

**Oklahoma Center for  
the Advancement of  
Science and Technology**

*Financial Statements*

June 30, 2019 and 2018  
(With Independent Auditors' Report Thereon)



**OKLAHOMA CENTER FOR ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**FINANCIAL STATEMENTS**

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**OKLAHOMA CENTER FOR ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**FINANCIAL STATEMENTS**

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## **INDEPENDENT AUDITORS' REPORT**

To the Oklahoma Center for the Advancement of  
Science and Technology

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

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Oklahoma Center for the Advancement of Science and Technology (OCAST), an agency of the State of Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCAST's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of OCAST as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements of OCAST are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the General Fund of the State of Oklahoma that is attributable to the transactions of OCAST. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2019, or the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Prior Period Financial Statements*

The financial statements of OCAST as of June 30, 2018, were audited by other auditors whose report dated November 20, 2019, expressed an unmodified opinion on these statements.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 49 through 53, and the schedules of OCAST's pension and OPEB information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

(Continued)

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of OCAST'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 OCAST'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 OCAST's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma  
November 23, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The management of the Oklahoma Center for the Advancement of Science and Technology (OCAST) is pleased to provide this annual financial report to the citizens of the State of Oklahoma and other report users to demonstrate its accountability and communicate OCAST's financial condition and activities as of and for the fiscal years ended June 30, 2019 and 2018. Management of OCAST is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts.

### FINANCIAL HIGHLIGHTS

- In FY 2019, OCAST received state appropriated funding in the amount of \$13,356,927, a decrease of \$75,699 (0.6%) from the FY 2018 state appropriation of \$13,432,626. In FY 2018, OCAST originally received state appropriated funding in the amount of \$13,422,892. Due to a FY 2018 State revenue failure, OCAST's original appropriation was reduced by \$89,037 resulting in a revised FY 2018 appropriation amount of \$13,333,855. The state also returned an appropriation reduction from FY 2017 in the amount of \$98,771, which brought the total amount of state appropriated funding for FY 2018 to \$13,432,626, a decrease of \$990,781 (6.9%) from the FY 2017 state appropriation of \$14,423,407.
- Over the last 10 years, OCAST's appropriation has been reduced from \$20,374,567 to \$13,356,927, a decrease of \$7,017,640, or 34.4%.

<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
\$ 13,356,927	13,432,626	14,423,407	14,852,779	16,811,295

<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
17,811,449	17,811,449	17,811,449	19,152,085	20,374,567

- From the total FY 2019 appropriation of \$13,356,927, \$2,933,448 was transferred by statute to the Seed Capital Revolving Fund, a decrease of \$21,730 from the FY 2018 transfer of \$2,955,178. From the total FY 2018 appropriation of \$13,432,626, \$2,955,178 was transferred by statute to the Seed Capital Revolving Fund, a decrease of \$219,079 from the FY 2017 transfer of \$3,174,257.
- Oklahoma Seed Capital Fund Series 2008-2 was closed for new investments in FY 2018. Oklahoma Seed Capital Fund Series 2018-3 was established in February of FY 2018. All unencumbered funds from Series 2007-1 in the amount of \$539,979 and all funds except for funds retained for potential follow-on investments from Series 2008-2 in the amount of \$14,200,000 were moved to the new Series 2018-3 fund by June 30, 2018.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

