



Rogers State University

Independent Auditor's Reports and Financial Statements

June 30, 2023



Rogers State University

June 30, 2023

Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12
Statement of Fiduciary Net Position – OPEB Trust Fund	14
Statement of Changes in Fiduciary Net Position – OPEB Trust Fund	15
Notes to Financial Statements	16
Required Supplementary Information	
Schedule of Changes in Net OPEB Liability and Related Ratios	57
Schedule of the University's Net OPEB Contribution	58
Schedule of the University's Proportionate Share of the Net Pension Liability	59
Schedule of the University's Net Pension Contribution	60
Schedule of Changes in SRP Net Pension Liability and Related Ratios	61
Schedule of SRP Employer Contributions	62
Schedule of Proportionate Share of the OTRS Net OPEB Asset	63
Schedule of the University's OPEB Contributions	64
Other Supplementary Information	
Schedule of Expenditures of Federal Awards	65
Notes to Schedule of Expenditures of Federal Awards	66
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	
	67

Rogers State University
June 30, 2023

Contents, continued

**Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance – Independent Auditor’s Report..... 69**

Schedule of Findings and Questioned Costs..... 72

Summary Schedule of Prior Audit Findings..... 75



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Independent Auditor's Report

Regents of the University of Oklahoma
Rogers State University
Norman, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the discretely presented component unit, and the fiduciary activities of Rogers State University (the University), collectively an organizational unit of the Regents of the University of Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the fiduciary activities of the University as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Reporting Entity

As discussed in *Note 1*, the financial statements of the University are intended to present the financial position, changes in financial position, fiduciary activities, and cash flows of only the activities of the University and Foundation. They do not purport to, and do not, present fairly the financial position of the

University of Oklahoma as of June 30, 2023 and the changes in its financial position or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 opinions on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023 on our consideration of the University'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 University'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 University's internal control over financial reporting and compliance.

FORVIS, LLP

Tulsa, Oklahoma
October 30, 2023

Rogers State University

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2023

This discussion and analysis of Rogers State University's (the University) financial statements provides an overview of the University's financial activities as of and for the year ended June 30, 2023 with fiscal year 2022 presented for comparative purposes. The 2022 financial information contained herein has not been restated for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, discussed in *Note 1* to the accompanying financial statements, because of the single-year presentation of the basic financial statements. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis.

Financial Analysis of the University as a Whole

The basic financial statements of the University are the statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows. The statement of net position presents the financial position of the University at June 30, 2023. The statement of revenues, expenses, and changes in net position summarizes the University's financial activity for the year ended June 30, 2023. The statement of cash flows, presented using the direct method, reflects the effects on cash that resulted from the University's operating activities, investing activities, and capital and noncapital financing activities for the year ended June 30, 2023. The following schedules are prepared from the University's basic financial statements. With the exception of the statement of cash flows, the statements are presented on an accrual basis of accounting whereby revenues are recognized when earned, expenses are recorded when incurred, and assets are capitalized and depreciated.

Statement of Net Position

The statement of net position is presented in categories, namely assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The current assets include cash and cash equivalents, accounts receivable, and other receivables. The noncurrent assets include cash and cash equivalents restricted for long-term purposes; capital, lease, and subscription assets; and other assets. Capital assets include land, buildings and improvements, infrastructure, equipment, library materials, and construction in progress. Capital assets, with the exception of land, intangible assets, and construction in progress, are shown net of depreciation.

Deferred outflows of resources are consumptions of net position that are applicable to a future period, including costs associated with debt restructure and pensions.

Liabilities are also classified between current and noncurrent. Current liabilities include accounts payable, accrued expenses, unearned revenue, and the portion of noncurrent liabilities expected to be paid in the upcoming fiscal year. Current liabilities represent obligations due within one year. Noncurrent liabilities include the portion of accrued compensated absences, other financing arrangements, bonds, net pension liability, and lease obligations expected to be paid in fiscal year 2025 or thereafter. Total net position increased from \$26,740,085 in 2022 to \$30,362,607 in fiscal year 2023.

Deferred inflows of resources are acquisitions of net position that are applicable to a future period, including costs associated with debt restructure, lease activities, pensions, and other postemployment benefits (OPEB).

Following is a comparison of the summarized net position of the University at June 30:

Condensed Statements of Net Position

	2023	2022	2023 Increase (Decrease)	2023 Percent Change
Assets				
Current assets	\$ 24,071,664	\$ 22,009,238	\$ 2,062,426	9.4%
Capital, lease, and SBITA assets, net	61,768,632	65,083,200	(3,314,568)	-5.1%
Noncurrent assets	<u>4,565,187</u>	<u>4,555,421</u>	<u>9,766</u>	0.2%
Total assets	90,405,483	91,647,859	(1,242,376)	-1.4%
Deferred Outflows of Resources	<u>6,365,180</u>	<u>5,360,561</u>	<u>1,004,619</u>	18.7%
Total assets and deferred outflows of resources	<u>\$ 96,770,663</u>	<u>\$ 97,008,420</u>	<u>\$ (237,757)</u>	-0.2%
Liabilities				
Current liabilities	\$ 5,578,703	\$ 5,742,791	\$ (164,088)	-2.9%
Noncurrent liabilities	<u>57,890,950</u>	<u>53,189,774</u>	<u>4,701,176</u>	8.8%
Total liabilities	<u>63,469,653</u>	<u>58,932,565</u>	<u>4,537,088</u>	7.7%
Deferred Inflows of Resources	<u>2,938,403</u>	<u>11,335,770</u>	<u>(8,397,367)</u>	-74.1%
Net Position				
Net investment in capital assets	26,575,722	26,465,704	110,018	0.4%
Restricted	139,229	403,660	(264,431)	-65.5%
Unrestricted (deficit)	<u>3,647,656</u>	<u>(129,279)</u>	<u>3,776,935</u>	-2921.5%
Total net position	<u>30,362,607</u>	<u>26,740,085</u>	<u>3,622,522</u>	13.5%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 96,770,663</u>	<u>\$ 97,008,420</u>	<u>\$ (237,757)</u>	-0.2%

Total assets decreased \$1,242,376 or 1.4% in 2023. The decrease in total assets for 2023 was due to a decrease in noncurrent assets of capital assets and lease assets.

Deferred outflows of resources increased \$1,004,619 or 18.7% in 2023 due to actuarial valuation of pensions.

Total liabilities increased \$4,537,088 or 7.7% in 2023 due to a change in the University's proportionate share of the net pension liability (a noncurrent liability), as described in *Note 6*.

Deferred inflows of resources decreased \$8,397,367 or 74.1% in 2023. See *Note 6* for further description of changes year over year.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position reports the results of the University's activities and their effect on net position. All the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's revenues, expenses, and changes in net position for the years ended June 30:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2023	2022	2023 Increase (Decrease)	2023 Percent Change
Operating Revenues				
Tuition and fees, net	\$ 14,074,274	\$ 13,587,052	\$ 487,222	3.6%
Federal and local grants and contracts	6,539,921	8,372,436	(1,832,515)	-21.9%
Auxiliary	8,101,177	7,681,243	419,934	5.5%
Other	106,704	281,548	(174,844)	-62.1%
Total operating revenues	28,822,076	29,922,279	(1,100,203)	-3.7%
Operating Expenses	46,328,079	44,045,537	2,282,542	5.2%
Net Operating Loss	(17,506,003)	(14,123,258)	(3,382,745)	-24.0%
Nonoperating Revenues (Expenses)				
State appropriations, including OTRS	13,751,693	12,486,325	1,265,368	10.1%
Federal and state grants	6,172,593	5,807,165	365,428	6.3%
Investment income	341,163	225,779	115,384	51.1%
Interest expense	(1,161,832)	(1,227,812)	65,980	-5.4%
Net nonoperating revenues (expenses)	19,103,617	17,291,457	1,812,160	10.5%
Income Before Other Revenues	1,597,614	3,168,199	(1,570,585)	-49.6%
Other Revenues	2,024,908	1,984,243	40,665	2.0%
Increase in Net Position	3,622,522	5,152,442	(1,529,920)	-29.7%
Net Position, Beginning of Year	26,740,085	21,587,643	5,152,442	23.9%
Net Position, End of Year	<u>\$ 30,362,607</u>	<u>\$ 26,740,085</u>	<u>\$ 3,622,522</u>	13.5%

Operating revenues include tuition and fees, net of scholarship discounts and allowances, grants and contracts, sales and services of auxiliary enterprises, and other sources of revenue. Operating revenues decreased \$1,100,203 or 3.7% in 2023 primarily due to decreases in federal and local grants and contracts.

The predominant source of nonoperating revenues is state appropriations. State appropriations increased \$1,265,368 or 10.1% in 2023 related to an increase in baseline appropriations from the Oklahoma State Regents of Higher Education.

The University's operating expenses are listed by natural classification, including employee compensation, scholarships, contractual services, supplies, etc. Operating expenses increased \$2,282,542 or 5.2% in 2023. The increase in operating expenses in fiscal year 2023 compared to 2022 is due to an increase in scholarship expense and selling of property.

Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of the entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external funding.

Following is a comparison of cash flows for the years ended June 30:

Condensed Statements of Cash Flows

	2023	2022	2023 Increase (Decrease)	2023 Percent Change
Cash Flows Provided By (Used In)				
Operating activities	\$ (14,191,208)	\$ (9,462,948)	\$ (4,728,260)	50.0%
Noncapital financing activities	18,756,025	17,493,103	1,262,922	7.2%
Capital and related financing activities	(3,358,135)	(2,635,118)	(723,017)	27.4%
Investing activities	268,925	29,848	239,077	801.0%
Increase in Cash	1,475,607	5,424,885	(3,949,278)	-72.8%
Cash and Cash Equivalents, Beginning of Year	23,839,363	18,414,478	5,424,885	29.5%
Cash and Cash Equivalents, End of Year	<u>\$ 25,314,970</u>	<u>\$ 23,839,363</u>	<u>\$ 1,475,607</u>	6.2%

Capital, Lease, and SBITA Assets

	2023	2022
Land and land improvements	\$ 14,363,307	\$ 14,325,274
Buildings	85,466,971	87,086,252
Leased building	593,555	593,555
Equipment	8,508,691	8,235,606
Leased equipment	259,729	259,729
Library materials	3,430,470	3,409,771
Intangible assets	882,173	882,173
SBITA – intangible assets	366,915	-
Construction in progress	129,210	16,000
Infrastructure	2,599,596	2,599,596
	<u>116,600,617</u>	<u>117,407,956</u>
Less accumulated depreciation and amortization	<u>(54,831,985)</u>	<u>(52,324,756)</u>
Capital, lease, and SBITA assets, net	<u>\$ 61,768,632</u>	<u>\$ 65,083,200</u>

In 2023, the University retired \$2,135,124 in assets, the majority of retired assets coming out of equipment and the sale of property. See *Note 5* for additional information regarding capital assets.

