginning of year	<u>6,553,257</u>	<u>9,552,681</u>	<u>(2,999,424)</u>	-31.4%
Cash and cash equivalents, end of year	<u>\$ 3,514,000</u>	<u>\$ 6,553,257</u>	<u>\$ (3,039,257)</u>	-46.4%
	Year Ended June 30		Increase (Decrease)	Percent Change
	2019	2018		
Cash Provided by (Used in)				
Operating activities	\$ (12,682,387)	\$ (12,030,063)	\$ (652,324)	-5.4%
Noncapital financing activities	13,127,708	13,084,916	42,792	0.3%
Capital and related financing activities	(3,578,713)	(1,793,655)	(1,785,058)	-99.5%
Investing activities	<u>133,968</u>	<u>71,429</u>	<u>62,539</u>	87.6%
Net decrease in cash	(2,999,424)	(667,373)	(2,332,051)	-349.4%
Cash and cash equivalents, beginning of year	<u>9,552,681</u>	<u>10,220,054</u>	<u>(667,373)</u>	-6.5%
Cash and cash equivalents, end of year	<u>\$ 6,553,257</u>	<u>\$ 9,552,681</u>	<u>\$ (2,999,424)</u>	-31.4%

Northeastern Oklahoma Agricultural and Mechanical College

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

Cash reserves have decreased each of the past three years as a result of decreases in enrollment. 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.

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 Master Lease Program. This program allows the College to borrow money at competitive rates with lower origination costs.

	Year Ended June 30		Increase (Decrease)	Percent Change
	2020	2019		
Land	\$ 500,716	\$ 500,716	\$ -	0.0%
Construction in progress	71,645	3,096,694	(3,025,049)	-97.7%
Buildings and improvements	61,115,782	57,226,616	3,889,166	6.8%
Nonstructural improvements	3,039,149	1,332,142	1,707,007	128.1%
Equipment and infrastructure	10,387,244	10,542,522	(155,278)	-1.5%
Library materials	2,760,460	2,713,713	46,747	1.7%
Total	77,874,996	75,412,403	2,462,593	3.3%
Less accumulated depreciation	(33,209,348)	(31,218,942)	(1,990,406)	6.4%
Capital assets, net	<u>\$ 44,665,648</u>	<u>\$ 44,193,461</u>	<u>\$ 472,187</u>	1.1%

	Year Ended June 30		Increase (Decrease)	Percent Change
	2019	2018		
Land	\$ 500,716	\$ 500,716	\$ -	0.0%
Construction in progress	3,096,694	156,651	2,940,043	1876.8%
Buildings and improvements	57,226,616	56,919,971	306,645	0.5%
Nonstructural improvements	1,332,142	438,989	893,153	203.5%
Equipment and infrastructure	10,542,522	10,269,863	272,659	2.7%
Library materials	2,713,713	2,658,591	55,122	2.1%
Total	75,412,403	70,944,781	4,467,622	6.3%
Less accumulated depreciation	(31,218,942)	(29,294,068)	(1,924,874)	6.6%
Capital assets, net	<u>\$ 44,193,461</u>	<u>\$ 41,650,713</u>	<u>\$ 2,542,748</u>	6.1%

Northeastern Oklahoma Agricultural and Mechanical College

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

Long-Term Debt

The College's long-term debt falls into three categories: OCIA debt, ODFA debt, and other.

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 Master Lease debt is issued through the OSRHE while managed by the College. The College added one Master Lease debt instrument in each of the last two years. In 2020, the College's Series 2010A was fully refunded with the issuance of ODFA Series 2020A. In 2019, the College borrowed \$1,250,000. Both additions were to fund deferred maintenance projects. The debt service is from reserves and a student fee assessed on all classes that meet face-to-face on campus.

	Year Ended June 30		Increase (Decrease)	Percent Change
	2020	2019		
OCIA leases	\$ 2,983,117	\$ 2,986,741	\$ (3,624)	-0.1%
ODFA leases	15,433,200	16,700,837	(1,267,637)	-7.6%
Premiums on leases	893,636	706,034	187,602	26.6%
Discount on leases	(20,927)	(21,840)	913	-4.2%
NEO Development Foundation - Multipurpose Athletic Center	830,140	1,015,363	(185,223)	-18.2%
Total	<u>\$ 20,119,166</u>	<u>\$ 21,387,135</u>	<u>\$ (1,267,969)</u>	-5.9%

	Year Ended June 30		Increase (Decrease)	Percent Change
	2019	2018		
OCIA leases	\$ 2,986,741	\$ 3,611,007	\$ (624,266)	-17.3%
ODFA leases	16,700,837	16,576,587	124,250	0.7%
Premiums on leases	706,034	586,692	119,342	20.3%
Discount on leases	(21,840)	(22,753)	913	-4.0%
NEO Development Foundation - Multipurpose Athletic Center	1,015,363	1,100,850	(85,487)	-7.8%
Total	<u>\$ 21,387,135</u>	<u>\$ 21,852,383</u>	<u>\$ (465,248)</u>	-2.1%

Northeastern Oklahoma Agricultural and Mechanical College

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

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.

As a result of the COVID-19 pandemic, the College has transitioned to offer additional remote classes to comply with social distancing requirements recommended by the Center for Disease Control and to allow students access to their classes in the event they or their instructors are quarantined.

The College has retained consultants to address the enrollment issues and expects to see growing enrollment soon.

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 2020 the College received:

- \$327,000 – Upward Bound
- \$297,000 – Student Support Services
- \$538,000 – Title III
- \$116,000 – Adult Education and Literacy
- \$1,269,000 – 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. In addition, the HEERF funds have allowed the College to meet additional cleaning needs as a result of the COVID-19 pandemic as well as provide and update remote learning technology.

Northeastern Oklahoma Agricultural and Mechanical College
Statements of Net Position
June 30, 2020 and 2019

	Primary Government - College		Component Unit - Foundation	
	2020	2019	2020	2019
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 2,536,595	\$ 3,584,262	\$ 840,246	\$ 573,705
Restricted cash and cash equivalents	440,349	449,108	-	-
Accounts receivable, net	1,353,290	889,652	-	2,000
Other receivables	26,979	30,034	20,303	18,645
Investments	126,677	99,824	-	-
Inventories	366,211	401,108	-	-
Capital assets held for sale	-	-	-	375,000
Total current assets	4,850,101	5,453,988	860,549	969,350
Noncurrent Assets				
Restricted cash and cash equivalents	537,056	2,519,887	-	-
Investments	211,891	238,293	6,415,952	5,313,983
Restricted net OPEB asset	110,596	123,302	-	-
Other receivables	-	-	879,819	1,065,492
Other assets	-	-	115,008	115,008
Capital assets, net	44,665,648	44,193,461	-	-
Total noncurrent assets	45,525,191	47,074,943	7,410,779	6,494,483
Total assets	50,375,292	52,528,931	8,271,328	7,463,833
Deferred Outflows of Resources				
Deferred outflows related to pensions	2,190,832	1,879,567	-	-
Deferred outflows related to OPEB	894,965	1,031,739	-	-
Total deferred outflows of resources	3,085,797	2,911,306	-	-
Total assets and deferred outflows of resources	\$ 53,461,089	\$ 55,440,237	\$ 8,271,328	\$ 7,463,833

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources, and Net Position

Current Liabilities

	Primary Government - College		Component Unit - Foundation	
	2020	2019	2020	2019
Accounts payable	\$ 356,446	\$ 1,300,780	\$ -	\$ -
Accrued interest payable	-	55,936	-	-
Accrued payroll and other accrued expenses	346,585	255,727	-	-
Unearned revenues	334,403	301,162	-	-
Student and other deposits	74,470	75,940	325,804	325,353
Accrued compensated absences	253,159	327,405	-	-
Current portion of total OPEB liability	71,000	71,000	-	-
Current portion of note and leases payable	1,063,115	1,186,251	-	90,197
Total current liabilities	<u>2,499,178</u>	<u>3,574,201</u>	<u>325,804</u>	<u>415,550</u>

Other Liabilities

Net pension liability	11,884,761	11,574,153	-	-
Noncurrent portion of total OPEB liability	1,413,963	1,271,948	-	-
Note payable	-	-	690,906	705,290
Capital lease payable to Foundation	830,140	925,166	-	-
Capital lease obligations payable to state agencies	18,225,911	19,275,718	-	-
Total other liabilities	<u>32,354,775</u>	<u>33,046,985</u>	<u>690,906</u>	<u>705,290</u>
Total liabilities	<u>34,853,953</u>	<u>36,621,186</u>	<u>1,016,710</u>	<u>1,120,840</u>