### FINANCIAL HIGHLIGHTS, CONTINUED

- In order to conserve the funds available to researchers and for commercialization efforts, OCAST has implemented the following budgeting procedures, beginning with FY 2015.
  - In order to preserve the funds originally appropriated for research and commercialization efforts for that purpose, OCAST allocates the appropriation received that year first to the out-years of previous year awards that will be initiated in the current budget year, then allocates the remainder to the first year of the multi-year awards to be initiated in the current budget year.
  - This results in a lower cash balance over the years as the cash previously set aside for out-years is spent down.
  - The Oklahoma Science and Technology Research and Development (OSTRaD) Board of Directors believes that this method better ensures continued levels of funding for research and commercialization efforts. However, this procedure may ultimately result in a negative unassigned fund balance in the governmental fund financial statements.
- As of June 30, 2019 and 2018, the balance of the Technology Business Financing Program Fund was \$465,096 and \$579,659, respectively.
- In FY 2016, OCAST received a grant from the General Electric Foundation (GE) in the amount of \$400,000 to launch the project “STEM Empowers Oklahoma.” The components of this project include: a Summer STEM (Science, Technology, Engineering, and Math) Academy for up to 50 high school students from across the state; an Open Innovation Challenge and Regional Innovation Forums to engage middle and high school students toward building an innovation economy; and internships and scholarships for high school students and fellowships for STEM educators. OCAST has been working closely with Oklahoma School of Science and Mathematics and the GE Foundation (and local team) to implement the grant. The balance of the GE Grant as of June 30, 2018, was \$62,030. The \$62,030 was expended in FY 2019, and there was no remaining balance at June 30, 2019.
- In September 2016, the Department of Commerce’s Economic Development Administration (EDA) approved OCAST’s application for a \$1,000,000 Economic Adjustment Award. This EDA Grant allows OCAST to expand and accelerate technical and business support for manufacturers and supply chain providers supporting Oklahoma’s oil and natural gas industry and its growth and sustainability. Award disbursements are provided on a reimbursement basis. As of June 30, 2019 and 2018, OCAST received EDA Grant reimbursements in the amount of \$984,157 and \$593,423, respectively. As of June 30, 2019 and 2018, OCAST’s accounts receivable associated with the EDA Grant amounted to \$1,923 and \$156,733, respectively.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

### FINANCIAL HIGHLIGHTS, CONTINUED

- On September 21, 2017, Oklahoma's Governor launched the Innovate Oklahoma technology initiative between OMES and OCAST with the purpose of creating a community-led, collaborative environment that uses technology to improve Oklahoma's Government Services. Tapzot LLC will provide a "Collab" Platform software service subscription (online portal) which will provide an inlet for the public to share problems it would like the government to solve. The portal will allow users to submit ideas, discuss challenges, and propose solutions, as well as comment and vote on the ideas and proposals of others. Tapzot LLC will provide hosting and operational management of the Platform. Per the service contract between Tapzot LLC and the State of Oklahoma by and through OCAST for the benefit of OMES, OMES reimburses OCAST expenses associated with the contract and pays OCAST a contract management fee of 3% of the invoiced amount of the contract. During the year ended June 30, 2019 and 2018, OCAST received reimbursements from OMES in the amount of \$30,000 and \$35,000, respectively, and contract management fees in the amount of \$450 and \$1,050, respectively. As of June 30, 2019 and 2018, OCAST accounts receivable associated with the Tapzot contract amounted to \$0 and \$15,450, respectively.
- In FY 2019 and FY 2018, OCAST received from The Oklahoma Business Roundtable a grant in the amount of \$20,000 to implement and continue the OCAST special project, OU Innovation Hub—SBIRx. The SBIRx program pairs four Oklahoma-based Small Business Innovative Research (SBIR) companies currently working on Phase I SBIR projects with a Project Fellow and a Project Mentor, who guide the SBIR company through a training program that teaches the company founders how to successfully commercialize technologies in the context of Phase II of the SBIR program.
- OCAST general administrative costs remained low at \$671,279 (4.3%) and \$689,391 (4.2%) at June 30, 2019 and 2018, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to OCAST's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

#### *Government-Wide Financial Statements*

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, and are designed to provide readers with a broad overview of OCAST's finances in a manner similar to a private-sector business; included are Statements of Net Position and Statements of Activities.

The Statements of Net Position present information on OCAST's net position and include all assets and liabilities as of the fiscal year presented. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of OCAST is improving or deteriorating.

The Statements of Activities present information on OCAST's revenues and expenses, showing how OCAST's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that result in cash flow of previous and future periods. It is important to note that the statements of net position do not report remaining obligations for multiple-year research awards as liabilities because they are not due and payable in the current fiscal year. As stated in Note 1, \$6,849,340 and \$5,106,007 as of June 30, 2019 and 2018, respectively, is obligated in what is termed "out-years" of multi-year research awards. While the amount is not yet contracted for, and accordingly does not fit the accounting definition of a liability, the researchers are relying on the resources as awarded in multi-year awards.