Debt

The University had \$36,883,129 in debt outstanding in 2023 compared to \$39,979,888 in 2022. The table below summarizes these amounts by type:

	2023	2022
Bonds payable	\$ 1,789,106	\$ 1,938,015
Other financing arrangements	<u>35,094,023</u>	<u>38,041,873</u>
	<u><u>\$ 36,883,129</u></u>	<u><u>\$ 39,979,888</u></u>

See *Note 6* for additional information regarding debt.

Economic Outlook

The University's financial position remains strong. The net result of operating and nonoperating revenues and expenses was an increase in net position at June 30, 2023 of \$3,622,522 or 13.5% reflecting the University's efforts to contain costs. Conservative management of fiscal resources ensures the ability to maintain quality academic and student programs, offset cost increases, and keep tuition and fee rates low.

As a regional university, the University is committed to the preservation, transmission, and advancement of knowledge in an environment that fosters small classes, vibrant communities, and successful graduates. The University is committed to its mission to ensure that its students develop the skills and knowledge required to achieve professional and personal goals in dynamic local and global communities.

Rogers State University
Statement of Net Position
June 30, 2023

Assets and Deferred Outflows of Resources

	University	Component Unit – Foundation
Current Assets		
Cash and cash equivalents	\$ 21,213,785	\$ 245,216
Accounts receivable, net	2,556,188	-
Receivable from State Regents	258,063	-
Leases receivable	43,628	-
Other current assets	<u>-</u>	<u>27,373</u>
Total current assets	<u>24,071,664</u>	<u>272,589</u>
Noncurrent Assets		
Restricted cash and cash equivalents	4,101,185	-
Investments	-	23,902,442
Pledges receivable	-	351,112
Leases receivable	324,773	-
Net OPEB asset	139,229	-
Other noncurrent assets	-	83,020
Capital, lease, and SBITA assets, net	<u>61,768,632</u>	<u>1,245,422</u>
Total noncurrent assets	<u>66,333,819</u>	<u>25,581,996</u>
Total assets	<u>90,405,483</u>	<u>25,854,585</u>
Deferred Outflows of Resources		
Deferred outflows for pensions and OPEB	<u>6,365,180</u>	<u>-</u>
Total deferred outflows of resources	<u>6,365,180</u>	<u>-</u>
Total assets and deferred outflows of resources	<u><u>\$ 96,770,663</u></u>	<u><u>\$ 25,854,585</u></u>

Rogers State University
Statement of Net Position, continued
June 30, 2023

Liabilities, Deferred Inflows of Resources, and Net Position

	University	Component Unit – Foundation
Current Liabilities		
Accounts payable and accrued expenses	\$ 970,031	\$ 54,115
Unearned revenues	772,113	-
Funds held in custody for others	208,064	-
Accrued compensated absences, current portion	438,619	-
Bonds payable, current portion	155,000	-
Other financing arrangements, current portion	2,724,797	-
Leases and subscriptions payable, current portion	310,079	-
Total current liabilities	5,578,703	54,115
Noncurrent Liabilities, Net of Current Portion		
Unearned revenues	1,126	-
Accrued compensated absences	581,064	-
Net pension liability	22,895,674	-
Bonds payable, net of premium and discount	1,634,106	-
Other financing arrangements, net of premium and discount	32,369,226	-
Lease and subscription payable	409,754	-
Total noncurrent liabilities	57,890,950	-
Total liabilities	63,469,653	54,115
Deferred Inflows of Resources		
Deferred inflows of leases	363,440	-
Deferred credit on OCIA lease restructure	168,016	-
Deferred inflows for pensions and OPEB	2,406,947	-
Total deferred inflows of resources	2,938,403	-
Net Position		
Net investment in capital assets	26,575,722	-
Restricted for		
Nonexpendable		
OPEB	139,229	-
Scholarships and fellowships	-	23,020,913
Unrestricted	3,647,656	2,779,557
Total net position	30,362,607	25,800,470
Total liabilities, deferred inflows of resources, and net position	<u>\$ 96,770,663</u>	<u>\$ 25,854,585</u>

Rogers State University
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023

	University	Component Unit – Foundation
Operating Revenues		
Tuition and fees, net of scholarship discounts and allowances of \$6,865,001 (revenues of \$785,969 are used as security for the 2019B Student Facility Revenue Bonds)	\$ 14,074,274	\$ -
Federal grants and contracts	3,141,638	-
State and private grants and contracts	3,398,283	-
Auxiliary enterprises (revenues of \$1,408,315 are used as security for the 2013 Revenue Bonds)	8,101,177	-
Gifts and contributions	-	1,328,795
Other	106,704	419,364
Total operating revenues	<u>28,822,076</u>	<u>1,748,159</u>
Operating Expenses		
Employee compensation and benefits	21,213,162	-
Contractual services	2,528,099	-
Supplies and other operating expenses	8,327,974	-
Utilities	1,719,009	-
Communications	260,559	-
Other operating expenses	1,562,307	2,150,233
Depreciation and amortization expense	3,583,994	-
Scholarships	7,132,975	1,001,624
Total operating expenses	<u>46,328,079</u>	<u>3,151,857</u>
Operating Loss	<u>(17,506,003)</u>	<u>(1,403,698)</u>
Nonoperating Revenues (Expenses)		
State appropriations	12,583,432	-
OTRS on-behalf contributions	1,168,261	-
Federal and state grants	6,172,593	-
Investment income	221,962	1,869,522
State Regents endowment income	119,201	-
Interest expense	(1,161,832)	-
Net nonoperating revenues (expenses)	<u>19,103,617</u>	<u>1,869,522</u>
Increase Before Other Revenues, Expenses, Gains, and Losses	1,597,614	465,824
State appropriations restricted for capital purposes	1,000,000	-
Capital grants and gifts	109,049	-
On-behalf payments for OCIA other financing arrangements	915,859	-
Increase in Net Position	3,622,522	465,824
Net Position, Beginning of Year	<u>26,740,085</u>	<u>25,334,646</u>
Net Position, End of Year	<u>\$ 30,362,607</u>	<u>\$ 25,800,470</u>

Rogers State University

Statement of Cash Flows

Year Ended June 30, 2023

Cash Flows from Operating Activities

Tuition and fees	\$ 14,405,458
Grants and contracts	6,393,628
Auxiliary enterprises	7,002,130
Payments to employees for salaries and benefits	(21,324,825)
Payments made for scholarships	(7,132,975)
Payments to suppliers	<u>(13,534,624)</u>

Net cash used in operating activities	<u>(14,191,208)</u>
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Cash Flows from Noncapital Financing Activities

State appropriations	12,583,432
Federal and state grants	6,172,593
Direct loans received	9,394,174
Direct loans disbursed	<u>(9,394,174)</u>

Net cash provided by noncapital financing activities	<u>18,756,025</u>
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Cash Flows from Capital and Related Financing Activities

Capital appropriations received	1,000,000
Purchase of capital assets	(849,555)
Interest paid on capital debt and leases	(1,209,439)
Principal paid on capital-related debt	(2,151,833)
Capital gifts and grants received	109,049
Proceeds from leases	49,590
Payments for leases	<u>(305,947)</u>

Net cash used in capital and related financing activities	<u>(3,358,135)</u>
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Cash Flows from Investing Activities

Interest income received	<u>268,925</u>
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Net cash provided by investing activities	<u>268,925</u>
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Increase in Cash and Cash Equivalents	1,475,607
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Cash and Cash Equivalents, Beginning of Year	<u>23,839,363</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 25,314,970</u></u>
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Rogers State University

Statement of Cash Flows, continued

Year Ended June 30, 2023

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (17,506,003)
Adjustments to reconcile operating loss to net cash used in operating activities	
OTRS on-behalf contributions	1,168,261
Depreciation and amortization expense	3,583,994
Net loss on disposal of capital assets	1,058,359
Changes in assets and liabilities	
Accounts receivable, net	(843,274)
Net OPEB asset	264,158
Deferred outflows – pension and OPEB	(1,004,619)
Unearned revenues	(12,265)
Accounts payable and accrued expenses	(410,912)
Funds held in custody	6,638
Accrued compensated absences	67,213
Net pension liability	7,810,927
Deferred inflows - leases	(52,112)
Deferred inflows – pensions	(8,321,573)
	<u>(8,321,573)</u>
Net cash used in operating activities	<u><u>\$ (14,191,208)</u></u>

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

Current assets	
Cash and cash equivalents	\$ 21,213,785
Noncurrent assets	
Restricted cash and cash equivalents	<u>4,101,185</u>
Total cash and cash equivalents	<u><u>\$ 25,314,970</u></u>

Noncash Items

Subscription liabilities incurred for subscription assets	\$ 366,915
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Rogers State University
Statement of Fiduciary Net Position – OPEB Trust Fund
Year Ended June 30, 2023

Assets	
Cash and cash equivalents	\$ 4,565
Interest receivable	449
Investments	
Pooled equity funds	508,568
Pooled fixed income funds	406,506
Total investments	915,074
Net Position Restricted for OPEB	\$ 920,088

Rogers State University
Statement of Changes in Fiduciary Net Position – OPEB Trust Fund
Year Ended June 30, 2023

Additions

Contributions	
Employer contributions	\$ 54,279
Investment income	
Net appreciation in fair value	44,351
Realized gains	10,728
Dividends and interest	23,325
Other	296
Total investment income	78,700
Less investment expense	(6,526)
Net investment income	72,174
Total additions	126,453

Deductions

Benefit payments	54,279
Total deductions	54,279

Increase in Net Position	72,174
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Net Position Restricted for OPEB

Beginning of year	847,914
End of year	\$ 920,088

Rogers State University

Notes to Financial Statements

June 30, 2023

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

Nature of Operations

Rogers State University (University) is a regional university operating under the jurisdiction of the Board of Regents of the University of Oklahoma (the Board of Regents) and the Oklahoma State Regents for Higher Education (State Regents).

Reporting Entity

The University is one of four institutions of higher education in Oklahoma that comprise the Regents of the University of Oklahoma, which in turn is part of the Higher Education Component Unit of the State of Oklahoma.

The Board of Regents has constitutional authority to govern, control, and manage the Regents of the University of Oklahoma, which consists of four 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 University is considered an organizational unit of the Regents of the University of Oklahoma 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.

The University has a fiduciary responsibility for the Other Postemployment Healthcare Plan trust (OPEB), which is reported as a fiduciary component unit under the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 84, *Fiduciary Activities*. The OPEB statements of fiduciary net position and changes in fiduciary net position are shown as a fiduciary fund in the University's financial statements.

For financial reporting purposes, the University has included all funds, organizations, agencies, boards, commissions, and authorities within the reporting entity defined above. The University has also considered all potential component units for which it is financially accountable and other organizations for which the nature of significance of their relationship with the University are such that the exclusion would cause the University's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria included appointing a voting majority of an organization's governing body and 1) the ability of the University to impose its will on that organization or 2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the University.

Rogers State University Foundation, Inc.