Deferred Inflows of Resources

Deferred inflows related to leases	109,916	120,817	-	-
Deferred inflows related to pensions	2,953,521	3,613,974	-	-
Deferred inflows related to OPEB	1,081,429	1,213,216	-	-
Total deferred outflows of resources	<u>4,144,866</u>	<u>4,948,007</u>	<u>-</u>	<u>-</u>

Net Position

Net investment in capital assets	24,436,567	22,685,509	-	-
Restricted for				
Nonexpendable	-	-	3,668,270	3,057,425
Expendable				
Scholarships, research, instruction, and other	887,379	698,684	1,638,944	1,497,215
Capital projects	537,056	2,519,887	-	-
Other postemployment benefits	53,658	37,026	-	-
Unrestricted	(11,452,390)	(12,070,062)	1,947,404	1,788,353
Total net position	<u>14,462,270</u>	<u>13,871,044</u>	<u>7,254,618</u>	<u>6,342,993</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 53,461,089</u>	<u>\$ 55,440,237</u>	<u>\$ 8,271,328</u>	<u>\$ 7,463,833</u>

Northeastern Oklahoma Agricultural and Mechanical College
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	Primary Government - College		Component Unit - Foundation	
	2020	2019	2020	2019
Operating Revenues				
Tuition and fees, net of scholarship discounts and allowances; 2020 - \$7,100,000; 2019 - \$6,709,000	\$ 3,002,397	\$ 3,628,793	\$ -	\$ -
Federal grants and contracts	1,936,809	1,054,727	-	-
State and local grants and contracts	9,550	10,450	-	-
Auxiliary enterprise charges				
Housing, net of scholarship discounts and allowances; 2020 - \$342,000; 2019 - \$323,000	1,336,287	1,712,041	-	-
Food services, net of scholarship discounts and allowances; 2020 - \$599,000; 2019 - \$566,000	1,453,805	1,952,492	-	-
Bookstore, net of scholarship discounts and allowances; 2020 - \$513,000; 2019 - \$485,000	417,249	605,019	-	-
Student Union	492,210	544,609	-	-
Athletics	68,241	87,108	-	-
Other	720,717	778,926	-	-
Gifts and contributions	-	-	1,001,796	632,530
Other operating revenues	147,127	369,338	-	-
Total operating revenues	9,584,392	10,743,503	1,001,796	632,530
Operating Expenses				
Compensation and employee benefits	11,206,186	11,158,230	-	-
Contractual services	4,642,392	4,911,870	-	-
Supplies and materials	1,313,236	1,690,539	-	-
Utilities	945,935	1,000,758	-	-
Communications	102,406	106,556	-	-
Other operating expenses	1,252,909	1,327,845	384,931	480,463
Scholarships and fellowships	2,653,975	2,481,076	96,414	102,017
Depreciation	2,029,894	1,926,723	-	-
Total operating expenses	24,146,933	24,603,597	481,345	582,480
Operating income (loss)	(14,562,541)	(13,860,094)	520,451	50,050

Northeastern Oklahoma Agricultural and Mechanical College
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	Primary Government - College		Component Unit - Foundation	
	2020	2019	2020	2019
Nonoperating Revenues (Expenses)				
State appropriations	\$ 7,210,103	\$ 6,958,969	\$ -	\$ -
On-behalf payments for OTRS	614,927	607,082	-	-
Federal grants and contracts	5,720,925	5,089,628	-	-
State grants and contracts	704,566	733,264	-	-
Private gifts and contributions	439,781	345,847	-	-
OMES flood reimbursement	503,792	-	-	-
Investment income	45,225	96,419	250,573	148,460
Rental income	-	-	31,398	85,827
Gain on investments	-	-	150,756	195,747
Interest expense	(769,687)	(802,666)	(41,553)	(54,960)
Impairment loss on capital assets	-	-	-	(225,000)
Net nonoperating revenues	<u>14,469,632</u>	<u>13,028,543</u>	<u>391,174</u>	<u>150,074</u>
Income (loss) before other revenues, expenses, gains, and losses	<u>(92,909)</u>	<u>(831,551)</u>	<u>911,625</u>	<u>200,124</u>
Other Revenues, Expenses, Gains, and Losses				
State appropriations restricted for capital purposes	772,011	330,792	-	-
On-behalf payments for OCIA capital leases	145,777	795,533	-	-
Gain (loss) on disposal of capital assets	(233,653)	-	-	-
Total other revenues, expenses, gains, and losses	<u>684,135</u>	<u>1,126,325</u>	<u>-</u>	<u>-</u>
Change in Net Position	591,226	294,774	911,625	200,124
Net Position, Beginning of Year	<u>13,871,044</u>	<u>13,576,270</u>	<u>6,342,993</u>	<u>6,142,869</u>
Net Position, End of Year	<u>\$ 14,462,270</u>	<u>\$ 13,871,044</u>	<u>\$ 7,254,618</u>	<u>\$ 6,342,993</u>

Northeastern Oklahoma Agricultural and Mechanical College
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Tuition and fees	\$ 2,587,489	\$ 3,733,858
Grants and contracts	1,748,905	1,356,199
Auxiliary enterprise charges	4,670,954	5,149,128
Other operating receipts	151,266	369,338
Payments to employees for salaries and benefits	(11,076,049)	(11,747,400)
Payments to suppliers	(10,848,935)	(11,543,510)
	<u>(12,766,370)</u>	<u>(12,682,387)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	7,210,103	6,958,969
Federal grants and contracts	5,720,925	5,089,628
State and local grants and contracts	704,566	733,264
OMES flood reimbursement	503,792	-
Private gifts and contributions	439,781	345,847
	<u>14,579,167</u>	<u>13,127,708</u>
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(3,709,038)	(3,418,233)
Capital appropriations received	772,011	330,792
Proceeds from capital debt and leases	2,058,344	1,259,941
Repayments of capital debt and leases	(3,262,861)	(1,052,237)
Interest paid on capital debt and leases	(754,200)	(698,976)
	<u>(4,895,744)</u>	<u>(3,578,713)</u>
Cash Flows from Investing Activities		
Sale (purchase) of investments	(451)	37,170
Interest received on investments	44,141	96,798
	<u>43,690</u>	<u>133,968</u>
Net cash provided by investing activities	<u>43,690</u>	<u>133,968</u>
Net decrease in cash and cash equivalents	(3,039,257)	(2,999,424)
Cash and Cash Equivalents, Beginning of Year	<u>6,553,257</u>	<u>9,552,681</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,514,000</u>	<u>\$ 6,553,257</u>

Northeastern Oklahoma Agricultural and Mechanical College
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current assets		
Cash and cash equivalents	\$ 2,536,595	\$ 3,584,262
Restricted cash and cash equivalents	440,349	449,108
Noncurrent assets		
Restricted cash and cash equivalents	537,056	2,519,887
Total cash and cash equivalents	\$ 3,514,000	\$ 6,553,257
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (14,562,541)	\$ (13,860,094)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	2,029,894	1,926,723
On-behalf payments for OTRS	614,927	607,082
Changes in net assets and liabilities		
Accounts receivable	(459,019)	(90,363)
Inventories	34,897	38,924
Accounts payable and accrued expenses	119,349	(251,954)
Other postemployment benefits	154,721	1,195,711
Net pension liability	310,608	(1,570,805)
Deferred outflows of resources	(174,491)	(382,493)
Deferred inflows of resources	(792,240)	(286,995)
Unearned revenues	33,241	(44,617)
Compensated absences	(74,246)	38,009
Student and other deposits	(1,470)	(1,515)
Net Cash Used in Operating Activities	\$ (12,766,370)	\$ (12,682,387)
 Noncash Investing, Noncapital Financing, and Capital and Related Financing Activities		
Principal and interest on capital debt paid by state agency on behalf of the College	\$ 145,777	\$ 795,533
Accounts payable incurred for the purchase of capital assets	\$ 53,291	\$ 1,051,238

Northeastern Oklahoma Agricultural and Mechanical College

Notes to Financial Statements

June 30, 2020 and 2019

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 University 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. No modifications have been made to the Foundation’s financial information for these differences. 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, 2020 and 2019

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 ODFFA 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. The College determines its allowance by considering a number of factors, including the length of time

Northeastern Oklahoma Agricultural and Mechanical College

Notes to Financial Statements

June 30, 2020 and 2019

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.

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.

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.