#### *Fund Financial Statements*

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements, focus primarily on the sources, uses, and balances of current financial resources, and have budgetary orientation. All governmental activities of OCAST are reflected in a single fund—the General Fund, and all activities of OCAST are reported as governmental activities. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental fund financial statements is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, which allows for a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheets and the governmental fund statements of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and government-wide financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

### ANALYSIS OF GOVERNMENT-WIDE BALANCES

The following table provides OCAST's net position information as of the end of FY 2019 and FY 2018.

	<u>FY 2019</u>	<u>FY 2018</u>	<u>% Change</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,289,794	8,532,690	(14.57)%
Accounts receivable	1,923	156,733	(98.77)%
Due from other agencies	-	15,450	(100.00)%
Prepaid items	9,445	11,819	(20.09)%
Net OPEB asset	<u>7,099</u>	<u>-</u>	100.00%
Total assets	<u>7,308,261</u>	<u>8,716,692</u>	(16.16)%
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pensions	188,877	306,472	(38.37)%
Deferred amounts related to OPEB	<u>18,380</u>	<u>19,678</u>	(6.60)%
Total deferred outflows of resources	<u>207,257</u>	<u>326,150</u>	(36.45)%
Total assets and deferred outflows of resources	<u>\$ 7,515,518</u>	<u>9,042,842</u>	(16.89)%
<b>Liabilities</b>			
Accounts payable	\$ 1,023,177	838,882	21.97%
Due to other state agencies	850,363	636,475	33.61%
Compensated absences:			
Payable within 1 year	46,813	45,685	2.47%
Payable in more than 1 year	109,231	106,598	2.47%
Total OPEB liability—noncurrent	45,845	46,627	(1.68)%
Net pension liability—noncurrent	106,987	333,542	(67.92)%
Net OPEB liability—noncurrent	<u>-</u>	<u>7,066</u>	(100.00)%
Total liabilities	<u>2,182,416</u>	<u>2,014,875</u>	8.32%
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pensions	96,764	70,598	37.06%
Deferred amounts related to OPEB	<u>21,790</u>	<u>18,154</u>	20.03%
Total deferred inflows of resources	<u>118,554</u>	<u>88,752</u>	33.58%
<b>Net Position</b>			
Restricted for Technology Business Finance Program	454,331	572,170	(20.60)%
Unrestricted	<u>4,760,217</u>	<u>6,367,045</u>	(25.24)%
Total net position	<u>5,214,548</u>	<u>6,939,215</u>	(24.85)%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,515,518</u>	<u>9,042,842</u>	(16.89)%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

### ANALYSIS OF GOVERNMENT-WIDE BALANCES, CONTINUED

OCAST's net position for FY 2019 decreased by 24.9% compared to FY 2018, because of a combination of reduction in both state appropriations and operating grants and contributions. OCAST's net position for 2018 decreased by 21.7% compared to FY 2017, mostly because funding has decreased through appropriation reductions due to the decreased revenue to the state.

Deferred outflows—pensions had a balance of \$306,472 for FY 2018, and decreased by \$117,595, or 38.4%, in FY 2019. Deferred inflows—pensions in FY 2018 had a balance of \$70,598 and increased \$26,166, or 37.1%, in FY 2019. The net pension liability FY 2018 balance was \$333,542 and decreased \$226,555, or 67.9%, in FY 2019. See Note 4 for additional information.

As a result of implementing GASB Statement 75, OCAST's statements of net position contain five accounts representing other postemployment benefits (OPEB): net OPEB asset, deferred outflows—OPEB, total OPEB liability, net OPEB liability, and deferred inflows—OPEB. Net OPEB asset in FY 2018 had a zero balance and increased \$7,099, or 100%, in FY 2019. Deferred outflows—OPEB in FY 2018 had a balance of \$19,678 and decreased to \$1,298, or 6.6%, in FY 2019. Total OPEB liability in FY 2018 had a balance of \$46,627 and decreased in FY 2019 to \$782, or 1.7%, in FY 2019. Net OPEB liability in FY 2018 had a balance of \$7,066 and decreased to a zero balance, or 100%, in FY 2019. Deferred inflows—OPEB in FY 2018 had a balance of \$18,154 and increased \$3,636, or 20%, in FY 2019.