Rogers State University Foundation, Inc. (the Foundation) is a legally separate, Oklahoma nonprofit corporation organized for the purpose of receiving and administering gifts intended for the University. Accordingly, the Foundation is a component unit of the University. Because the

Rogers State University

Notes to Financial Statements

June 30, 2023

restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the University's management believes that discretely presenting the Foundation's financial statements in the University's financial statements in accordance with guidelines provided by GASB provides users relevant and timely information about resources available to the University. Separate financial statements of the Foundation are prepared and may be obtained by contacting the Foundation's Executive Director.

The University authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the University. During the year ended June 30, 2023, the Foundation provided the University \$2,576,361 in scholarships, awards, and other program support.

The University and the Foundation both have a fiscal year-end of June 30.

Financial Statement Presentation

GASB is the recognized standard-setting body for accounting principles generally accepted in the United States of America (GAAP) applicable to public sector institutions of higher education. The University applies all applicable GASB pronouncements.

Basis of Accounting and Presentation

The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. 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.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the University 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 OK INVEST cash management investment policy are considered cash equivalents.

Rogers State University

Notes to Financial Statements

June 30, 2023

Restricted Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Oklahoma. Accounts receivable also include amounts due from federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivables are recorded net of estimated uncollectible amounts. The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history, and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Capital, Lease, and Subscription Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. The University's capitalization policy for furniture, fixtures, and equipment 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 30 years for infrastructure, 20 years for land improvements and building renovations, 10 years for enterprise software, and five years for library materials and equipment.

Capital, lease, and subscription assets are subject to an evaluation of possible impairment when events or circumstances indicate that the related changes in carrying amounts may not be recoverable. If required, impairment losses are reported in the accompanying statement of revenues, expenses, and changes in net position. For 2023, there were no impairment losses.

Intangible assets are reported with capital assets. Intangible assets are subject to amortization over their respective useful life of five years.

Lease assets are initially recorded as the sum of 1) the amount of the initial measurement of the lease liability, 2) lease payments made at or before the commencement of the lease term less any lease or subscription incentives received from the lessor at or before the commencement of the lease term, and 3) initial direct costs that are ancillary charges necessary to place the asset into service.

Rogers State University

Notes to Financial Statements

June 30, 2023

Lease and subscription-based information technology arrangement (SBITA) assets are amortized over the life of the associated contract.

Leases

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

Subscription-Based Information Technology Arrangements

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

Unearned Revenues

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

Compensated Absences

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

Noncurrent Liabilities

Noncurrent liabilities include 1) principal amounts of revenue bonds payable and other financing arrangements with contractual maturities greater than one year, 2) pension liabilities, 3) lease and subscription obligations, and 4) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which is not significantly different from the effective interest method.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Teachers' Retirement System (OTRS), other University plans, and additions to/deductions from OTRS' fiduciary net position have been determined on the same basis

Rogers State University

Notes to Financial Statements

June 30, 2023

as reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by OTRS are reported at fair value.

Other Postemployment Benefit Plan

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

For purposes of measuring the single employer plan net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the University uses an independent actuarial valuation based on the University's year-end.

Net Position

Net position of the University is classified as follows:

Net Investment in Capital Assets – The net investment in capital assets component of net position consists of capital, lease, and subscription assets, net of accumulated depreciation and amortization, 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 that 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 University 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 University 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 for services for students, faculty, and staff.

Rogers State University

Notes to Financial Statements

June 30, 2023

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

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria.

Operating Revenues – Include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship allowances or 2) sales and services of educational departments and auxiliary enterprises or 3) most federal, state, and nongovernmental grants and contracts.

Nonoperating Revenues – Include activities that have the characteristics of nonexchange transactions, such as 1) gifts and contributions or 2) other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, or 3) GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations, certain governmental grants, and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the accompanying statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University 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 University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2023, the University's deferred outflows of resources were related to pensions and OPEB.

Deferred Inflows of Resources

Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2023, the University's deferred inflows of resources were comprised of credits realized on Oklahoma Capital Improvement Authority (OCIA) lease restructures and deferred inflows related to pensions, OPEB, and leases. Lease-related amounts are recognized at the inception of leases in which the University is the lessor and are recorded in an amount equal to

Rogers State University

Notes to Financial Statements

June 30, 2023

the corresponding lease receivable, plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Income Taxes

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

New Accounting Pronouncements Adopted in Fiscal Year 2023

GASB 96 was issued in May 2020; GASB 96 provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). GASB 96 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*, as amended. The University adopted GASB 96 for the June 30, 2023 reporting year, which resulted in recording a subscription asset and liability of \$366,915 at July 1, 2022.

New Accounting Pronouncements Issued Not Yet Adopted

GASB has also issued several new accounting pronouncements that will be effective for the University in subsequent years. A description of the new accounting pronouncements and the fiscal year in which they are effective is below:

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. A portion of this standard provides additional information on interpreting and applying GASB 96 by clarifying the definition of the SBITA term and further explaining what is included and excluded in the term. GASB 99 also provides additional guidance on short-term SBITAs and the remeasurement of a subscription liability.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of GASB 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain

Rogers State University

Notes to Financial Statements

June 30, 2023

previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023 and all reporting periods thereafter.

University management is currently evaluating the impact these new standards will have on its financial statements.

Note 2: Deposits and Investments

Deposits

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

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

The University requires that balances on deposit with financial institutions, including trustees related to the University's bond indenture and other financing arrangements, be insured by the FDIC, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the University's name.

At June 30, 2023, the carrying amount of the University's deposits with the State Treasurer and other financial institutions was \$25,314,970. At June 30, 2023, this amount consisted of deposits with the State Treasurer (\$25,311,620) and U.S. financial institutions (\$3,350).

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool, OK INVEST. OK INVEST pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. Treasury and/or agency and repurchase agreements relating to such securities; (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the State Treasurer.

Of funds on deposit with the State Treasurer, amounts invested in OK INVEST totaled \$12,305,086 at June 30, 2023.

For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents.

Rogers State University

Notes to Financial Statements

June 30, 2023

At June 30, 2023, the distribution of deposits in OK INVEST is as follows:

	Cost	Market Value
OK INVEST Portfolio		
U.S. agency securities	\$ 2,049,091	\$ 1,994,017
Certificates of deposit	31,440	31,440
Money market mutual funds	917,554	917,554
Mortgage-backed agency securities	2,280,595	2,014,833
Foreign bonds	36,226	35,805
U.S. Treasury obligations	6,990,180	6,782,702
	<u>\$ 12,305,086</u>	<u>\$ 11,776,351</u>

Agencies and funds that are considered to be part of the State's reporting entity in the State's Annual Comprehensive Financial Report are allowed to participate in OK INVEST. Oklahoma Statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements and diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us/>.

The State Treasurer, at their discretion, may further limit or restrict such investments on a day-to-day basis. OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to 10 years. OK INVEST maintains an overall weighted average maturity of no more than four years.

Participants in OK INVEST maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that OK INVEST will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in OK INVEST is not insured or guaranteed by the State, the FDIC, or any other government agency.

Rogers State University

Notes to Financial Statements

June 30, 2023

Note 3: Accounts Receivable

Accounts receivable are shown net of allowance for doubtful accounts in the accompanying statement of net position. Accounts receivable consisted of the following at June 30:

Student tuition and fees	\$ 4,748,984
Auxiliary enterprise and other operating activities	1,133,587
Federal, state, and private grants and contracts	<u>202,583</u>
	6,085,154
Less allowance for doubtful accounts	<u>(3,528,966)</u>
Net accounts receivable	<u><u>\$ 2,556,188</u></u>

Note 4: Leases Receivable

The University as a lessor has entered into lease agreements involving a building with office space and restaurant space. A summary of the University's lease terms and interest rates is as follows:

Lease of building with office space and restaurant space

Annual installments ranging from \$20,375 to \$48,331; imputed interest rates ranging from 0.53% to 1.42%; due dates ranging from December 2024 through May 2036. The balance outstanding at June 30, 2023 was:

\$ 368,401

The following is a summary of lease receivable transactions for the University for the year ended June 30, 2023:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
\$ 430,215	\$ -	\$ 61,814	\$ 368,401

During the year ended June 30, 2023, the University recorded \$5,182 in interest income and \$61,814 in lease revenue related to leases receivable.

Rogers State University
Notes to Financial Statements
June 30, 2023

Note 5: Capital, Lease, and SBITA Assets

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

	Beginning Balance, as Restated	Additions	Adjustments/ Transfers	Retirements	Ending Balance
Capital assets not being depreciated					
Land	\$ 1,052,197	\$ 10,000	\$ -	\$ -	\$ 1,062,197
Construction in progress	16,000	113,210	-	-	129,210
Total capital assets not being depreciated	1,068,197	123,210	-	-	1,191,407
Capital, lease, and SBITA assets being depreciated/amortized					
Land improvements	13,273,077	375,915	-	(347,882)	13,301,110
Infrastructure	2,599,596	-	-	-	2,599,596
Buildings	87,086,252	-	-	(1,619,281)	85,466,971
Lease asset – buildings	593,555	-	-	-	593,555
Intangible assets	882,173	-	-	-	882,173
SBITA – intangible assets	366,915	-	-	-	366,915
Furniture, fixtures, and equipment	8,235,606	439,312	-	(166,227)	8,508,691
Lease asset – equipment	259,729	-	-	-	259,729
Library materials	3,409,771	22,433	-	(1,734)	3,430,470
Total capital, lease, and SBITA assets being depreciated/amortized	116,706,674	837,660	-	(2,135,124)	115,409,210
Less accumulated depreciation/amortization					
Land improvements	(8,665,026)	(635,039)	-	211,368	(9,088,697)
Infrastructure	(1,655,408)	(86,653)	-	-	(1,742,061)
Buildings	(30,206,162)	(2,127,663)	-	701,834	(31,631,991)
Lease asset – buildings	(148,389)	(148,389)	-	-	(296,778)
Intangible assets	(519,738)	(88,217)	-	-	(607,955)
SBITA – intangible assets	-	(91,729)	-	-	(91,729)
Furniture, fixtures, and equipment	(7,746,477)	(312,643)	-	161,829	(7,897,291)
Lease asset – equipment	(48,234)	(55,444)	-	-	(103,678)
Library materials	(3,335,322)	(38,217)	-	1,734	(3,371,805)
Total accumulated depreciation/amortization	(52,324,756)	(3,583,994)	-	1,076,765	(54,831,985)
Capital, lease, and SBITA assets being depreciated/amortized, net	64,381,918	(2,746,334)	-	(1,058,359)	60,577,225
Capital, lease, and SBITA assets, net	<u>\$ 65,450,115</u>	<u>\$ (2,623,124)</u>	<u>\$ -</u>	<u>\$ (1,058,359)</u>	<u>\$ 61,768,632</u>

Rogers State University

Notes to Financial Statements

June 30, 2023

The University has acquired certain capital assets, including buildings and equipment, under various lease-purchase contracts and other financing arrangements. The cost of University assets held under other financing arrangements totaled \$38,877,118 at June 30, 2023. Beginning balances in the above schedule have been restated in accordance with GASB 96.