Northeastern Oklahoma Agricultural and Mechanical College

Notes to Financial Statements

June 30, 2020 and 2019

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.

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.

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).

Northeastern Oklahoma Agricultural and Mechanical College

Notes to Financial Statements

June 30, 2020 and 2019

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.

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, 2020 and 2019, the College's deferred outflows of resources were comprised of deferred charges related to pensions and other postemployment benefits.

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, 2020 and 2019, the College's deferred inflows of resources were comprised of deferred credits related to leases, pensions, and other postemployment benefits.

Northeastern Oklahoma Agricultural and Mechanical College

Notes to Financial Statements

June 30, 2020 and 2019

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.

Revision

An immaterial error correction was made to the 2019 statement of net position for classification of the estimated other postemployment benefits payments expected to be paid during the year ended June 30, 2020. The revision had no effect on previously reported net position and did not have a significant impact on the financial statement line items impacted.

New Accounting Pronouncement Adopted in Fiscal Year 2020

The University adopted the following new accounting pronouncement during the year ended June 30, 2020:

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

GASB Statement No. 95 was issued in May 2020 and the primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods after June 15, 2018, and later. The University adopted GASB 95 for the year ended June 30, 2020.

Northeastern Oklahoma Agricultural and Mechanical College

Notes to Financial Statements

June 30, 2020 and 2019

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.

At June 30, 2020 and 2019, the carrying amount of the College's deposits with the State Treasurer and other financial institutions were as follows:

	2020	2019
Deposits with the State Treasurer	\$ 2,969,289	\$ 4,025,715
U.S. financial institutions	5	5
Petty cash	7,650	7,650
Total deposits	\$ 2,976,944	\$ 4,033,370

Of the \$2,969,289 and \$4,025,715 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2020 and 2019, respectively, \$526,335 and \$692,554, 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.

Northeastern Oklahoma Agricultural and Mechanical College

Notes to Financial Statements

June 30, 2020 and 2019

At June 30, 2020 and 2019, the College had the following investments:

Types of Investments	Fair Value Hierarchy	Credit Rating	Maturities	2020	2019
U.S. Treasury securities	Level 1	Aaa	0 - 10 years	\$ 299,996	\$ 292,218
Bank certificates of deposit	N/A	N/A	Less than one year	2,122	1,587
U.S. agency mortgage-backed securities	Level 2	Aaa	1 - 25 years	36,450	44,312
				\$ 338,568	\$ 338,117

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 nonpooled 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, nonpooled 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
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At June 30, 2020 and 2019, 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)	2020 Fair Value	2019 Fair Value
Cavanal Hill U.S. Treasury - Admin #0002	Level 1	AAAm	0.10	\$ 161,093	\$ 176,711
Black Rock Liquid FedFund - Cash Res #00U3	Level 1	AAAm	0.10	375,963	2,342,932
Federated Government Obligations Tax Managed Service Money Market Fund	Level 1	AAAm	0.12	-	244
				<u>\$ 537,056</u>	<u>\$ 2,519,887</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:

	2020	2019
Student tuition and fees	\$ 3,223,376	\$ 2,247,062
Auxiliary enterprises and other student activities	1,355,283	1,530,150
Federal and state granting agencies	447,030	249,576
	<u>5,025,689</u>	<u>4,026,788</u>
Less allowance for doubtful accounts	3,672,399	3,137,136
Accounts receivable, net	<u>\$ 1,353,290</u>	<u>\$ 889,652</u>

Other receivables consisted of the following at June 30:

	2020	2019
Interest receivable	\$ 3,147	\$ 2,063
OSRHE Endowment Trust Receivable	23,832	27,971
Total other receivables	<u>\$ 26,979</u>	<u>\$ 30,034</u>

Northeastern Oklahoma Agricultural and Mechanical College
Notes to Financial Statements
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Note 4: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2020:

	Balance at June 30, 2019	Additions	Transfers and Retirements	Balance at June 30, 2020
Capital assets not being depreciated				
Land	\$ 500,716	\$ -	\$ -	\$ 500,716
Construction in progress	3,096,694	2,571,124	(5,596,173)	71,645
Total not being depreciated	<u>3,597,410</u>	<u>2,571,124</u>	<u>(5,596,173)</u>	<u>572,361</u>
Capital assets being depreciated				
Buildings and improvements	57,226,616	-	3,889,166	61,115,782
Nonstructural improvements	1,332,142	-	1,707,007	3,039,149
Infrastructure	1,377,873	-	-	1,377,873
Equipment	9,164,649	117,864	(273,141)	9,009,372
Library materials	2,713,713	46,747	-	2,760,460
Total capital assets being depreciated	<u>71,814,993</u>	<u>164,611</u>	<u>5,323,032</u>	<u>77,302,636</u>
Accumulated depreciation				
Buildings and improvements	(20,690,617)	(1,290,296)	-	(21,980,913)
Nonstructural improvements	(294,486)	(127,476)	-	(421,962)
Infrastructure	(803,820)	(57,648)	-	(861,468)
Equipment	(6,805,540)	(485,665)	39,487	(7,251,718)
Library materials	(2,624,479)	(68,809)	-	(2,693,288)
Total accumulated depreciation	<u>(31,218,942)</u>	<u>(2,029,894)</u>	<u>39,487</u>	<u>(33,209,349)</u>
Capital assets, net	<u>\$ 44,193,461</u>	<u>\$ 705,841</u>	<u>\$ (233,654)</u>	<u>\$ 44,665,648</u>
Capital asset summary				
Capital assets not being depreciated	\$ 3,597,410	\$ 2,571,124	\$ (5,596,173)	\$ 572,361
Other capital assets, at cost	71,814,993	164,611	5,323,032	77,302,636
Total cost of capital assets	<u>75,412,403</u>	<u>2,735,735</u>	<u>(273,141)</u>	<u>77,874,997</u>
Less accumulated depreciation	<u>(31,218,942)</u>	<u>(2,029,894)</u>	<u>39,487</u>	<u>(33,209,349)</u>
Capital assets, net	<u>\$ 44,193,461</u>	<u>\$ 705,841</u>	<u>\$ (233,654)</u>	<u>\$ 44,665,648</u>

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2020, was as follows:

	Buildings	Infrastructure	Equipment	Nonstructural Improvements	Total
Cost	\$ 21,150,240	\$ 298,070	\$ 4,688,709	\$ 758,372	\$ 26,895,391
Less accumulated depreciation	<u>(3,215,626)</u>	<u>(114,985)</u>	<u>(1,429,501)</u>	<u>(69,517)</u>	<u>(4,829,629)</u>
	<u>\$ 17,934,614</u>	<u>\$ 183,085</u>	<u>\$ 3,259,208</u>	<u>\$ 688,855</u>	<u>\$ 22,065,762</u>

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Following are the changes in capital assets for the year ended June 30, 2019:

	Balance at June 30, 2018	Additions	Transfers and Retirements	Balance at June 30, 2019
Capital assets not being depreciated				
Land	\$ 500,716	\$ -	\$ -	\$ 500,716
Construction in progress	156,651	3,985,646	(1,045,603)	3,096,694
Total not being depreciated	<u>657,367</u>	<u>3,985,646</u>	<u>(1,045,603)</u>	<u>3,597,410</u>
Capital assets being depreciated				
Buildings and improvements	56,919,971	129,550	177,095	57,226,616
Nonstructural improvements	438,989	24,645	868,508	1,332,142
Infrastructure	1,377,873	-	-	1,377,873
Equipment	8,891,990	274,508	(1,849)	9,164,649
Library materials	2,658,591	55,122	-	2,713,713
Total capital assets being depreciated	<u>70,287,414</u>	<u>483,825</u>	<u>1,043,754</u>	<u>71,814,993</u>
Accumulated depreciation				
Buildings and improvements	(19,469,530)	(1,221,087)	-	(20,690,617)
Nonstructural improvements	(259,783)	(34,703)	-	(294,486)
Infrastructure	(736,002)	(67,818)	-	(803,820)
Equipment	(6,267,658)	(539,731)	1,849	(6,805,540)
Library materials	(2,561,095)	(63,384)	-	(2,624,479)
Total accumulated depreciation	<u>(29,294,068)</u>	<u>(1,926,723)</u>	<u>1,849</u>	<u>(31,218,942)</u>
Capital assets, net	<u>\$ 41,650,713</u>	<u>\$ 2,542,748</u>	<u>\$ -</u>	<u>\$ 44,193,461</u>
Capital asset summary				
Capital assets not being depreciated	\$ 657,367	\$ 3,985,646	\$ (1,045,603)	\$ 3,597,410
Other capital assets, at cost	70,287,414	483,825	1,043,754	71,814,993
Total cost of capital assets	<u>70,944,781</u>	<u>4,469,471</u>	<u>(1,849)</u>	<u>75,412,403</u>
Less accumulated depreciation	<u>(29,294,068)</u>	<u>(1,926,723)</u>	<u>1,849</u>	<u>(31,218,942)</u>
Capital assets, net	<u>\$ 41,650,713</u>	<u>\$ 2,542,748</u>	<u>\$ -</u>	<u>\$ 44,193,461</u>