Technology Business Finance Program (TBFP): The purpose of this program is to provide financing for high-tech companies just starting out, which can include commitments on the part of OCAST to provide funding to companies now and in the future, as they meet milestones. This requires committed cash to be on hand at OCAST when the company meets its milestones and requests its funding. This leads to a restricted component of net position for this program. The TBFP program funds are held in TBFP Program Revolving Fund (23000).

Because OCAST's expenses are greatly impacted by the 3-year R&D grant awards and the variations in cash flow resulting from factors affecting the research projects, OCAST has deliberately accumulated a cash balance in the agency's revolving fund to manage the resulting cash flow fluctuations. In addition to accumulating sufficient cash to cover the multi-year grant awards, the OSTRaD Board has set aside \$1 million in cash as a cushion against possible future appropriation reductions that would affect our ability to fully fund award commitments.

## MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

### ANALYSIS OF GOVERNMENT-WIDE BALANCES, CONTINUED

While OCAST’s net position has decreased as discussed above, OCAST’s “unrestricted” component of net position is thus also decreasing. The assets of the “unrestricted” component of net position are, in large part, committed for funding multi-year grant awards for research programs, as shown below.

<u>Program</u>	Current Fiscal Year 2019 Obligations Already Contracted	Future Years of Awards (FY 2020 and FY 2021)	Total Committed to Multi-Year Awards
Health Research	\$ 3,772,668	3,997,193	7,769,861
Applied Research	3,065,265	1,993,438	5,058,703
Intern Partnerships	605,403	459,941	1,065,344
Plant Science Research	<u>668,873</u>	<u>398,768</u>	<u>1,067,641</u>
	<u>\$ 8,112,209</u>	<u>6,849,340</u>	<u>14,961,549</u>
<u>Program</u>	Current Fiscal Year 2018 Obligations Already Contracted	Future Years of Awards	Total Committed to Multi-Year Awards
Health Research	\$ 3,227,860	3,349,199	6,577,059
Applied Research	2,633,532	1,278,409	3,911,941
Intern Partnerships	407,622	207,467	615,089
Plant Science Research	<u>602,014</u>	<u>270,932</u>	<u>872,946</u>
	<u>\$ 6,871,028</u>	<u>5,106,007</u>	<u>11,977,035</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

### ANALYSIS OF GOVERNMENT-WIDE BALANCES, CONTINUED

The following table reflects OCAST's changes in net position, from the government-wide financial statement perspective, for fiscal years 2019 and 2018:

	<u>FY 2019</u>	<u>FY 2018</u>	<u>% Change</u>
Program revenues:			
Charges for services	\$ 450	1,050	(57.14)%
Operating grants and contributions	<u>372,436</u>	<u>882,384</u>	(57.79)%
Total program revenues	<u>372,886</u>	<u>883,434</u>	(57.79)%
 General revenues:			
State appropriations	<u>13,356,927</u>	<u>13,432,626</u>	(0.56)%
Total general revenues	<u>13,356,927</u>	<u>13,432,626</u>	(0.56)%
 Total revenues	<u>13,729,813</u>	<u>14,316,060</u>	(4.10)%
 Expenses:			
Operational programs	14,470,362	15,193,680	(4.76)%
Technology information services	312,839	354,639	(11.79)%
Administration	<u>671,279</u>	<u>689,391</u>	(2.63)%
Total expenses	<u>15,454,480</u>	<u>16,237,710</u>	(4.82)%
 Change in net position	(1,724,667)	(1,921,650)	(10.25)%
 Net position, beginning of year	<u>6,939,215</u>	<u>8,860,865</u>	(20.69)%
 Net position, end of year	<u>\$ 5,214,548</u>	<u>6,939,215</u>	(24.85)%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), CONTINUED

### ANALYSIS OF GOVERNMENTAL FUND BALANCES—GENERAL FUND

The General Fund reports activities on a modified accrual basis of accounting and on a current financial resources measurement focus that is different from the economic resources measurement focus. The focus of the OCAST General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This General Fund information identifies (through a review of changes to the fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the OCAST programs.