Note 6: Long-Term Liabilities

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2023:

	Beginning Balance, as Restated	Additions	Deductions	Ending Balance	Current Portion
Bonds payable					
ODFA Revenue Bonds 2013	\$ 1,945,000	\$ -	\$ (150,000)	\$ 1,795,000	\$ 155,000
Bond discount	(6,985)	-	1,091	(5,894)	-
	<u>1,938,015</u>	<u>-</u>	<u>(148,909)</u>	<u>1,789,106</u>	<u>155,000</u>
Other financing arrangements					
ODFA Master lease payable	30,038,749	-	(2,001,833)	28,036,916	2,072,583
OCIA other financing arrangements	5,886,090	-	(635,849)	5,250,241	652,214
Other financing arrangements premium	2,173,007	-	(314,903)	1,858,104	-
Other financing arrangements discount	(55,973)	-	4,735	(51,238)	-
	<u>38,041,873</u>	<u>-</u>	<u>(2,947,850)</u>	<u>35,094,023</u>	<u>2,724,797</u>
Subscriptions payable	366,915		(103,388)	263,527	105,794
Leases payable	658,865	-	(202,559)	456,306	204,285
Total bonds, subscriptions, and leases payable and other financing arrangements	<u>\$ 41,005,668</u>	<u>\$ -</u>	<u>\$ (3,402,706)</u>	<u>\$ 37,602,962</u>	<u>\$ 3,189,876</u>

Revenue Bonds

In May 2013, the University issued \$3,000,000 Federally Taxable Series 2013 revenue bonds. The net proceeds of \$2,854,000 were used to design, construct, and equip a new 17,215-square-foot student dining facility on the Claremore campus. The bonds are primarily secured by bookstore revenues of \$1,178,479 and dining facility revenues of \$229,837. Debt service payments of \$218,103 were 15% of pledged revenues in fiscal year 2023.

The Federally Taxable Series 2013 revenue bonds were issued at a discount of \$18,754. During 2023, the University recognized \$1,091 of amortization, leaving a balance of the unamortized bond discount of \$5,894 as of June 30, 2023.

Rogers State University

Notes to Financial Statements

June 30, 2023

The scheduled maturities of the bonds are as follows:

	Principal	Interest	Total
2024	\$ 155,000	\$ 64,278	\$ 219,278
2025	160,000	60,015	220,015
2026	165,000	55,375	220,375
2027	170,000	50,013	220,013
2028	175,000	44,488	219,488
2029–2033	970,000	119,400	1,089,400
	<u>\$ 1,795,000</u>	<u>\$ 393,569</u>	<u>\$ 2,188,569</u>

Oklahoma Capital Improvement Authority Other Financing Arrangements

OCIA periodically issues bonds, which are allocated to the State Regents, to be used for specific projects at Oklahoma higher education institutions. The University has participated in these projects as discussed below. In each of the transactions, OCIA and the University entered into a financing arrangement. As a result, the University recognizes its share of the liability and the related assets in connection with the projects being constructed or acquired in its financial statements. Annually, the State Legislature appropriates funds to the State Regents to make monthly principal and interest payments on behalf of the University.

In November 2005, OCIA issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents allocated \$13,922,702 to the University. Concurrent with the allocation, the University entered into a agreement with OCIA, representing the seven projects being funded by the OCIA bonds.

Through June 30, 2021, the University had drawn its entire allotment for expenditures incurred in connection with the projects. Expenditures have been capitalized as investments in capital assets and/or recorded as construction in progress in accordance with University policy. The University has recorded a payable to OCIA for the total amount of the allotment less repayments made.

During fiscal year 2014, the University's remaining 2005 agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. The restructured agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned agreement with OCIA was automatically restructured to secure the new bond issues. The restructuring resulted in a reduction of principal; thus the University has recorded a credit of \$387,424, which is the difference between the reacquisition price and the net carrying amount of the old debt, that is being amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. As of June 30, 2023, the remaining deferred inflow of resources totaled \$168,016. This refinancing resulted in an aggregate difference in principal and interest between the original agreement and the refinanced agreement of \$941,650, which approximates the economic savings of the transaction.

Rogers State University

Notes to Financial Statements

June 30, 2023

During the year ended June 30, 2023, OCIA made principal and interest payments totaling \$915,859 on behalf of the University. These on-behalf payments have been recorded as restricted State appropriations in the University's statement of revenues, expenses, and changes in net position.

Future minimum payments under the University's obligations to OCIA are as follows:

	Principal	Interest	Total
2024	\$ 652,214	\$ 249,021	\$ 901,235
2025	679,816	221,474	901,290
2026	713,137	188,067	901,204
2027	745,669	155,436	901,105
2028	782,144	118,873	901,017
2029–2030	<u>1,677,261</u>	<u>125,387</u>	<u>1,802,648</u>
	<u><u>\$ 5,250,241</u></u>	<u><u>\$ 1,058,258</u></u>	<u><u>\$ 6,308,499</u></u>

Oklahoma Development Finance Authority (ODFA) Master Lease Program

During fiscal year 2016, the 2006 agreement with ODFA was restructured through a refunding of the Series 2006A bonds. ODFA issued new bonds, Series 2016A to accomplish the refunding. The refinancing resulted in an aggregate difference in principal and interest between the original agreement and the refinanced agreement of \$388,833, which approximates the economic savings of the transaction.

During fiscal year 2016, the 2006 agreement with ODFA was restructured through a refunding of the Series 2006B bonds. ODFA issued new bonds, Series 2016B to accomplish the refunding. The refinancing resulted in an aggregate difference in principal and interest between the original agreement and the refinanced agreement of \$52,232, which approximates the economic savings of the transaction.

In July 2014, the University entered into a 30-year Master Agreement with ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2014D. The University received a net amount of \$11,500,000 for the construction of student apartments. The University makes payments to the State Regents, who then forward the payments to the trustee bank.

In June 2019, the University entered into a 13-year agreement with ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2019B. The University received a net amount of \$5,406,000 for refunding of 2007 Series A bonds. The University makes payments to the State Regents, who then forward the payments to the trustee bank.

In June 2020, the University entered into a 20-year agreement with ODFA and the State Regents as a beneficiary of the portion of the proceeds from the ODFA State Regents of Higher Education Master Lease Revenue Bonds, Series 2020A. The University received a net amount of

Rogers State University

Notes to Financial Statements

June 30, 2023

\$13,235,000 for refunding of 2010 Series A, B, and C bonds. The University makes payments to the State Regents, who then forward the payments to the trustee bank.

In October 2020, the University entered into a 15-year Master Agreement with ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2020C/D. The University received a net amount of \$3,077,000 for refunding of the 2011 Series A bonds. The University makes payments to the State Regents, who then forward the payments to the trustee bank.

In November 2020, the University entered into a 5-year Master Agreement with ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2020B/C. The University received a net amount of \$281,000 of the proceeds for refunding of the 2010 Series B bonds. The University makes payments to the State Regents, who then forward the payments to the trustee bank.

The scheduled maturities of the obligations under the ODFA Master Lease Program are as follows:

	Principal	Interest	Total
2024	\$ 2,072,583	\$ 1,061,660	\$ 3,134,243
2025	2,127,833	984,834	3,112,667
2026	1,878,166	908,700	2,786,866
2027	1,584,584	843,826	2,428,410
2028	1,640,334	783,621	2,423,955
2029–2033	8,611,416	2,903,308	11,514,724
2034–2038	5,694,670	1,467,439	7,162,109
2039–2043	3,854,418	507,564	4,361,982
2044	572,912	22,201	595,113
	<u>\$ 28,036,916</u>	<u>\$ 9,483,153</u>	<u>\$ 37,520,069</u>

Leases Payable

The University as a lessee has entered into lease agreements involving building space, vehicles, printers, and a printing press. A summary of the University's lease terms and interest rates is as follows:

Leases of building space, vehicles, printers, and printing press

Annual installments ranging from \$2,883 to \$207,465; estimated incremental borrowing rates used to discount amounts ranging from 0.53% to 4.05%; due dates ranging from June 2025 to

August 2026. The balance outstanding at June 30, 2023 was: \$ 456,306

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those

Rogers State University

Notes to Financial Statements

June 30, 2023

payments is incurred. During the year ended June 30, 2023, the University made variable payments as required by lease agreements totaling \$202,559.

Future annual lease payments are as follows:

	Principal	Interest	Total
2024	\$ 204,285	\$ 3,180	\$ 207,465
2025	206,044	1,422	207,466
2026	43,097	184	43,281
2027	2,880	2	2,882
	<u>\$ 456,306</u>	<u>\$ 4,788</u>	<u>\$ 461,094</u>

Subscription-Based Information Technology Arrangements Payable

The University has entered into contractual arrangements that convey control of the right-to-use of a vendor's information technology software, or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. A summary of the University's SBITAs is as follows:

Software subscriptions with monthly and annual installments totaling \$111,350 and an imputed interest rate of 2.32% with due dates of February 2025 and May 2026. The balance outstanding at June 30, 2023 was:

\$ 263,527

As of June 30, 2023, the remaining principal and interest payment requirements for the SBITA obligations are as follows:

	Principal	Interest	Total
2024	\$ 105,794	\$ 5,556	\$ 111,350
2025	108,256	3,094	111,350
2026	49,477	575	50,052
	<u>\$ 263,527</u>	<u>\$ 9,225</u>	<u>\$ 272,752</u>

Rogers State University

Notes to Financial Statements

June 30, 2023

Note 7: Retirement Plans

The University's academic and nonacademic personnel are covered by various retirement plans depending on job classification. The plans available to University personnel include:

Name of Plan/System	Type of Plan
Oklahoma Teachers' Retirement System	Cost-Sharing Multiple Employer Defined Benefit Plan
Rogers State University Defined Contribution Plan	Defined Contribution Plan
Fidelity Investments Plan	Defined Contribution Plan
Supplemental Retirement Annuity	Single Employer Defined Benefit Plan

The University does not maintain the accounting records, hold the investments for, or administer these plans. A summary of all pension- and OPEB-related items is as follows:

	Net OPEB (Asset)	Deferred Outflows	Deferred Inflows	OPEB Expense (Benefit)
RSU OPEB	\$ (12,801)	\$ 143,786	\$ 311,503	\$ (53,417)
OTRS OPEB	<u>(126,428)</u>	<u>130,477</u>	<u>54,011</u>	<u>(7,760)</u>
Total	<u><u>\$ (139,229)</u></u>	<u><u>\$ 274,263</u></u>	<u><u>\$ 365,514</u></u>	<u><u>\$ (61,177)</u></u>

	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense (Benefit)
Supplemental retirement plan	\$ 303,145	\$ -	\$ -	\$ 40,935
OTRS net pension liability	<u>22,592,529</u>	<u>6,090,917</u>	<u>2,041,433</u>	<u>1,435,599</u>
Total	<u><u>\$ 22,895,674</u></u>	<u><u>\$ 6,090,917</u></u>	<u><u>\$ 2,041,433</u></u>	<u><u>\$ 1,476,534</u></u>

Oklahoma Teachers' Retirement System

Plan Description

The University, as the employer, participates in OTRS—a cost-sharing multiple-employer defined benefit pension plan administered by 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.