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2019, was as follows:

	Buildings	Infrastructure	Equipment	Nonstructural Improvement	Total
Cost	\$ 17,150,939	\$ 298,070	\$ 4,688,709	\$ 868,508	\$ 23,006,226
Less accumulated depreciation	<u>(2,669,966)</u>	<u>(104,099)</u>	<u>(1,146,423)</u>	<u>(22,630)</u>	<u>(3,943,118)</u>
	<u>\$ 14,480,973</u>	<u>\$ 193,971</u>	<u>\$ 3,542,286</u>	<u>\$ 845,878</u>	<u>\$ 19,063,108</u>

Northeastern Oklahoma Agricultural and Mechanical College
Notes to Financial Statements
June 30, 2020 and 2019

Note 5: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020	Amounts Due Within One Year
Capital lease obligations					
OCIA Series 2014A (2.00% - 5.00%)	\$ 2,986,741	\$ -	\$ (3,624)	\$ 2,983,117	\$ -
ODFA Master Lease, Series 2010A (0.45% - 4.25%)	2,201,752	-	(2,201,752)	-	-
ODFA Master Lease, Series 2010B (0.74% - 6.05%)	415,833	-	(28,333)	387,500	30,000
ODFA Master Lease, Series 2011A (0.45% - 5.00%)	2,096,500	-	(138,500)	1,958,000	144,583
ODFA Master Lease, Series 2011C (0.45% - 5.00%)	134,085	-	(11,000)	123,085	11,000
ODFA Master Lease, Series 2013A (2.00% - 4.00%)	1,824,500	-	(64,500)	1,760,000	48,333
ODFA Master Lease, Series 2014C (2.00% - 4.125%)	912,167	-	(46,167)	866,000	48,000
ODFA Master Lease, Series 2015C (0.54% - 4.87%)	43,084	-	(43,084)	-	-
ODFA Master Lease, Series 2016F (0.55% - 3.06%)	4,064,750	-	(99,000)	3,965,750	99,333
ODFA Master Lease, Series 2017C (2.00% - 4.00%)	1,239,666	-	(232,833)	1,006,833	242,750
ODFA Master Lease, Series 2018A (3.75% - 4.00%)	2,681,750	-	(147,500)	2,534,250	153,500
ODFA Master Lease, Series 2019A (3.00% - 5.00%)	1,086,750	-	(51,333)	1,035,417	55,167
ODFA Master Lease, Series 2020A (3.00% - 5.00%)	-	1,810,000	(13,635)	1,796,365	149,447
Premiums on master leases	706,034	248,344	(60,742)	893,636	81,916
Discount on master leases	(21,840)	-	913	(20,927)	(913)
NEO Development Foundation - Multipurpose Athletic Center (<i>Note 9</i>)	1,015,363	-	(185,223)	830,140	-
Total capital assets	<u>21,387,135</u>	<u>2,058,344</u>	<u>(3,326,313)</u>	<u>20,119,166</u>	<u>1,063,116</u>
Other liabilities					
Accrued compensated absences	327,405	124,570	(198,816)	253,159	253,159
Total other liabilities	<u>327,405</u>	<u>124,570</u>	<u>(198,816)</u>	<u>253,159</u>	<u>253,159</u>
Total long-term liabilities	<u>\$ 21,714,540</u>	<u>\$ 2,182,914</u>	<u>\$ (3,525,129)</u>	<u>\$ 20,372,325</u>	<u>\$ 1,316,275</u>

Northeastern Oklahoma Agricultural and Mechanical College
Notes to Financial Statements
June 30, 2020 and 2019

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Amounts Due Within One Year
Capital lease obligations					
OCIA Series 2010A (2.00% - 5.00%)	\$ 582,434	\$ -	\$ (582,434)	\$ -	\$ -
OCIA Series 2014A (2.00% - 5.00%)	2,993,446	-	(6,705)	2,986,741	3,624
OCIA Series 2014B (2.00% - 4.00%)	35,127	-	(35,127)	-	-
ODFA Master Lease, Series 2010A (0.45% - 4.25%)	2,369,085	-	(167,333)	2,201,752	171,416
ODFA Master Lease, Series 2010B (0.74% - 6.05%)	442,667	-	(26,834)	415,833	28,332
ODFA Master Lease, Series 2011A (0.45% - 5.00%)	2,229,917	-	(133,417)	2,096,500	138,500
ODFA Master Lease, Series 2011C (0.45% - 5.00%)	144,168	-	(10,083)	134,085	11,000
ODFA Master Lease, Series 2013A (2.00% - 4.00%)	1,886,833	-	(62,333)	1,824,500	64,500
ODFA Master Lease, Series 2014C (2.00% - 4.125%)	957,250	-	(45,083)	912,167	46,167
ODFA Master Lease, Series 2015C (0.54% - 4.87%)	89,167	-	(46,083)	43,084	43,084
ODFA Master Lease, Series 2016F (0.55% - 3.06%)	4,159,167	-	(94,417)	4,064,750	99,000
ODFA Master Lease, Series 2017C (2.00% - 4.00%)	1,464,333	-	(224,667)	1,239,666	232,833
ODFA Master Lease, Series 2018A (3.75% - 4.00%)	2,834,000	-	(152,250)	2,681,750	147,500
ODFA Master Lease, Series 2019A (3.00% - 5.00%)	-	1,091,000	(4,250)	1,086,750	51,333
Premiums on master leases	586,692	168,941	(49,599)	706,034	59,678
Discount on master leases	(22,753)	-	913	(21,840)	(913)
NEO Development Foundation - Multipurpose Athletic Center (<i>Note 9</i>)	1,100,850	-	(85,487)	1,015,363	90,197
Total capital assets	21,852,383	1,259,941	(1,725,189)	21,387,135	1,186,251
Other liabilities					
Accrued compensated absences	289,396	147,866	(109,857)	327,405	327,405
Total other liabilities	289,396	147,866	(109,857)	327,405	327,405
Total long-term liabilities	\$ 22,141,779	\$ 1,407,807	\$ (1,835,046)	\$ 21,714,540	\$ 1,513,656

Northeastern Oklahoma Agricultural and Mechanical College

Notes to Financial Statements

June 30, 2020 and 2019

Oklahoma Capital Improvement Authority Lease 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 a lease agreement with OCIA, for the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent leases 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 lease 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 lease through the year 2020.

In 2015, the College's remaining 2004 lease 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 lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$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 lease 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 a lease agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2011, the OCIA Series 2005F lease agreement was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The lease 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 lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease 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 lease agreement and the restructured lease agreement of \$64,688, which also approximates the economic cost of the lease restructuring. Although this restructuring resulted in a cost to the College, it is anticipated that the on-behalf payments provided to cover the original lease agreement will also cover the deferred lease restructuring charge.

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Notes to Financial Statements

June 30, 2020 and 2019

In 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds 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, 2020 and 2019, the unamortized credit totaled \$109,916 and \$120,817, respectively. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$419,355, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA, totaling \$145,777 and \$795,533 during the years ended June 30, 2020 and 2019, were made by the State of Oklahoma on behalf of the College. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

Oklahoma Development Finance Authority Lease Obligations (ODFA)

In 2010, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Purchase Agreement, Series 2010B in the amount of \$1,627,812. Total lease 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 2010, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2010A in the amount of \$3,500,000. Total lease 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 Master Real Property Lease Revenue Bonds, Series 2020A in the amount of \$1,810,000. Total lease 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 capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2011A in the amount of \$3,065,000. Total lease 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.

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Notes to Financial Statements

June 30, 2020 and 2019

In 2011, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Revenue Bonds, Series 2011A in the amount of \$167,000. Total lease 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 capital lease obligation for the ODFA Master Equipment and Real Property Lease Revenue Bonds, Series 2011C in the amount of \$665,000. Total lease 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 capital lease obligation for the ODFA Master Equipment and Real Property Lease Revenue Bonds, Series 2013A in the amount of \$2,433,000. Total lease 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 capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2014C in the amount of \$1,145,000. Total lease 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, 2020, the College has drawn all but \$120,837 of its total allotment.