The amount of FY 2019 State appropriations decreased by \$75,699, or 0.6%, compared to FY 2018. The amount of FY 2019 total revenues and other financing sources decreased by \$510,548, or 57.8%, compared to FY 2018, for the most part related to a decrease in amount of EDA Grant repayments (FY 2019 total EDA Grant repayment was \$390,734 compared to the FY 2018 total EDA Grant repayments of \$593,423) and a decrease in Technology Business Finance Program Repayments (TBFP FY 2019 repayments were \$115,576 compared to the TBFP FY 2018 repayments of \$224,030). The FY 2019 total expenses decreased by \$688,320, or 4.2%, compared to FY 2018.

In FY 2018, total revenues and other financing sources decreased by \$320,633, or 2%, compared to FY 2017, for the most part resulting from appropriation reductions due to the decreased revenue to the State related to the national and local economic recession. The FY 2018 total expenses decreased by \$196,648, or 1%, compared to FY 2017.

### CONTACTING OCAST

This report is designed to provide the citizens of the state of Oklahoma and other report users an understanding of OCAST's finances and to demonstrate OCAST's accountability for the resources it receives. If you have questions about this report or need additional financial information, you may contact the OCAST offices at 755 Research Parkway, Suite 110, Oklahoma City, OK 73104. You may also contact us by email at [info@ocast.ok.gov](mailto:info@ocast.ok.gov).

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**STATEMENTS OF NET POSITION**

<i>June 30,</i>	<i>2019</i>	<i>2018</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 7,289,794	8,532,690
Accounts receivable	1,923	156,733
Due from other agencies	-	15,450
Prepaid items	9,445	11,819
Net OPEB asset	7,099	-
Total assets	<u>7,308,261</u>	<u>8,716,692</u>
<b>Deferred Outflows of Resources</b>		
Deferred amounts related to pensions	188,877	306,472
Deferred amounts related to OPEB	18,380	19,678
Total deferred outflows of resources	<u>207,257</u>	<u>326,150</u>
 Total assets and deferred outflows of resources	 <u>\$ 7,515,518</u>	 <u>9,042,842</u>
<b>Liabilities</b>		
Accounts payable	\$ 1,023,177	838,882
Due to other state agencies	850,363	636,475
Compensated absences:		
Payable within 1 year	46,813	45,685
Payable in more than 1 year	109,231	106,598
Total OPEB liability—noncurrent	45,845	46,627
Net pension liability—noncurrent	106,987	333,542
Net OPEB liability—noncurrent	-	7,066
Total liabilities	<u>2,182,416</u>	<u>2,014,875</u>
<b>Deferred Inflows of Resources</b>		
Deferred amounts related to pensions	96,764	70,598
Deferred amounts related to OPEB	21,790	18,154
Total deferred inflows of resources	<u>118,554</u>	<u>88,752</u>
<b>Net Position</b>		
Restricted for Technology Business Finance Program	454,331	572,170
Unrestricted	4,760,217	6,367,045
Total net position	<u>5,214,548</u>	<u>6,939,215</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 7,515,518</u>	 <u>9,042,842</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.