Rogers State University

Notes to Financial Statements

June 30, 2023

Benefits Provided

OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Benefit provisions include:

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

Rogers State University

Notes to Financial Statements

June 30, 2023

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% of their annual pay. Participating employers are required to contribute 8.55% of the employees' annual pay and an additional 7.70% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program. Contributions to the pension plan from the University were \$1,372,198. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$1,168,261 was recognized by the University; these on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2023, the University reported a liability of \$22,592,529 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The University's proportion of the net pension liability was based on the University's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2022. Based upon this information, the University's proportion was 0.2752%.

For the year ended June 30, 2023, the University recognized pension expense of \$1,435,599. At June 30, 2023, the University 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	\$ 723,761	\$ 282,609
Changes of assumptions	1,524,356	-
Net difference between projected and actual investment earnings on pension plan investments	2,150,813	-
Changes in University's proportionate share of contributions	314,446	1,707,793
Differences between University contributions and proportionate share of contributions	5,343	51,031
University contributions made subsequent to the measurement date	<u>1,372,198</u>	<u>-</u>
Total	<u><u>\$ 6,090,917</u></u>	<u><u>\$ 2,041,433</u></u>

For the year ended June 30, 2023, \$1,372,198 was reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability.

Rogers State University

Notes to Financial Statements

June 30, 2023

Deferred outflows of resources and deferred inflows of resources at June 30, 2023 will be recognized in pension expense as follows:

2024	\$ 802,757
2025	718,091
2026	(527,401)
2027	1,719,707
2028	<u>(35,868)</u>
Total	<u>\$ 2,677,286</u>

Actuarial Assumptions

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

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

Rogers State University

Notes to Financial Statements

June 30, 2023

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

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

**The Real Estate total expected return is a combination of U.S. Direct Real Estate (unleveraged) and U.S. Value-Added Real Estate (unleveraged).

Discount Rate

A single discount rate of 7.0% was used to measure the total pension liability as of June 30, 2022. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.0%. 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 table presents the net pension liability of the University calculated using the respective discount rate each year, as well as what the University's net pension liability would be using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net pension liability	<u>\$ 31,810,417</u>	<u>\$ 22,592,529</u>	<u>\$ 15,014,344</u>

Rogers State University

Notes to Financial Statements

June 30, 2023

Pension Plan Fiduciary Net Position

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

Rogers State University Defined Contribution Plan

Plan Description

The plan is a Section 401(a) defined contribution plan that became effective January 1, 2015 for certain *Fair Labor Standards Act* nonexempt employees and is administered by Fidelity Investments, Inc. The purpose of the plan is to provide retirement benefits for the participants and to distribute the funds accumulated to the participants of the eligible beneficiaries. All nonexempt employees hired after the effective date are allowed a one-time election between participation in OTRS or the defined contribution plan. The Plan provides retirement benefits to eligible employees or their beneficiaries.

Funding Policy

The required contribution rate is 9.0% of pensionable compensation. The University contributes the required amounts for participating members. The University's contributions for the year ended June 30, 2023 were \$121,212.

Fidelity Investments Plan

Plan Description

The plan is a Section 457(b) defined contribution plan that became effective November 1, 2011. For all eligible full-time employees, the University contributes to a defined contribution pension plan (the Plan) administered by the University's Board of Regents. Pension expense is recorded for the amount of the University's required contributions determined in accordance with the terms of the Plan. The Plan provides retirement benefits to eligible employees or their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the University's Board of Regents.

Funding Policy

Prior to December 1, 2011, the University contributed 15% of the base salary above \$9,000 for certain employees who were employed prior to January 1, 1999 and 4% of the annual base salary for all other employees in the Plan. Effective December 1, 2011, the University contributed 4% of the annual base salary for all employees in the Plan. Effective July 1, 2013, contributions made by the University were temporarily suspended and have not resumed.

Rogers State University

Notes to Financial Statements

June 30, 2023

Supplemental Retirement Annuity

Plan Description

The University's Supplemental Retirement Annuity (SRA) plan is a single-employer, defined benefit pension plan administered by the University's Board of Regents. There are no active participants and three individuals are currently receiving benefits. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to certain eligible University employees or to those eligible employees' beneficiaries. The SRA is restricted to certain retirees of the University. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA does not issue a stand-alone financial report nor is it included in the financial report of another entity.

Benefits Provided

The SRA will provide a supplemental monthly annuity based upon the participant's average monthly salary (three highest monthly salary amounts) and taking into consideration OTRS benefits, years of service, and other factors.

Contributions

The University shall make contributions to the annuity contract in such amounts and at such times as it shall deem advisable to provide the benefits as set forth in the SRA. Participants are not permitted to make contributions to the SRA.

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

At June 30, 2023, the University reported a liability of \$303,145 related to the SRA. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. For the year ended June 30, 2023, the University recognized pension expense of \$40,935. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions were not recognized for the SRA as such amounts are not material.

Actuarial Assumptions

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

- Actuarial Cost Method – Entry Age Normal
- Amortization Method – Level dollar, closed
- Remaining Amortization Period – 5 years
- Asset Method – Market Value of Assets
- Inflation – 2.0%
- Salary Increases – Not Applicable

Rogers State University

Notes to Financial Statements

June 30, 2023

- Discount Rate – 3.97%
- Long-Term Expected Rate of Return – 4.00%
- Mortality – Pub-2010 General Retirees Headcount weighted with projection scale MP-2021
- Retirement Age – None since there are no active participants.

Discount Rate

For the year ended June 30, 2023, the discount rate used to measure the total pension liability was 3.97%. The projection of cash flows used to determine the discount rate assumed that the University's contributions will be equal to \$53,000 per year for the next four years. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted for current members during the 2043 fiscal year. Therefore, the long-term expected rate of return of 4% was used to discount funded projected benefit payments and the municipal bond rate of 3.86% was used to discount unfunded projected benefit payments to determine the total pension liability. The single effective discount rate used for the accounting valuation was 3.97%.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined by the client using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

	1% Decrease 2.97%	Current Discount 3.97%	1% Increase 4.97%
Net pension liability	<u>\$ 417,371</u>	<u>\$ 303,145</u>	<u>\$ 204,264</u>

Rogers State University
Notes to Financial Statements
June 30, 2023

Schedule of Changes in Total Pension Liability, Plan Fiduciary Net Position, and Net Position Liability

The following table presents the changes in total pension liability, plan fiduciary net position, and net pension liability of the University for the year ended June 30, 2023:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2022	\$ 1,224,850	\$ 906,301	\$ 318,549
Changes for the year			
Interest on the total pension liability	46,624	-	46,624
Difference between expected and actual experience	29,974	-	29,974
Employer contributions	-	53,000	(53,000)
Change in assumption	(2,125)	-	(2,125)
Net investment income	-	36,877	(36,877)
Benefit payments	(88,997)	(88,997)	-
Net changes	(14,524)	880	(15,404)
Balance at June 30, 2023	\$ 1,210,326	\$ 907,181	\$ 303,145

Note 8: Other Postemployment Health and Life Insurance Benefits

Rogers State University Other Postemployment Health and Life Insurance Benefits

Plan Description

The University sponsors healthcare and life insurance coverage to qualifying retirees and their dependents. All employees hired prior to July 1, 2009 and eligible to retire under the provisions of OTRS are eligible to participate. As of January 1, 2023, the University has a total of 73 active and inactive employees eligible to participate. Inactive employees receiving benefits (10), inactive employees entitled to but not receiving benefits (1), and active covered employees (62). The plan does not issue a separate financial report, nor is it included in the financial report of another entity. These assets are accumulated in a trust.

The plan investment objective is "Growth and Income." The intent of the objective is to provide for both current income and future growth to accommodate the plan's future obligations plus normal inflation. The approach is a conservative blend of the Growth and Income approaches resulting in moderate risk. Allocation range: 40%–60% Equity/40%–60% Fixed Income. Account Target: 55% Equity/45% Fixed Income.

Rogers State University

Notes to Financial Statements

June 30, 2023

Benefits Provided

Medical coverage for active employees and retirees under age 65 is offered by the Board of Regents through a self-insured plan administered by Cigna. Retirees receive fully paid coverage to Medicare eligibility (age 65). OTRS pays a portion of the carrier premium with the balance paid by the University. The carrier premium applicable to retiree dependents is the responsibility of the participants. The University also pays for retiree life insurance coverage to age 65. Through a separate fully insured contract, the University sponsors Medicare supplement coverage for former employees eligible for Medicare. Medicare-eligible retirees must pay full carrier rates to maintain coverage.

Contributions

The University contributes the premium cost to carriers, net of the medical insurance supplement provided by OTRS. For the year ended June 30, 2023, contributions were approximately \$54,000, including approximately \$5,000 in OTRS insurance subsidies.

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

At June 30, 2023, the University reported an asset of \$12,801. The net OPEB asset was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2023.

For the year ended June 30, 2023, the University recognized OPEB benefit of \$53,417.

Rogers State University

Notes to Financial Statements

June 30, 2023

Schedule of Changes in Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Asset

The following table presents the changes in total OPEB liability, plan fiduciary net position, and net OPEB asset of the University for the year ended June 30, 2023:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset
Balance, June 30, 2022	\$ 812,673	\$ 847,914	\$ (35,241)
Changes for the year			
Service cost	23,892	-	23,892
Interest on the total pension liability	50,184	-	50,184
Difference between expected and actual experience	112,657	-	112,657
Employer contributions	-	54,279	(54,279)
Change in assumptions	(37,840)	-	(37,840)
Net investment income	-	78,700	(78,700)
Benefit payments	(54,279)	(54,279)	-
Administration charge	-	(6,526)	6,526
Net changes	94,614	72,174	22,440
Balance, June 30, 2023	\$ 907,287	\$ 920,088	\$ (12,801)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 93,881	\$ 120,624
Changes in assumptions	32,386	190,879
Net difference between projected and actual investment earnings on OPEB investments	17,519	-
Total	\$ 143,786	\$ 311,503

Rogers State University

Notes to Financial Statements

June 30, 2023

Deferred outflows of resources and deferred inflows of resources to OPEB will be recognized in OPEB expense (income) as follows:

2024	\$ (82,972)
2025	(87,600)
2026	3,370
2027	(12,986)
2028	<u>12,471</u>
	<u><u>\$ (167,717)</u></u>

Actuarial Assumptions

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

- Discount Rate and Expected Return on Plan Assets – 6.2%
- CPI Inflation Rate over Long Term – 2.5% per year
- Dental – 3.5% per year
- Medicare Supplement and Part D Rx – 5.0% per year
- Trend of Contributions from OTRS – None
- Mortality – Pub-2010 Public Retirement Plans Headcount-Weighted Teachers Mortality Tables using Scale MP-2021 Full Generational Improvement
- Participation for Future Retirees < 65% – 85% of future eligible retirees are assumed to elect medical insurance with the University upon retirement. This considers University participation experience over multiple years. 100% of future eligible retirees are assumed to elect life insurance with the University upon retirement.
- Participation when Lifetime Turn – 100%
- Retirement Age – Retirement rates are based on those used for the Teachers' Retirement System of Oklahoma (TRS) pension actuarial valuation (first adopted by TRS for the June 30, 2020 actuarial valuation)
- Medicare Eligibility Age – Age 65
- Salary Scale (per employee) – 2.5% per year

Discount Rate

A single discount rate of 6.2% was used to measure the total OPEB liability as of June 30, 2023. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 6.2%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's

Rogers State University

Notes to Financial Statements

June 30, 2023

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.