In 2016, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Revenue Bonds, Series 2015C in the amount of \$201,000. Total lease 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, 2020, the College has drawn all but \$40,256 of its total allotment.

In 2017, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Revenue Bonds, Series 2016F in the amount of \$4,328,000. Total lease 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 has drawn its total allotment for expenditures incurred in connection with the project.

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In 2017, the College entered into a capital lease obligation for the ODFA Master Equipment Lease Revenue Bonds, Series 2017C in the amount of \$1,696,000. Total lease 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. 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 has drawn its total allotment for expenditures incurred in connection with the project.

In 2018, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2018A in the amount of \$2,834,000. Total lease 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, 2020, the College has drawn all but \$69 of its total allotment.

In 2019, the College entered into a capital lease obligation for the ODFA Master Real Property Lease Revenue Bonds, Series 2019A in the amount of \$1,250,000. Total lease 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, 2020, the College has drawn all but \$375,895 of its total allotment.

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

	Principal	Interest	Total
Years ending June 30			
2021	\$ 982,114	\$ 749,895	\$ 1,732,009
2022	1,022,167	712,937	1,735,104
2023	1,340,912	673,490	2,014,402
2024	1,369,214	618,307	1,987,521
2025	1,159,401	561,496	1,720,897
2026 - 2030	6,538,064	2,041,060	8,579,124
2031 - 2035	3,080,278	808,952	3,889,230
2036 - 2040	1,354,583	416,535	1,771,118
2041 - 2045	1,363,333	156,822	1,520,155
2046	206,251	6,188	212,439
	<u>\$ 18,416,317</u>	<u>\$ 6,745,682</u>	<u>\$ 25,161,999</u>

Northeastern Oklahoma Agricultural and Mechanical College
Notes to Financial Statements
June 30, 2020 and 2019

Note 6: Retirement Plans

A summary of pension amounts as of June 30, 2020 and 2019, follows:

	As of June 30, 2020			
	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Liability	\$ 44,289	\$ -	\$ -	\$ 18,291
OTRS Pension Liability	11,840,472	2,190,832	2,953,521	830,648
Total	<u>\$ 11,884,761</u>	<u>\$ 2,190,832</u>	<u>\$ 2,953,521</u>	<u>\$ 848,939</u>

	As of June 30, 2019			
	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Liability	\$ 41,822	\$ -	\$ -	\$ 5,481
OTRS Pension Liability	11,532,331	1,879,567	3,613,974	279,902
Total	<u>\$ 11,574,153</u>	<u>\$ 1,879,567</u>	<u>\$ 3,613,974</u>	<u>\$ 285,383</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.

Northeastern Oklahoma Agricultural and Mechanical College

Notes to Financial Statements

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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

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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 7.7 percent for any employees' salaries covered by federal funds.

Contributions to the pension plan from the College were \$879,298 and \$795,239 for the years ended June 30, 2020 and 2019, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, totaling \$614,927 and \$607,082 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the College reported a liability of \$11,840,472 and \$11,532,331, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018. 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, 2019 and 2018. Based upon this information, the College's proportion for June 30, 2019 and 2018, was 0.178913 percent and 0.190803 percent, respectively. For the years ended June 30, 2020 and 2019, the College recognized pension expense of \$830,648 and \$279,902, respectively.

Northeastern Oklahoma Agricultural and Mechanical College
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At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 607,817	\$ 507,399
Change of assumptions	621,650	399,591
Net difference between projected and actual earnings on pension plan investments	80,302	-
Changes in College's proportionate share of contributions	-	1,943,468
Differences between College contributions and proportionate share of contributions	1,765	103,063
College contributions subsequent to the measurement date	879,298	-
Total	<u>\$ 2,190,832</u>	<u>\$ 2,953,521</u>

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 797,177
Change of assumptions	1,081,114	590,681
Net difference between projected and actual earnings on pension plan investments	-	200,469
Changes in College's proportionate share of contributions	-	1,928,270
Differences between College contributions and proportionate share of contributions	3,214	97,377
College contributions subsequent to the measurement date	795,239	-
Total	<u>\$ 1,879,567</u>	<u>\$ 3,613,974</u>

Northeastern Oklahoma Agricultural and Mechanical College

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The amounts of \$879,298 and \$795,239, 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, 2020 and 2019, 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		
2021	\$	(386,217)
2022		(932,001)
2023		(413,511)
2024		92,243
2025		(2,501)
		(2,501)
	\$	(1,641,987)

Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined based on an actuarial valuation prepared as of June 30, 2019, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50 percent
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases – Composed of 3.25 percent inflation, including 2.50 percent price inflation, plus a service-related component ranging from 0.00 percent to 8 percent based on years of service.
- Investment Rate of Return – 7.50 percent
- Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105 percent. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
- Mortality Rates for Active Members – RP-2000 Employer Mortality tables, with male rates multiplied by 60 percent and female rates multiplied by 50 percent.

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Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.5%	7.5%
International equity	19.0%	8.5%
Fixed income	23.5%	2.5%
Real estate*	9.0%	4.5%
Alternative assets	10.0%	6.1%
Total	100%	

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

The total pension liability as of June 30, 2019, was determined based on an actuarial valuation prepared as of June 30, 2018, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50 percent
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases – Composed of 3.25 percent inflation, including 2.50 percent price inflation, plus a service-related component ranging from 0.00 percent to 8 percent based on years of service.
- Investment Rate of Return – 7.50 percent
- Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105 percent. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
- Mortality Rates for Active Members – RP-2000 Employer Mortality tables, with male rates multiplied by 60 percent and female rates multiplied by 50 percent.

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Notes to Financial Statements
June 30, 2020 and 2019

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.5%	7.5%
International equity	19.0%	8.5%
Fixed income	23.5%	2.5%
Real estate*	9.0%	4.5%
Alternative assets	10.0%	6.1%
Total	100%	

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

Discount Rate

A single discount rate of 7.50 percent was used to measure the total pension liability reported as of June 30, 2020 and 2019. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50 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 7.5 percent as of June 30, 2020 and 2019, respectively, 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:

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For June 30, 2020:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net pension liability	\$ 16,684,519	\$ 11,840,472	\$ 7,788,187

For June 30, 2019:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net pension liability	\$ 16,398,280	\$ 11,532,331	\$ 7,458,709

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.

Supplemental Retirement Plan

Plan Description

The Supplemental Retirement Plan is a single-employer, defined benefit pension plan administered by the College. It guarantees eligible employees a level of retirement benefits. If Social Security and OTRS payments do not equal one-half of the employees highest three years' earnings, the College pays the balance from the current year's operating budget. The authority to establish and amend benefit provisions rests with the Board of Regents. The Supplemental Retirement Plan does not issue a separate financial report, nor is it included in the financial report of another entity.

Funding Policy

The Supplemental Retirement Plan is not funded and benefits do not vest to the participants until their retirement. The College has been funding the benefits on a "pay as you go" basis. Only certain employees are eligible to participate in the Supplemental Retirement Plan and the Supplemental Retirement Plan has been discontinued. During the years ended June 30, 2020 and 2019, the College paid approximately \$15,000 to retirees under the Plan.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Supplemental Retirement Plan

At June 30, 2020 and 2019, the College reported a liability of \$44,289 and \$41,822 for its supplemental retirement plan net pension liability, respectively. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020.

For the years ended June 30, 2020 and 2019, the College recognized pension expense of \$18,291 and \$5,481, respectively.