**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**STATEMENTS OF ACTIVITIES**

*Year Ended June 30, 2019*

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net</u>
		<u>Charges for</u>	<u>Operating</u>	<u>(Expenses)</u>
		<u>Services</u>	<u>Grants and</u>	<u>Revenues</u>
			<u>Contributions</u>	
Governmental activities:				
Administration	\$ (671,279)	-	-	(671,279)
Total governmental activities	<u>(671,279)</u>	<u>-</u>	<u>-</u>	<u>(671,279)</u>
Operational programs:				
Health Research	(3,630,570)	-	-	(3,630,570)
Applied Research	(2,572,725)	-	-	(2,572,725)
Intern Partnerships	(344,810)	450	935	(343,425)
Plant Science	(541,436)	-	-	(541,436)
Inventors Assistance	(471,706)	-	141,632	(330,074)
Small Business Research	(270,381)	-	20,000	(250,381)
Industrial Extension System	(993,522)	-	94,293	(899,229)
Technology Commercialization	(1,466,273)	-	-	(1,466,273)
Technology Business				
Finance Program	(233,415)	-	115,576	(117,839)
Seed Capital	(2,933,448)	-	-	(2,933,448)
Program Services	(927,982)	-	-	(927,982)
Programs—MIS	(84,094)	-	-	(84,094)
Technology Information Services	(312,839)	-	-	(312,839)
Total operational programs	<u>(14,783,201)</u>	<u>450</u>	<u>372,436</u>	<u>(14,410,315)</u>
Total OCAST expenses	<u>\$ (15,454,480)</u>	<u>450</u>	<u>372,436</u>	<u>(15,081,594)</u>
General revenues—state appropriations				<u>13,356,927</u>
Total general revenues and transfers				<u>13,356,927</u>
Changes in net position				(1,724,667)
Net position, beginning of year				<u>6,939,215</u>
Net position, end of year				<u>\$ 5,214,548</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**STATEMENTS OF ACTIVITIES, CONTINUED**

*Year Ended June 30, 2018*

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net</u>
		<u>Charges for</u>	<u>Operating</u>	<u>(Expenses)</u>
		<u>Services</u>	<u>Grants and</u>	<u>Revenues</u>
			<u>Contributions</u>	
Governmental activities:				
Administration	\$ (689,391)	-	-	(689,391)
Total governmental activities	<u>(689,391)</u>	<u>-</u>	<u>-</u>	<u>(689,391)</u>
Operational programs:				
Health Research	(3,348,997)	-	-	(3,348,997)
Applied Research	(2,860,902)	-	-	(2,860,902)
Intern Partnerships	(335,545)	-	-	(335,545)
Plant Science	(577,175)	-	-	(577,175)
Inventors Assistance	(680,957)	-	286,896	(394,061)
Small Business Research	(118,922)	1,050	20,000	(97,872)
Industrial Extension System	(1,614,219)	-	349,160	(1,265,059)
Technology Commercialization	(1,312,791)	-	1,300	(1,311,491)
Technology Business				
Finance Program	(387,210)	-	224,030	(163,180)
Seed Capital	(2,955,178)	-	-	(2,955,178)
Program Services	(900,244)	-	998	(899,246)
Programs—MIS	(101,540)	-	-	(101,540)
Technology Information Services	(354,639)	-	-	(354,639)
Total operational programs	<u>(15,548,319)</u>	<u>1,050</u>	<u>882,384</u>	<u>(14,664,885)</u>
Total OCAST expenses	<u>\$ (16,237,710)</u>	<u>1,050</u>	<u>882,384</u>	<u>(15,354,276)</u>
General revenues—state appropriations				<u>13,432,626</u>
Total general revenues and transfers				<u>13,432,626</u>
Changes in net position				(1,921,650)
Net position, beginning of year				<u>8,860,865</u>
Net position, end of year				<u>\$ 6,939,215</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**BALANCE SHEETS—GENERAL FUND**

<i>June 30,</i>	<i>2019</i>	<i>2018</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 7,289,794	8,532,690
Accounts receivable	1,923	156,733
Due from other agencies	-	15,450
Prepaid items	9,445	11,819
Total assets	<u>7,301,162</u>	<u>8,716,692</u>
<b>Liabilities and Fund Balance</b>		
Accounts payable	1,023,177	838,882
Due to other state agencies	850,363	636,475
Total liabilities	<u>1,873,540</u>	<u>1,475,357</u>
Nonspendable	9,445	11,819
Restricted	454,331	572,170
Committed	4,963,846	6,657,346
Total fund balance	<u>5,427,622</u>	<u>7,241,335</u>
Total liabilities and fund balance	<u>\$ 7,301,162</u>	<u>8,716,692</u>

(Continued)

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**BALANCE SHEETS—GENERAL FUND, CONTINUED**