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 respective discount rate, as well as what the plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease 5.20%	Current Discount 6.20%	1% Increase 7.20%
Net OPEB liability (asset)	<u>\$ 34,032</u>	<u>\$ (12,801)</u>	<u>\$ (56,962)</u>

The healthcare cost trend rate is 6.50% in 2023, decreasing to 6.00% in 2024, and decreasing annually by 0.25% or 0.50% to an ultimate rate of 4.50% for 2030 and later years. The following presents the net OPEB liability (asset) calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Cost Trend Assumption	1% Increase
Net OPEB liability (asset)	<u>\$ (74,496)</u>	<u>\$ (12,801)</u>	<u>\$ 55,998</u>

Oklahoma Teachers' Retirement System Other Postemployment Health Insurance Benefits

Plan Description

The University, as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by OTRS. Title 74 O. S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. 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 provided the member has 10 years of Oklahoma service prior to retirement.

Rogers State University

Notes to Financial Statements

June 30, 2023

Contributions

Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However, statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70, employers and employees contribute a single amount based on a single contribution rate as described in *Note 7*; from this amount, OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.12% of normal cost, as determined by an actuarial valuation. At June 30, 2023, contributions allocated to the OPEB plan from the University were \$15,388.

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

At June 30, 2023, the University reported an asset of \$126,428 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2022. The University's proportion of the net OPEB asset was based on the University's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2022. Based upon this information, the University's proportion was 0.28903%, which is unchanged from June 30, 2021.

For the year ended June 30, 2023, the University recognized OPEB benefit of \$7,760. At June 30, 2023, the University 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	\$ -	\$ 42,086
Changes of assumptions	38,125	-
Net difference between projected and actual investment earnings on OPEB plan investments	52,862	-
Changes in proportion	4,083	1,785
Differences between University contribution and proportionate share of contributions	20,019	10,140
University contributions made subsequent to the measurement date	15,388	-
	<u>130,477</u>	<u>54,011</u>
Total	<u>\$ 130,477</u>	<u>\$ 54,011</u>

The \$15,388 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2024.

Rogers State University

Notes to Financial Statements

June 30, 2023

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (income) as follows:

2024	\$ 9,907
2025	7,176
2026	(7,980)
2027	50,489
2028	1,094
Thereafter	<u>392</u>
	<u><u>\$ 61,078</u></u>

Actuarial Assumptions

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

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

Rogers State University

Notes to Financial Statements

June 30, 2023

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

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

**The Real Estate total expected return is a combination of U.S. Direct Real Estate (unleveraged) and U.S. Value-Added Real Estate (unleveraged).

Discount Rate

A single discount rate of 7.0% was used to measure the total OPEB liability as of June 30, 2022. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.0%. 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. 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 Asset (Liability) to Changes in the Discount Rate

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

	1% Decrease 6.00%	Current Discount 7.00%	1% Increase 8.00%
Net OPEB asset (liability)	<u>\$ 5,267</u>	<u>\$ (126,428)</u>	<u>\$ (237,945)</u>

Rogers State University

Notes to Financial Statements

June 30, 2023

OPEB Plan Fiduciary Net Position

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

Note 9: Funds Held in Trust by Others

Oklahoma State Regents Endowment Trust Fund

In connection with the State Regents' Endowment Program (the Endowment Program), the State of Oklahoma has matched contributions received under the Endowment Program. At June 30, 2023, the state match amounts plus retained accumulated earnings totaled \$2,154,752 and was invested by the State Regents on behalf of the University. The University is entitled to receive an annual distribution of earnings of 4.5% of the market value at year-end on these funds. Legal title of these endowment funds is retained by the State Regents; only the funds available for distribution, or \$258,062 at June 30, 2023, have been reflected as assets in the accompanying statement of net position.

Note 10: Related-Party Transactions

The University is the beneficiary of a foundation that provides support for the University by way of scholarships and other direct resources. The University contracts with the Foundation to provide limited services and office space in exchange for the support the University receives. For the year ended June 30, 2023, administrative services provided by the University for the benefit of the Foundation were \$228,148. Scholarships awarded by the Foundation are remitted to the University after the University pays the award recipient. Such amounts were \$1,001,624 for 2023. Other support provided by the Foundation to the University during the year ended June 30, 2023 amounted to \$1,574,737 for total Foundation support to the University of \$2,576,361.

Note 11: Commitments and Contingencies

The University conducts certain programs pursuant to various grants and contracts, which are subject to audit by federal and state agencies. Costs questioned as a result of these audits, if any, may result in refunds to these governmental agencies from various sources of the University.

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2023 will not have a material adverse impact to the University.

Note 12: Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased for claims arising

Rogers State University

Notes to Financial Statements

June 30, 2023

from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program public entity risk pool currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pool for its tort, property, and liability insurance coverage. The Oklahoma Risk Management pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

Note 13: Rogers State University Foundation

Summary of Significant Accounting Policies

Nature of Activities and Organization

The Foundation supports the academic, staff, and alumni programs of the University. The University in turn pays for a substantial portion of the operating expenses of the Foundation, including all salaries and related expenses, and provides office space for the Foundation's use. The Foundation and the University have certain management and board members in common.

The RSU Foundation Broadcasting Towers, LLC (the Towers), a wholly owned subsidiary of the Foundation, is the owner of one broadcasting tower used primarily by the University.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary. All significant intercompany transactions have been eliminated.

Cash and Cash Equivalents

The Foundation considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair market value in the statement of financial position. Unrealized gains and losses are included in the Foundation's statement of activities.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Rogers State University

Notes to Financial Statements

June 30, 2023

Property, Plant, and Equipment

The Foundation capitalizes major expenditures for property, plant, and equipment at cost. Donated property and equipment are recorded as contributions at their estimated fair value.

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

Leased land	50 years
Radio tower and building	30–40 years
Equipment and furnishings	5–10 years
Vehicles	3 years

The Foundation's policy is to capitalize property and equipment over \$500 with lesser amounts expensed currently.

Contributed Services

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. During the year ended June 30, 2023, the value of contributed services meeting the requirements for recognition in the financial statements totaled \$202,198.

Income Taxes

The Foundation is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Foundation files its Forms 990 in the U.S. federal jurisdiction and the state of Oklahoma. The Foundation is generally no longer subject to examination by the Internal Revenue Service for tax years before June 30, 2019.

Revenue Recognition

The Foundation recognizes contributions when cash, securities or other assets, an unconditional contribution, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Foundation recognizes revenue from program service fees when the related services are performed. The Foundation records special events revenue based on the value of what is provided to a donor and contribution revenue for the difference. All goods and services are transferred at a point in time.

Rogers State University
Notes to Financial Statements
June 30, 2023

Investments

Investment advisors manage certain funds of the Foundation. The stated investments are at fair value, based on quoted market prices, and consisted of the following at June 30, 2023:

Cash and money market funds	\$ 485,954
U.S. government	49,092
Corporate bonds and bond mutual funds	9,394,105
Common stock	6,189,928
Equity mutual funds	<u>7,783,363</u>
Total	<u><u>\$ 23,902,442</u></u>

Promises to Give

Unconditional promises to give at June 30, 2023 are as follows:

	Due in 1 Year	Due in 1–5 Years	Due in 5+ Years	Total
Without donor restrictions	\$ 550	\$ -	\$ -	\$ 550
With donor restrictions	<u>19,009</u>	<u>-</u>	<u>748,208</u>	<u>767,217</u>
	19,559	-	748,208	767,767
Less discounts	-	-	(378,600)	(378,600)
Less allowances for uncollectible promises	<u>-</u>	<u>-</u>	<u>(38,055)</u>	<u>(38,055)</u>
Total	<u><u>\$ 19,559</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 331,553</u></u>	<u><u>\$ 351,112</u></u>

Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at June 30, 2023:

Land	\$ 1,137,709
Furniture and fixtures	13,968
Vehicles	44,715
Television tower and building	258,820
Mineral interest	3,000
Collectibles (nondepreciable)	<u>60,300</u>
	1,518,512
Less accumulated depreciation	<u>(273,090)</u>
Total	<u><u>\$ 1,245,422</u></u>

Rogers State University
Notes to Financial Statements
June 30, 2023

Restricted Net Assets

Net assets with donor restrictions is restricted by the donors as to purpose or time and consisted of the following at June 30, 2023:

Subject to purpose restrictions	
Scholarships	\$ 3,293,518
Athletics programs	358,391
Bartlesville	39,563
Centennial center	462,388
Emergency student loan	20,001
Library	43,053
OMA programs	66,586
President-related funds	45,498
Pryor campus	11,662
Reserve/capital needs	369,870
RSU Public TV	46,971
RSU Alumni	12,373
School of Liberal Arts	94,585
Other restricted funds	39,841
	4,904,300
Not subject to appropriation or expenditure	
Scholarship endowments	14,828,422
President's leadership class endowment	329,981
Other named scholarship endowments	410,469
Faculty and staff award endowments	67,728
Lectureship endowments	114,313
Endowed chairs	1,822,693
Other endowments	434,467
Unrestricted endowments	25,520
Life insurance endowments	83,020
	18,116,613
Total net assets with donor restrictions	<u><u>\$ 23,020,913</u></u>

Rogers State University

Notes to Financial Statements

June 30, 2023

Fair Value Measurements

Fair value of investments at June 30, 2023 is as follows:

	Fair Value	Level 1 Inputs
Without donor restrictions	\$ 5,196,084	\$ 5,196,084
With donor restrictions	<u>18,706,358</u>	<u>18,706,358</u>
Total investments	<u><u>\$ 23,902,442</u></u>	<u><u>\$ 23,902,442</u></u>

Level 1 Inputs – Fair values for investments are determined by reference to quoted market prices in active markets for which the Foundation is invested.

Endowments

The Foundation's endowments consist of approximately 190 individual funds established for a variety of purposes. As required by 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.