Schedule of Changes in Total Pension Liability

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

	2020	2019
Beginning total pension liability	\$ 41,822	\$ 51,134
Interest	1,190	1,697
Change of assumptions	441	(7,943)
Difference between actual and expected experience	16,660	11,727
Benefits payments	(15,824)	(14,793)
Ending total pension liability	\$ 44,289	\$ 41,822

Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined based on an actuarial valuation prepared as of June 30, 2019, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Amortization Method – 3-year closed amortization period
- Discount Rate – 2.66 percent (Based on June 2020 *Bond Buyers General Obligation Municipal Bond Index*)
- Mortality Rates after Retirement – RP-2014 with fully generational improvements from 2006 based on assumptions from Scale MP 2019

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

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

For June 30, 2020:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Employers' total pension liability	\$ 45,271	\$ 44,289	\$ 43,356

For June 30, 2019:

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Employers' total pension liability	\$ 42,791	\$ 41,822	\$ 40,902

Note 7: 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

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

	As of June 30, 2020				
	Net OPEB Asset	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense (Benefit)
OTRS Supplemental Health Insurance Program	\$ 110,596	\$ -	\$ 11,404	\$ 56,938	\$ (15,100)
NEO Health & Death Benefits Plan	-	1,484,963	883,561	1,024,491	247,693
Total	\$ 110,596	\$ 1,484,963	\$ 894,965	\$ 1,081,429	\$ 232,593

	As of June 30, 2019				
	Net OPEB Asset	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense (Benefit)
OTRS Supplemental Health Insurance Program	\$ 123,302	\$ -	\$ 11,280	\$ 86,276	\$ (15,564)
NEO Health & Death Benefits Plan	-	1,342,948	1,020,459	1,126,940	174,817
Total	\$ 123,302	\$ 1,342,948	\$ 1,031,739	\$ 1,213,216	\$ 159,253

Supplemental Health Insurance Program

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

Benefits Provided – OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to 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 6*; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.13 percent and 0.14 percent of normal cost, as determined by an actuarial valuation as of June 30, 2019 and 2018. Contributions allocated to the OPEB plan from the College were \$1,656 and \$5,364 for 2020 and 2019, respectively. The College reported a payable of \$206 to the OPEB plan at fiscal year-end, and that amount is included in the total contributions amount.

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OPEB Liabilities (Assets), OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2020 and 2019, the College reported an asset of \$110,596 and \$123,302, respectively, for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019 and 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019 and 2018. 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, 2019 and 2018. Based upon this information, the College’s proportion was 0.178864 percent and 0.190794 percent for June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the College recognized OPEB (benefit) expense of \$(15,100) and \$(15,564), respectively.

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 40,424
Net difference between projected and actual earnings on OPEB plan investments	-	15,869
Changes in proportion	2,347	-
Contributions during the measurement period	7,401	645
College contributions subsequent to the measurement date	1,656	-
Total	<u>\$ 11,404</u>	<u>\$ 56,938</u>

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 34,359
Net difference between projected and actual earnings on OPEB plan investments	462	51,083
Contributions during the measurement period	5,454	834
College contributions subsequent to the measurement date	5,364	-
Total	<u>\$ 11,280</u>	<u>\$ 86,276</u>

Northeastern Oklahoma Agricultural and Mechanical College

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The \$1,656 and \$5,364 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date for June 30, 2020 and 2019, will be recognized as a reduction of the net OPEB liability (asset) in the years ended June 30, 2020 and 2019, 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	
2021	\$ (17,812)
2022	(17,812)
2023	(6,875)
2024	(1,455)
2025	(2,681)
Thereafter	<u>(555)</u>
Total	<u><u>\$ (47,190)</u></u>

Actuarial Assumptions – The total OPEB liability (asset) as of June 30, 2020 and 2019, was determined based on an actuarial valuation prepared as of June 30, 2019 and 2018, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50 percent
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases – Composed of 3.25 percent inflation, including 2.50 percent price inflation, plus a service-related component ranging from 0.00 percent to 8 percent based on years of service.
- Investment Rate of Return – 7.50 percent
- Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105 percent. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
- Mortality Rates for Active Members – RP-2000 Employer Mortality tables, with male rates multiplied by 60 percent and female rates multiplied by 50 percent.

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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, 2020 and 2019, are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.5%	7.5%
International equity	19.0%	8.5%
Fixed income	23.5%	2.5%
Real estate*	9.0%	4.5%
Alternative assets	10.0%	6.1%
Total	<u>100%</u>	

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

Discount Rate – A single discount rate of 7.50 percent was used to measure the total OPEB liability (asset) reported as of June 30, 2020 and 2019. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50 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 7.5 percent, as well as what the Plan’s net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

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For June 30, 2020:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net OPEB liability (asset)	\$ (37,060)	\$ (110,596)	\$ (173,428)

For June 30, 2019:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net OPEB liability (asset)	\$ (43,306)	\$ (123,302)	\$ (191,656)

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 .

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.

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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, 2020 and 2019, the following number of employees were covered by the benefit terms:

	2020	2019
Active employees (participants)	159	159
Retired participants (death benefits)	165	165

Total OPEB Liability – The College’s total OPEB liability of \$1,484,963 and \$1,342,948 was measured as of June 30, 2020 and 2019, respectively, and was determined by an actuarial valuation as of those dates.

Actuarial Assumptions – The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2020 and 2019, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Discount Rate – 2.66 percent and 3.51 percent for 2020 and 2019 based on June 30, 2020 and 2019, published Bond Pay Go-20 bond index
- Healthcare cost trend rates – 7.50 percent for 2020 and 8.00 percent for 2019 decreasing 0.5 percent annually to an ultimate rate of 4.5 percent
- Mortality Rates – SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018
- Pre-Retirement Termination – Oklahoma Teacher’s Retirement System actuarial valuation study as of June 30, 2016

Northeastern Oklahoma Agricultural and Mechanical College
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Changes in Total OPEB Liability – The following table reports the components of changes in total OPEB liability:

	2020	2019
Total OPEB liability, beginning of year	\$ 1,342,948	\$ 112,121
Changes for the year		
Service cost	18,911	18,219
Interest expense	46,562	3,775
Changes of assumptions	147,323	83,062
Difference between expected and actual experience	448	1,192,511
Benefits paid	(71,229)	(66,740)
Total OPEB liability, end of year	\$ 1,484,963	\$ 1,342,948

Sensitivity of the Total OPEB Liability (Asset) 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:

June 30, 2020:

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Employers' total OPEB liability	\$ 1,693,825	\$ 1,484,963	\$ 1,314,073

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Trend Rate – The following presents the total OPEB liability (asset) of the employer calculated using the trend rate of 7.50 percent for 2020 and 8.00 percent decreasing by 0.5 percent annually to 4.5 percent for 2019, as well as what the Plan’s total OPEB liability (asset) would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

June 30, 2020:

	1% Decrease (6.50%)	Cost Trend Rate (7.50%)	1% Increase (8.50%)
Employers' total OPEB liability	\$ 1,469,441	\$ 1,484,963	\$ 1,504,076

Northeastern Oklahoma Agricultural and Mechanical College
Notes to Financial Statements
June 30, 2020 and 2019

OPEB Expense – For the years ended June 30, 2020 and 2019, the College recognized OPEB expense of \$247,693 and 174,817, respectively.

At June 30, 2020, the College also reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 715,865	\$ 877,155
Changes of assumptions	<u>167,696</u>	<u>147,336</u>
Total	<u><u>\$ 883,561</u></u>	<u><u>\$ 1,024,491</u></u>

At June 30, 2019, the College also reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 954,009	\$ 964,870
Changes of assumptions	<u>66,450</u>	<u>162,070</u>
Total	<u><u>\$ 1,020,459</u></u>	<u><u>\$ 1,126,940</u></u>

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

Year ended June 30	
2021	\$ 182,220
2022	182,220
2023	182,223
2024	(72,898)
2025	(102,449)
Thereafter	<u>(512,246)</u>
Total	<u><u>\$ (140,930)</u></u>

Northeastern Oklahoma Agricultural and Mechanical College
Notes to Financial Statements
June 30, 2020 and 2019

Note 8: 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, 2020 and 2019, were \$11,176,900 and \$11,477,345, 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 \$439,781 and \$345,847 for the years ended June 30, 2020 and 2019, respectively. The College distributed scholarships and awards of approximately \$457,000 and \$400,000 during the years ended June 30, 2020 and 2019, respectively.

Note 9: Related Party Transactions

In November 2012, the College entered into a ground lease 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 lease 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 lease 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 lease 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 lease and capital asset of the College in the statements of net position. The College made the rent payment for the year ended June 30, 2021, in June 2020.

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

	Principal	Interest	Total
Years ending June 30			
2021	\$ -	\$ -	\$ -
2022	100,401	45,732	146,133
2023	105,932	40,201	146,133
2024	111,768	34,366	146,134
2025	117,848	28,286	146,134
2026-2028	394,191	44,208	438,399
	<u>\$ 830,140</u>	<u>\$ 192,793</u>	<u>\$ 1,022,933</u>

Northeastern Oklahoma Agricultural and Mechanical College

Notes to Financial Statements

June 30, 2020 and 2019

Note 10: 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 11: 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.

Note 12: Subsequent Events

The College has evaluated events and transactions that occurred subsequent to June 30, 2020, through October 28, 2020, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

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, 2020 and 2019

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, 2020 or 2019.