<i>June 30,</i>	<i>2019</i>	<i>2018</i>
<b>Reconciliation of Fund Balance to Net Position</b>		
Total fund balance from above	\$ 5,427,622	7,241,335
Amounts reported in the statements of net position are different because they are not financial resources and therefore are not reported in the governmental fund financial statements:		
Deferred outflows related to the pension	188,877	306,472
Deferred outflows related to OPEB	18,380	19,678
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements:		
Compensated absences	(156,044)	(152,283)
Total OPEB liability	(45,845)	(46,627)
Net pension liability	(106,987)	(333,542)
Net OPEB asset	7,099	-
Net OPEB liability	-	(7,066)
Deferred inflows related to the pension	(96,764)	(70,598)
Deferred inflows related to OPEB	(21,790)	(18,154)
Net position, per statements of net position	<u>\$ 5,214,548</u>	<u>6,939,215</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE—GENERAL FUND**

<i>Years Ended June 30,</i>	<i>2019</i>	<i>2018</i>
Revenues:		
Charges for services	\$ 450	1,050
Operating grants and contributions	372,436	882,384
Total revenues	<u>372,886</u>	<u>883,434</u>
Expenditures:		
Administration/MIS	713,524	697,286
Operational programs:		
Health Research	3,630,570	3,348,997
Applied Research	2,572,725	2,860,902
Intern Partnerships	344,810	335,545
Plant Science	541,436	577,175
Inventors Assistance	471,706	680,957
Small Business Research	270,381	118,922
Industrial Extension System	993,522	1,614,219
Technology Commercialization	1,466,273	1,312,791
Technology Business Finance Program	233,415	387,210
Seed Capital	2,933,448	2,955,178
Program Services	965,585	878,093
Programs—MIS	84,094	101,540
Technology information services	322,037	363,031
Total expenditures	<u>15,543,526</u>	<u>16,231,846</u>
Deficiency of revenues over expenditures	(15,170,640)	(15,348,412)
Other funding sources:		
State appropriations	13,356,927	13,432,626
Total other funding sources	<u>13,356,927</u>	<u>13,432,626</u>
Net changes in fund balance	(1,813,713)	(1,915,786)
Fund, beginning of year	<u>7,241,335</u>	<u>9,157,121</u>
Fund balance, end of year	<u>\$ 5,427,622</u>	<u>7,241,335</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE—GENERAL FUND TO  
THE STATEMENTS OF ACTIVITIES**

<i>Years Ended June 30,</i>	<i>2019</i>	<i>2018</i>
Net change in fund balance—General Fund	\$ (1,813,713)	(1,915,785)
Amounts reported for governmental activities in the statements of activities are different because:		
Some expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund financial statements:		
Accrued compensated absences	(3,761)	13,608
Deferred outflows and inflows related to the net pension liability	82,794	(12,306)
Deferred outflows and inflows related to the OPEB liability	<u>10,013</u>	<u>(7,167)</u>
Changes in net position, per the statements of activities	<u>\$ (1,724,667)</u>	<u>(1,921,650)</u>

See Independent Auditors' Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Oklahoma Center for the Advancement of Science and Technology (OCAST) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements are intended to present the financial position and results of operations of only that portion of the State of Oklahoma that is attributable to the transactions of OCAST.

**Financial Reporting Entity**

OCAST is an agency of the State of Oklahoma established in 1987 with the goal to expand and diversify Oklahoma's economy and provide new and higher quality jobs for Oklahomans by encouraging the development of new products, new processes, and new industries in Oklahoma. To achieve this goal, OCAST's mission is to foster innovation in existing and developing businesses by:

- Supporting basic and applied research.
- Facilitating technology transfer between research laboratories and firms and farms.
- Stimulating seed-capital for new innovative firms and their products.
- Fostering enhanced competitiveness in the national and international markets by small- and medium-sized Oklahoma manufacturing firms.