Interpretation of Relevant Law – In accordance with the requirements of accounting standards related to endowments, and the *Oklahoma Uniform Prudent Management of Institutional Funds Act* (OUPMIFA), the Foundation will report the market value of an endowment as perpetual in nature. As a result, the Foundation classifies as “not subject to appropriation or expenditure” 1) the original value of gifts donated to the endowment, 2) the original value of subsequent gifts donated to the endowment, 3) all realized and unrealized gains and losses of the endowment, and 4) less any income distribution in accordance with the spending policy.

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

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

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment

Rogers State University

Notes to Financial Statements

June 30, 2023

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

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

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a policy of appropriating for distribution each year the equivalent of 4% of its endowment fund's fair value as of the immediately preceding January 1. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions
Donor-restricted endowment funds	\$ -	\$ 18,116,613
Total endowment funds	<u>\$ -</u>	<u>\$ 18,116,613</u>

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ -	\$ 17,352,706
Investment return	-	1,429,909
Other income	-	7,184
Contributions	-	159,799
Transfers – board-designated	-	(832,985)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 18,116,613</u>

The historical dollar value of the permanently restricted endowments is \$15,204,517 as compared to the fair market value of \$18,116,613 at June 30, 2023. The difference between the historical

Rogers State University

Notes to Financial Statements

June 30, 2023

dollar value and fair value is a gain of \$2,912,096 in 2023. The current year increase in the unrealized gain of \$569,598 for 2023 is included with the investment return allocated to net assets with donor restrictions.

Leases

The Towers lease space on the television tower under certain operating lease agreements. The Towers also provide tower space for broadcasting equipment used by the University's television station. For the year ended June 30, 2023, tower rental income donated to the University totaled \$169,279.

Noncash Donations

During the year ended June 30, 2023, the Foundation received the following noncash donations of services and free use of facilities that have been reflected in the financial statements of the Foundation:

Free use of facilities	\$ 169,279
Professional services	<u>202,198</u>
Total	<u><u>\$ 371,477</u></u>

As discussed above under "Leases," rental income was donated for tower space during the year ended June 30, 2023 with a fair value of \$169,279.

The University contributed professional services to the Foundation during the year ended June 30, 2023 with a fair value of \$202,198.

Off-Balance Sheet Risk and Concentrations

The Foundation has a potential concentration of credit risk in that it periodically maintains deposits with financial institutions in excess of amounts insured by the FDIC. At June 30, 2023, the Foundation's deposit accounts subject to FDIC insurance were fully insured.

Liquidity and Availability of Resources

The table below reflects the Foundation's financial assets as of June 30, 2023 reduced by amounts that are not available for general use due to contribution or donor-imposed restrictions within one year of the financial statement date. Noncurrent portions of investments, cash surrender value of life insurance, and promises to give have been included in the calculation of financial assets as those amounts are subject to donor-imposed restrictions.

Rogers State University
Notes to Financial Statements
June 30, 2023

Cash and cash equivalents	\$ 245,216
Investments, total	23,902,442
Cash surrender value – life insurance	83,020
Promises to give, net	<u>351,112</u>
 Total financial assets	 24,581,790
 Less those unavailable for general expenditure within one year, due to	
Contractual or donor-imposed restrictions	
Restricted by donor with time or purpose restrictions	(4,904,300)
Not subject to appropriation or expenditure	<u>(18,116,613)</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u><u>\$ 1,560,877</u></u>

It is the policy of the Foundation to maintain adequate cash reserves on hand to meet its current obligations in a timely manner.

Required Supplementary Information

Rogers State University

Schedule of Changes in Net OPEB Liability and Related Ratios – Unaudited

Postemployment Health and Life Insurance Benefits

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 23,892	\$ 27,360	\$ 29,688	\$ 32,942	\$ 33,074	\$ 51,437
Interest cost	50,184	57,102	63,524	67,349	71,698	91,058
Changes of assumptions	(37,840)	(43,883)	(43,104)	(98,430)	113,351	(302,919)
Actual vs. expected experience	112,657	(77,249)	(52,163)	(34,012)	(110,978)	-
Changes in benefit terms	-	-	-	96,483	(43,040)	-
Benefit payments	(54,279)	(88,599)	(109,786)	(135,751)	(132,512)	(134,418)
Net change in total OPEB liability	94,614	(125,269)	(111,841)	(71,419)	(68,407)	(294,842)
Total OPEB Liability, Beginning	<u>812,673</u>	<u>937,942</u>	<u>1,049,783</u>	<u>1,121,202</u>	<u>1,189,609</u>	<u>1,484,451</u>
Total OPEB Liability, Ending (a)	<u>907,287</u>	<u>812,673</u>	<u>937,942</u>	<u>1,049,783</u>	<u>1,121,202</u>	<u>1,189,609</u>
Plan Fiduciary Net Position						
Contributions, employer	54,279	88,599	109,786	135,751	132,512	-
Net investment income (loss)	78,700	(102,041)	203,746	22,708	37,306	44,080
Benefit payments	(54,279)	(88,599)	(109,786)	(135,751)	(132,512)	-
Administrative expense	(6,526)	(7,043)	(6,403)	(5,674)	(5,448)	(6,574)
Net change in plan fiduciary net position	72,174	(109,084)	197,343	17,034	31,858	37,506
Plan Fiduciary Net Position, Beginning	<u>847,914</u>	<u>956,998</u>	<u>759,655</u>	<u>742,621</u>	<u>710,763</u>	<u>673,257</u>
Plan Fiduciary Net Position, Ending (b)	<u>920,088</u>	<u>847,914</u>	<u>956,998</u>	<u>759,655</u>	<u>742,621</u>	<u>710,763</u>
Net OPEB liability (asset), ending (a) - (b)	<u>\$ (12,801)</u>	<u>\$ (35,241)</u>	<u>\$ (19,056)</u>	<u>\$ 290,128</u>	<u>\$ 378,581</u>	<u>\$ 478,846</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	101.41%	104.34%	102.03%	72.36%	66.23%	59.75%
Covered employee payroll	\$ 3,726,716	\$ 4,151,993	\$ 5,070,955	\$ 5,226,212	\$ 5,612,865	\$ 6,114,182
Net OPEB liability as a percentage of covered employee payroll	-0.34%	-0.85%	-0.38%	5.55%	6.74%	7.83%

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Rogers State University

Schedule of the University's Net OPEB Contribution – Unaudited Postemployment Health and Life Insurance Benefits

	2023	2022	2021	2020	2019	2018
Contribution	\$ 54,279	\$ 88,599	\$ 109,786	\$ 135,751	\$ 132,512	\$ 134,418
University's covered employee payroll	\$ 3,726,716	\$ 4,151,993	\$ 5,070,955	\$ 5,226,212	\$ 5,612,865	\$ 6,114,182
Contributions as a percentage of covered employee payroll	1.46%	2.13%	2.16%	2.60%	2.36%	2.20%

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Rogers State University
Schedule of the University's Proportionate Share of the Net Pension Liability – Unaudited
Oklahoma Teachers' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	0.2752%	0.2890%	0.2996%	0.2882%	0.3123%	0.3295%	0.3430%	0.3660%	0.3830%
University's proportionate share of the net pension liability	\$ 22,592,529	\$ 14,766,198	\$ 28,430,573	\$ 19,075,907	\$ 18,874,040	\$ 21,820,031	\$ 28,620,770	\$ 22,233,529	\$ 20,593,041
University's covered payroll	\$ 16,146,058	\$ 15,693,352	\$ 15,890,824	\$ 15,227,854	\$ 15,189,444	\$ 15,163,134	\$ 15,945,083	\$ 16,512,805	\$ 16,570,014
University's proportionate share of the net pension liability as a percentage of its covered payroll	140%	94%	179%	125%	124%	144%	179%	135%	124%
Plan fiduciary net position as a percentage of the total pension liability	70.05%	80.80%	63.47%	71.56%	72.74%	69.32%	62.20%	70.30%	72.40%

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Rogers State University
Schedule of the University's Net Pension Contribution – Unaudited
Oklahoma Teachers' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,372,198	\$ 1,453,732	\$ 1,418,245	\$ 1,432,862	\$ 1,364,501	\$ 1,338,634	\$ 1,373,591	\$ 1,456,991	\$ 1,529,383	\$ 1,554,211
Contributions in relation to the contractually required contribution	<u>(1,372,198)</u>	<u>(1,453,732)</u>	<u>(1,418,245)</u>	<u>(1,432,862)</u>	<u>(1,364,501)</u>	<u>(1,338,634)</u>	<u>(1,373,591)</u>	<u>(1,456,991)</u>	<u>(1,529,383)</u>	<u>(1,554,211)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 15,098,978	\$ 16,146,058	\$ 15,693,352	\$ 15,890,824	\$ 15,227,854	\$ 15,189,444	\$ 15,163,134	\$ 15,945,083	\$ 16,512,805	\$ 16,570,041
Contributions as a percentage of covered payroll	9.09%	9.00%	9.04%	9.02%	8.96%	8.81%	9.06%	9.14%	9.26%	9.38%

Rogers State University

Schedule of Changes in SRP Net Pension Liability and Related Ratios – Unaudited

Supplemental Retirement Plan

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	46,624	46,471	48,174	48,501	49,600	50,974	64,404	65,544	66,643
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	29,974	6,657	6,194	6,403	5,839	5,309	3,487	3,028	4,035
Changes of assumptions	(2,125)	(16,436)	(13,932)	102,782	(145)	4,595	222,054	1,428	-
Benefit payments	<u>(88,997)</u>	<u>(88,997)</u>	<u>(88,997)</u>	<u>(88,998)</u>	<u>(88,997)</u>	<u>(88,997)</u>	<u>(88,998)</u>	<u>(88,997)</u>	<u>(88,998)</u>
Net change in total pension liability	(14,524)	(52,305)	(48,561)	68,688	(33,703)	(28,119)	200,947	(18,997)	(18,320)
Total Pension Liability, Beginning	<u>1,224,850</u>	<u>1,277,155</u>	<u>1,325,716</u>	<u>1,257,028</u>	<u>1,290,731</u>	<u>1,318,850</u>	<u>1,117,903</u>	<u>1,136,900</u>	<u>1,155,220</u>
Total Pension Liability, Ending (a)	<u>1,210,326</u>	<u>1,224,850</u>	<u>1,277,155</u>	<u>1,325,716</u>	<u>1,257,028</u>	<u>1,290,731</u>	<u>1,318,850</u>	<u>1,117,903</u>	<u>1,136,900</u>
Plan Fiduciary Net Position									
Contributions, employer	53,000	106,000	-	53,000	116,600	-	-	-	100,000
Contributions, member	-	-	-	-	-	-	-	-	-
Net investment income	36,877	30,435	31,580	33,646	35,096	32,682	36,655	38,135	36,995
Benefit payments	<u>(88,997)</u>	<u>(88,997)</u>	<u>(88,997)</u>	<u>(88,998)</u>	<u>(88,997)</u>	<u>(88,997)</u>	<u>(88,998)</u>	<u>(88,997)</u>	<u>(88,998)</u>
Net change in plan fiduciary net position	880	47,438	(57,417)	(2,352)	62,699	(56,315)	(52,343)	(50,862)	47,997
Plan Fiduciary Net Position, Beginning	<u>906,301</u>	<u>858,863</u>	<u>916,280</u>	<u>918,632</u>	<u>855,933</u>	<u>912,248</u>	<u>964,591</u>	<u>1,015,453</u>	<u>967,456</u>
Plan Fiduciary Net Position, Ending (b)	<u>907,181</u>	<u>906,301</u>	<u>858,863</u>	<u>916,280</u>	<u>918,632</u>	<u>855,933</u>	<u>912,248</u>	<u>964,591</u>	<u>1,015,453</u>
Net pension liability, ending (a) - (b)	<u>\$ 303,145</u>	<u>\$ 318,549</u>	<u>\$ 418,292</u>	<u>\$ 409,436</u>	<u>\$ 338,396</u>	<u>\$ 434,798</u>	<u>\$ 406,602</u>	<u>\$ 153,312</u>	<u>\$ 121,447</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability									
	74.95%	73.99%	67.25%	69.12%	73.08%	66.31%	69.17%	86.29%	89.32%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Rogers State University
Schedule of SRP Employer Contributions – Unaudited
Supplemental Retirement Plan