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, 2020 and 2019

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

As of June 30, 2020				
	Level 1	Level 2	Level 3	Total
Assets				
Assets recorded at fair value on a recurring basis				
Investments				
Cash and cash equivalents funds	\$ 190,393	\$ -	\$ -	\$ 190,393
Equity mutual funds	3,370,661	-	-	3,370,661
Fixed income mutual funds	1,936,348	-	-	1,936,348
Index funds	327,710	-	-	327,710
Alternative strategy funds	507,947	-	-	507,947
Total investments at fair value	\$ 6,333,059	\$ -	\$ -	6,333,059
Certificates of deposit				82,893
				\$ 6,415,952
As of June 30, 2019				
	Level 1	Level 2	Level 3	Total
Assets				
Assets recorded at fair value on a recurring basis				
Investments				
Cash and cash equivalents funds	\$ 216,223	\$ -	\$ -	\$ 216,223
Equity mutual funds	1,267,685	-	-	1,267,685
Fixed income mutual funds	1,267,660	-	-	1,267,660
Index funds	1,958,151	-	-	1,958,151
Blended mutual funds	-	-	-	-
REIT mutual funds	522,175	-	-	522,175
Total investments at fair value	\$ 5,231,894	\$ -	\$ -	5,231,894
Certificates of deposit				82,089
				\$ 5,313,983

Northeastern Oklahoma Agricultural and Mechanical College
Notes to Financial Statements
June 30, 2020 and 2019

Net Position

Unrestricted net position consists of the following at June 30:

	2020	2019
Undesignated	\$ 1,705,803	\$ 1,167,747
Designated by the Board for scholarships	103,899	9,708
Designated by the Board for athletic support	5,731	87,774
Designated by the Board for operating reserve	16,963	33,116
Invested in assets held for benefit of the College	115,008	490,008
Total unrestricted net position	\$ 1,947,404	\$ 1,788,353

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

	2020	2019
Subject to Expenditure for a Specified Purpose		
Scholarships	\$ 840,833	\$ 792,892
General College support	798,111	704,323
Total expendable net position	\$ 1,638,944	\$ 1,497,215

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

	2020	2019
Scholarships	\$ 3,668,270	\$ 3,057,425
Total nonexpendable net position	\$ 3,668,270	\$ 3,057,425

Endowment Disclosures

The Foundation's endowment consists of approximately 60 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, 2020 and 2019

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, 2020 and 2019

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 \$5,212,143 and \$4,412,118 as of June 30, 2020 and 2019, respectively, of donor-restricted funds. The endowment does not have any Board-restricted funds as of June 30, 2020 or 2019, respectively.

Changes in endowment net assets during June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 4,412,118	\$ 4,056,178
Investment return		
Interest and dividends	91,244	96,566
Net realized and unrealized gains	146,178	108,487
Total investment return	<u>237,422</u>	<u>205,053</u>
Contributions	635,679	233,080
Reclassification - donor directed	(7,500)	6,349
Appropriation of endowment assets for expenditure	<u>(65,576)</u>	<u>(88,542)</u>
Endowment net assets, end of year	<u>\$ 5,212,143</u>	<u>\$ 4,412,118</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 a building. The note calls for 15 regular annual principal and interest payments of \$146,133. The note bears interest at a rate of 5.5 percent and matures on July 15, 2027. The note is secured by the building.

Northeastern Oklahoma Agricultural and Mechanical College
Notes to Financial Statements
June 30, 2020 and 2019

Maturities of long-term debt for the years subsequent to June 30, 2020, are as follows:

2021	\$ 106,839
2022	120,302
2023	125,449
2024	130,816
2025	136,387
Thereafter	<u>71,113</u>
	<u><u>\$ 690,906</u></u>

Required Supplementary Information

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*

	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.1789%	0.1908%	0.1978%	0.2171%	0.2378%	0.2424%
College's proportionate share of the net pension liability	\$ 11,840,472	\$ 11,532,331	\$ 13,093,824	\$ 18,119,659	\$ 14,443,133	\$ 13,040,727
College's covered-employee payroll	\$ 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-employee payroll for the measurement year	148%	147%	171%	194%	142%	130%
Plan fiduciary net position as a percentage of the total pension liability	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*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>**2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 879,298	\$ 795,239	\$ 771,894	\$ 734,820	\$ 916,388	\$ 1,001,214
Contribution in relation to the contractually required contribution	<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>
College's covered-employee payroll	\$ 7,629,006	\$ 8,009,664	\$ 7,853,747	\$ 7,660,216	\$ 9,345,932	\$ 10,167,060
Contributions as a percentage of covered-employee payroll	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.

Changes of Assumptions

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

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

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

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

Inflation was increased to 2.50 percent

Investment Rate of Return was decreased to 7.50 percent

There were no changes to 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*

	2020	2019	2018
College's proportion of the net OPEB asset	0.1789%	0.1908%	0.1978%
College's proportionate share of the net OPEB asset	\$ 110,596	\$ 123,302	\$ 88,186
College's covered-employee payroll	\$ 8,009,664	\$ 7,853,747	\$ 7,660,216
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	1.38%	1.57%	1.15%
Plan fiduciary net position as a percentage of the net OPEB liability (asset)	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 1,656	\$ 5,364	\$ 12,256	\$ 11,668
Contributions in relation to the contractually required contribution	<u>1,656</u>	<u>5,364</u>	<u>12,256</u>	<u>11,668</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered-employee payroll	\$ 7,269,006	\$ 8,009,664	\$ 7,853,747	\$ 7,660,216
Plan fiduciary net position as a percentage of the net OPEB liability (asset)	0.02%	0.07%	0.16%	0.15%

*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.

Changes of Assumptions

There were no changes in valuation reports for the years presented.

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

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 18,911	\$ 18,219	\$ -
Interest	46,562	3,775	43,490
Change in assumption	147,323	83,062	(191,538)
Differences between expected and actual experience	448	1,192,511	(1,140,300)
Benefit payments, including refunds of member contributions	<u>(71,229)</u>	<u>(66,740)</u>	<u>(11,535)</u>
Net change in total OPEB liability	142,015	1,230,827	(1,299,883)
Total OPEB liability - beginning	<u>1,342,948</u>	<u>112,121</u>	<u>1,412,004</u>
Total OPEB liability - ending	<u><u>\$ 1,484,963</u></u>	<u><u>\$ 1,342,948</u></u>	<u><u>\$ 112,121</u></u>
Covered Employee Payroll	\$ 7,629,006	\$ 8,009,664	\$ 7,853,747
Total OPEB Liability as a Percentage of Covered-Employee Payroll	19.46%	16.77%	1.43%

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 the years presented.

Changes of Assumptions (NEO Retiree Benefits Plan)

The discount rate was 2.66 percent for the year ended June 30, 2020.

The discount rate was 3.51 percent for the year ended June 30, 2019.

The discount rate was 3.88 percent for the year ended June 30, 2018.

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

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

The assumed rates of employee turnover have been changed from the T-3 Table to the rates used in the OTRS Actuarial Valuation as of June 30, 2016. The assumed rates of retirement have been changed from 100 percent at age 65 (healthcare) and 63 (life insurance) to the rates used in the OTRS actuarial valuation as of June 30, 2016.

Supplementary Information

Northeastern Oklahoma Agricultural and Mechanical College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	NA	\$ 4,372,164
Federal Supplemental Educational Opportunity Grants	84.007	NA	101,768
Federal Work-Study Program	84.033	NA	143,365
Federal Direct Student Loans	84.268	NA	4,248,190
Total Student Financial Assistance Cluster			<u>8,865,487</u>
TRIO Cluster			
TRIO - Upward Bound	84.047	NA	326,741
TRIO - Student Support Services	84.042	NA	297,206
Total TRIO Cluster			<u>623,947</u>
Title III			
Higher Education Institutional - Aid-Kah-Ne-You-Ah Native American Success and Cultural Center	84.031X	NA	535,732
Higher Education Institutional Aid - Strengthening Institutions	84.031A	NA	2,113
Total Title III programs			<u>537,845</u>
Other Programs			
Pass-Through Office of Assistant Secretary for Vocational and Adult Education Oklahoma Department of Career and Technology Education Vocational Education Career and Technical Education - Basic Grants to States - Carl D. Perkins	84.048	None	22,013
Pass-Through Oklahoma State Department of Education Adult Education - Basic Grant to States	84.002	V002A150037	115,562
Total other programs			<u>137,575</u>
COVID-19 - Higher Education Emergency Relief Fund			
Student Aid Portion	84.425E	NA	862,180
Institutional Aid Portion	84.425F	NA	406,343
Total Higher Education Emergency Relief Fund program			<u>1,268,523</u>
Total U.S. Department of Education			<u>11,433,377</u>

Northeastern Oklahoma Agricultural and Mechanical College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Administration for Children and Families, Department of Health and Human Services			
Oklahoma State Regents for Higher Education			
Temporary Assistance for Needy Families - Allied Jobs Program - 477 Cluster	93.558	None	\$ 165,458
Opioid STR	93.788	None	<u>24,757</u>
Total U.S. Department of Health and Human Services			<u>190,215</u>
U.S. DEPARTMENT OF AGRICULTURE			
Higher Education - Institution Challenge Grants Program	10.217	NA	7,951
Pass-Through Food and Nutrition Service			
Summer Food Service Program for Children - Child Nutrition Program - Child Nutrition Cluster	10.559	6OK300329	<u>57,993</u>
Total U.S. Department of Agriculture			<u>65,944</u>
U.S. HEALTH RESOURCES AND SERVICES ADMINISTRATION			
Pass-Through Meharry Medical College:			
Rural Communities Opioid Response (Planning)	93.912	41438185	<u>48,038</u>
Total Expenditures of Federal Awards			<u>\$ 11,737,574</u>

Northeastern Oklahoma Agricultural and Mechanical College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Notes to Schedule

1. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes all federal award activity of Northeastern Oklahoma Agricultural and Mechanical College under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Northeastern Oklahoma Agricultural and Mechanical College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Federal Direct Student Loan balances are not included in the College’s financial statements. Loans disbursed during the year are included in federal expenditures presented in the Schedule.
4. During the year ended June 30, 2020, the College did not provide any federal awards to subrecipients.

**Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Northeastern Oklahoma Agricultural and Mechanical College (the "College"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 28, 2020. The financial statements of Northeastern Oklahoma Agricultural and Mechanical Development Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Northeastern Oklahoma Agricultural and Mechanical Development Foundation.

Internal Control Over Financial Reporting

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

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

Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges
Northeastern Oklahoma Agricultural and Mechanical College

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

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

The College's Response to the Finding

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

BKD, LLP

Springfield, Missouri
October 28, 2020

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Northeastern Oklahoma Agricultural and Mechanical College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2020. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges
Northeastern Oklahoma Agricultural and Mechanical College

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

BKD, LLP

Springfield, Missouri
April 20, 2021

Northeastern Oklahoma Agricultural and Mechanical College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

Northeastern Oklahoma Agricultural and Mechanical College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

7. The College's major programs were:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
COVID-19 - Higher Education Emergency Relief Fund	
Student Aid Portion	84.425E
Institutional Aid Portion	84.425F

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The College qualified as a low-risk auditee? Yes No

Northeastern Oklahoma Agricultural and Mechanical College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2020-001	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – As a result of certain accounts that were not properly reconciled, audit adjustments were proposed and recorded during the course of the audit to properly state cash, grants receivable, accounts receivable, capital assets, deferred outflows of resources, depreciation expense, other revenue, and grants revenue.</p> <p>Context – Throughout our audit procedures, we noted several adjustments were necessary to properly present the financial position of the College and its operating results. The College’s financial statements required adjustments with a total impact on 2020 change in net position of \$1,701,825.</p> <p>Effect – Certain transactions were not properly recognized in the financial statements.</p> <p>Cause – The College had personnel changes and vacant positions within the Office of Fiscal Affairs during the year resulting in reassignment of duties and changes in reporting structure as well as lack of adequate review of reconciliations at fiscal year-end.</p> <p>Recommendation – The College’s month-end close process should include an adequate review of reconciliations to ensure account balances are properly recorded and supported.</p> <p>Views of Responsible Officials and Planned Corrective Action – The College has partnered with a third-party consulting firm to provide accounting and reconciliation services for the College's Business Office. The College and our consultants are in the process of implementing improved internal control processes for the Business Office. Thorough research and cleanup of prior reconciliations is taking place. Training of staff in the preparation and review of reconciliations and adjusting journal entries is being provided.</p>

Northeastern Oklahoma Agricultural and Mechanical College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

Northeastern Oklahoma Agricultural and Mechanical College

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2020

Reference Number	Finding	Status
2019-001	<p style="text-align: center;">Student Financial Assistance Cluster, CFDA Number 84.063 Federal Pell Grant Program, CFDA Number 84.268 Federal Direct Student Loans, U.S. Department of Education Program Year 2018-2019</p> <p>Criteria or specific requirement – Special Tests and Provisions: Enrollment Reporting 34 CFR Sections 690.83(b)(2) and 658.309</p> <p>Condition – A total of 32 student enrollment status changes were not communicated to the National Student Loan Data System (NSLDS) on a timely basis, accurate basis, or both.</p> <p>Questioned costs – None</p> <p>Context – Out of the population of 1,105 student enrollment status changes requiring reporting to NSLDS, a sample of 60 student enrollment status changes was selected for testing. 23 student enrollment status changes were not reported to NSLDS within the required 60 days and were incorrectly reported. An additional 5 student enrollment status changes were incorrectly reported to the NSLDS and 4 student enrollment status changes were not reported to the NSLDS within the required 60 days. Our sample was not and was not intended to be statistically valid.</p> <p>Effect – NSLDS was not notified of student enrollment status changes for Direct Loan and Pell Grant recipients in a timely or accurate manner.</p> <p>Cause – Personnel responsible for notification overlooked these enrollment changes and did not report to NSLDS within the required timeframe, the majority of which were caused by incorrect parameters set up in the College's ERP system based on summer hours.</p> <p>Indication as a repeat finding – N/A</p> <p>Recommendation – The College should review its procedures for reporting student enrollment status changes for students receiving Direct Loans and Pell Grants, including confirming accurate ERP parameters to ensure that the NSLDS is notified of changes in a timely manner.</p> <p>Views of Responsible Officials and Planned Corrective Actions – To address the issue of reporting student enrollment status changes for finding 2019-001, adjustments have been made to the Banner tables underlying the enrollment process that will correct the issue with incorrect status reporting. The Office of Financial Aid and the Registrar's Office will work closely together to monitor each submission to the National Student Clearinghouse to ensure the correct status is reported to NSLDS. Both offices will review all error reports in a timely manner to ensure reporting is updated within the proper timeframe.</p>	Resolved

Northeastern Oklahoma Agricultural and Mechanical College

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2020

Reference Number	Finding	Status
2019-002	<p style="text-align: center;">Student Financial Assistance Cluster, CFDA Number 84.007 Federal Supplemental Educational Opportunity Grants, CFDA Number 84.033 Federal Work Study Program, CFDA Number 84.063 Federal Pell Grant Program, CFDA Number 84.268 Federal Direct Student Loans, U.S. Department of Education Program Year 2018-2019</p> <p>Criteria or specific requirement – Special Tests and Provisions: Return of Title IV Funds 34 CFR Section 668.22</p> <p>Condition – The initial refund calculation for fall withdrawals were calculated improperly including a five-day break in the total number of semester days.</p> <p>Questioned costs – None</p> <p>Context – Out of the population of 639 students that received federal student financial assistance, but withdrew or dropped out during the year, a sample of 31 students was selected for testing. Three return of Title IV calculations in the sample were incorrectly calculated based on total semester days of 117 rather than 112 days (improperly including a five-day break in the total number of semester days). This was subsequently discovered and corrected by the College prior to the end of the semester and resulted in an overpayment to the respective programs (rather than an underpayment). Our sample was not and was not intended to be statistically valid.</p> <p>Effect – Three refunds were incorrectly calculated and funds were overremitted to the Department of Education.</p> <p>Cause – The calculation of total semester days improperly included the five-day Thanksgiving break, resulting in a total semester day calculation of 117 days rather than 112. Adequate review for clerical accuracy was not in place to detect the errors prior to submission of refunds.</p> <p>Indication as a repeat finding – N/A</p> <p>Recommendation – The College should review its policies and procedures for preparing and reviewing return of funds calculations to ensure the calculations are being performed accurately and in compliance with Department of Education guidelines.</p> <p>Views of Responsible Officials and Planned Corrective Actions – To address the issue of refund calculations for finding 2019-002, management instituted a new control effective immediately to verify dates in the appropriate Banner table prior to the semester beginning. Both the Financial Aid Director and the Registrar will verify the table with the Banner table has the correct dates prior to the semester beginning.</p>	Resolved