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 70,336	\$ 74,701	\$ 63,177	\$ 50,261	\$ 53,553	\$ 50,130	\$ 20,830	\$ 16,501	\$ 25,511	\$ 21,208
Contributions in relation to the contractually required contribution	<u>53,000</u>	<u>106,000</u>	<u>-</u>	<u>53,000</u>	<u>116,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ 17,336</u>	<u>\$ (31,299)</u>	<u>\$ 63,177</u>	<u>\$ (2,739)</u>	<u>\$ (63,047)</u>	<u>\$ 50,130</u>	<u>\$ 20,830</u>	<u>\$ 16,501</u>	<u>\$ (74,489)</u>	<u>\$ 21,208</u>
University's covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Rogers State University

Schedule of Proportionate Share of the OTRS Net OPEB Asset – Unaudited OTRS Supplemental Health Insurance Program

	2023	2022	2021	2020	2019	2018
University's proportion of the net OPEB asset	0.2890%	0.2890%	0.2882%	0.2882%	0.3123%	0.3295%
University's proportionate share of the net OPEB asset	\$ (126,428)	\$ (368,146)	\$ (29,683)	\$ (178,222)	\$ (201,805)	\$ (146,959)
University's covered payroll	\$ 16,146,058	\$ 15,693,352	\$ 15,890,824	\$ 15,227,854	\$ 15,189,444	\$ 15,163,134
University's proportionate share of the net OPEB asset as a percentage of its covered payroll	-0.78%	-2.35%	-0.19%	-1.17%	-1.33%	-0.97%
Plan fiduciary net position as a percentage of the total OPEB asset	-110.30%	129.91%	102.30%	115.07%	115.41%	110.40%

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Rogers State University
Schedule of the University's OPEB Contributions – Unaudited
OTRS Supplemental Health Insurance Program

	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 15,388	\$ 17,969	\$ 2,671	\$ 2,699	\$ 9,204	\$ 21,255	\$ 21,469
Contributions in relation to the contractually required contribution	<u>15,388</u>	<u>17,969</u>	<u>2,671</u>	<u>2,699</u>	<u>9,204</u>	<u>21,255</u>	<u>21,469</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered employee payroll	\$ 15,098,978	\$ 16,146,058	\$ 15,693,352	\$ 15,890,824	\$ 15,227,854	\$ 15,189,444	\$ 15,163,134
Contributions as a percentage of covered employee payroll	0.10%	0.11%	0.02%	0.02%	0.06%	0.14%	0.14%

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Other Supplementary Information

Rogers State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ -	\$ 133,750
Federal Work-Study Program	84.033	N/A	-	113,440
Federal Pell Grant Program	84.063	N/A	-	6,038,843
Federal Direct Student Loans	84.268	N/A	-	9,394,174
Total Student Financial Assistance Cluster			-	15,680,207
TRIO Program Cluster				
TRIO – Education Opportunity Centers	84.066A	N/A	-	616,955
TRIO – Student Support Services	84.042A	N/A	-	276,503
Talent Search	84.044A	N/A	-	226,015
Total TRIO Program Cluster			-	1,119,473
Other Programs				
<i>Pass-through from Oklahoma State Regents for Higher Education</i>				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S	None	-	66,035
<i>Pass-through from Oklahoma Department of Career and Technology Education</i>				
Career and Technical Education – Basic Grants to States	84.048	None	-	71,626
Total other programs			-	137,661
COVID-19 – Education Stabilization Fund				
Education Stabilization Fund – Institutional Portion – COVID-19	84.425F	N/A	-	844,924
Education Stabilization Fund – Minority Serving – COVID-19	84.425L	N/A	-	828,728
Total COVID-19 – Education Stabilization Fund			-	1,673,652
Total U.S. Department of Education			-	18,610,993
U.S. DEPARTMENT OF TREASURY				
<i>Pass-through from State of Oklahoma – HWTC</i>				
Coronavirus Relief Fund – COVID-19	21.027	None	-	5,263
Total U.S. Department of Treasury			-	5,263
NATIONAL ENDOWMENT FOR THE ARTS				
Promotion of the Arts Partnership Agreements				
OAC Grant ID: GR8-23-7881-10931				
Folk and Traditional Arts Regional Partnership	45.025	N/A	-	6,230
Total National Endowment for the Arts			-	6,230
RESEARCH AND DEVELOPMENT CLUSTER				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
National Institute for Health				
Biomedical Research and Research Training	93.859	N/A	-	25,114
Total U.S. Department of Health and Human Services			-	25,114
U.S. DEPARTMENT OF ENERGY				
Office of Science				
Office of Science Financial Assistance Program	81.049	N/A	-	21,314
Total U.S. Department of Energy			-	21,314
Total Research and Development Cluster			-	46,428
Total Expenditures of Federal Awards			\$ -	\$ 18,668,914

The accompanying notes are an integral part of this Schedule.

Rogers State University
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Rogers State University (the University) under programs of the federal government for the year ended June 30, 2023. The information in the 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 University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other regulatory requirements, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Regents of the University of Oklahoma
Rogers State University
Norman, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities, the discretely presented component unit, and the fiduciary activities of Rogers State University (the University) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which comprise the University's basic financial statements, and have issued our report thereon dated October 30, 2023, which contained an "Emphasis of Matter" paragraph regarding the reporting entity. Our report includes a reference to other auditors who audited the financial statements of Rogers State University Foundation, Inc. (the Foundation), as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation or that are reported on separately by those auditors who audited the financial statements of the Foundation.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Regents of the University of Oklahoma
Rogers State University

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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*.

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.

FORVIS, LLP

Tulsa, Oklahoma
October 30, 2023



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

Independent Auditor's Report

Regents of the University of Oklahoma
Rogers State University
Norman, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rogers State University's (the University) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2023. The University's major federal programs are identified in the "Summary of Auditor's Results" section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and that is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards require the auditor to perform limited procedures on the University's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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

Government Auditing Standards require the auditor to perform limited procedures on the University’s response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The University’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor’s report. The University’s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

FORVIS, LLP

Tulsa, Oklahoma
October 30, 2023

Rogers State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal programs:

Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Material weakness(es) identified? ☐ Yes ☒ No

5. Type of auditor’s report issued on compliance for major federal programs:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☒ Yes ☐ No

7. Identification of major federal programs:

Assistance Listing

Number(s)	Name of Federal Program or Cluster
	Student Financial Assistance Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.425F, 84.425L	Education Stabilization Fund – COVID-19

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

9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

Rogers State University
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2023

Section II – Financial Statement Findings

Reference Number	Finding
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No matters are reportable.

Rogers State University

Schedule of Findings and Questioned Costs, continued

Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2023-001	Federal Program – Education Stabilization Fund – Institutional Portion – COVID-19 Assistance Listing Number 84.425F U.S. Department of Education Program Year 2022–2023 Criteria or Specific Requirement – Quarterly Public Reporting for Institutional Portion and Annual Reporting Condition – The University failed to report timely a quarterly report for ARP HEERF III institutional funding that was spent during the year. The University also did not include an amount on the annual report related to funding spent to conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment. The University is responsible for submitting quarterly reports on time, reporting all required information on its reports, and establishing internal controls to ensure such reports are submitted within federal requirements. Questioned Costs – N/A Context – Out of a population of four quarterly reports required to be submitted during the year, two were selected for testing. Of these reports, one of the quarterly reports was submitted after the required deadline. Our sample was not and was not intended to be statistically valid. Also, for the one annual report required to be submitted, there was no amount reported for the amount of HEERF funding spent for direct outreach to financial aid applicants. Effect – The University did not communicate information regarding institutional funding in a timely manner and did not correctly report the use of funding for one required use. Cause – The University did not have appropriate controls in place to ensure timely and accurate reporting of the quarterly institutional report and the annual report. Identification as a Repeat Finding, if Applicable – N/A Recommendation – The University should ensure the design and appropriate operating effectiveness of controls surrounding the reporting on quarterly HEERF reports to ensure they are reported on a timely basis and within the required time frame. The University should ensure accurate information is reported to support the use of federal funds. Views of Responsible Officials and Planned Corrective Actions – Management agrees with the finding. Electronic reminders have been placed on the responsible individuals' calendars to ensure timely filing of quarterly reports in the future.

Rogers State University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

Reference Number	Summary of Finding	Status
2022-001	Federal Program – Student Financial Assistance Cluster Assistance Listing Nos. 84.007, 84.033, 84.063, 84.268 U.S. Department of Education Program Year 2021–2022 Criteria or Specific Requirement – Return of Title IV Funds – CFR § 668.22	Resolved

Reference Number	Summary of Finding	Status
2022-002	Federal Program – Student Financial Assistance Cluster Assistance Listing Nos. 84.007, 84.033, 84.063, 84.268 U.S. Department of Education Program Year 2021–2022 Criteria or Specific Requirement – Disbursements to or on Behalf of Students – CFR § 668.165	Resolved

Reference Number	Summary of Finding	Status
2022-003	Federal Program – Student Financial Assistance Cluster Assistance Listing Nos. 84.007, 84.033, 84.063, 84.268 U.S. Department of Education Program Year 2021–2022 Criteria or Specific Requirement – Direct Loan Reconciliation – CFR § 685.300	Resolved

Reference Number	Summary of Finding	Status
2022-004	Federal Program – Education Stabilization Fund – Student Aid Portion – COVID-19 Assistance Listing Number 84.425E U.S. Department of Education Program Year 2021–2022 Criteria or Specific Requirement – Quarterly Public Reporting for Student Aid Portion	Resolved