See Independent Auditors' Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Financial Reporting Entity, Continued**

In FY 2019 and FY 2018, OCAST operated the following programs:

- Oklahoma Health Research Program (includes the Health Research Postdoctoral Fellowship Program)
- Oklahoma Applied Research Support Program
- Oklahoma Applied Research Faculty and Student Intern Partnerships
- Plant Science Research Program
- Inventors Assistance Services
- Small Business Research Assistance
- Industrial Extension System—Oklahoma Manufacturing Alliance
- Oklahoma Technology Commercialization Center
- Oklahoma Technology Business Finance Program (“TBFP”)
- Seed Capital Program

Competitive awards for all of OCAST’s research programs (Health, Applied, Intern Partnerships, and Plant Science) may be, and usually are, for between 2 and 3 years. Each year of an award is contracted separately to allow evaluation of the research project as it progresses.

**Basis of Presentation**

*Government-Wide Financial Statements*

The statements of net position and the statements of activities display information about the reporting government as a whole. They include all resources of the reporting entity, including governmental activities, proprietary activities, and fiduciary activities if an entity is involved in these activities. OCAST is involved only in governmental activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues.

See Independent Auditors’ Report.



**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Basis of Presentation, Continued**

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

The fund financial statements report the detailed activities by fund type. OCAST's activities are reported in one governmental fund, the General Fund. For OCAST, the funding sources are:

- State Appropriations—Funds provided by annual appropriations from the State Legislature, less any appropriations lapsing in the current fiscal year.
- Operating Grants—Reimbursement of federal and state grant funded program initiatives.
  - 1) In FY 2016 OCAST received the General Electric (GE) Grant in amount of \$400,000 to launch in FY 2016, FY 2017, FY 2018, and FY 2019 the project “STEM Empowers Oklahoma”—the components of which include:
    - Summer STEM Academy for up to 50 high school students from across the state.
    - Open Innovation Challenge and Regional Innovation Forums to engage middle and high school students toward building an innovation economy.
    - Internships and scholarships for high school students and fellowships for STEM educators. OCAST works closely with the Oklahoma School of Science and Mathematics (OSSM) and GE (Foundation and local team) to implement the grant.

The balance of the GE Grant Fund as of June 30, 2018, was \$62,030. The \$62,030 was expended during the year ended June 30, 2019, and there was no remaining balance as of June 30, 2019.

(Continued)

See Independent Auditors' Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Basis of Presentation, Continued**

*Fund Financial Statements, Continued*

- 2) In September 2016, the Department of Commerce's Economic Development Administration (EDA) approved OCAST's application for a \$1,000,000 Economic Adjustment Federal Award. This EDA Grant allows OCAST to expand and accelerate technical and business support for manufacturers and supply chain providers supporting Oklahoma's oil and natural gas industry and its growth and sustainability. Award disbursements are provided on reimbursement basis. As of June 30, 2019 and 2018, OCAST received EDA Grant reimbursement in amount of \$984,157 and \$593,423, respectively. As of June 30, 2019 and 2018, accounts receivable associated with the EDA Grant amounted to \$1,923 and \$156,733, respectively.
  - 3) During the years ended June 30, 2019 and 2018, OCAST received from The Oklahoma Business Roundtable a grant in the amount of \$20,000 to implement the OCAST special project, OU Innovation Hub—SBIRx. The SBIRx program pairs four Oklahoma-based Small Business Innovation Research (SBIR) companies currently working on Phase I SBIR projects with a Project Fellow and a Project Mentor, who guide the SBIR company through a training program that teaches the company founders how to successfully commercialize technologies in the context of Phase II of the SBIR program.
- Charges for services include revenues based on exchange or exchange-like transactions. During the years ended June 30, 2019 and 2018, OCAST received the Tapzot contract management fees from OMES in the amount of \$450 and \$1,050, respectively.

See Independent Auditors' Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Basis of Presentation, Continued**

*Fund Financial Statements, Continued*

- Program revenues for the year ended June 30, 2019, include gain of \$100,000 and principal repayments of \$15,576 from TBFP clients totaling \$115,576. Program revenues for the year ended June 30, 2018, include gain of \$78,500 and principal repayments of \$145,530 from (TBFP) clients totaling \$224,030.

OCAST's TBFP provides contract awards to technology companies whose entrepreneurial business ventures appear to have the capability of both advancing technology in Oklahoma and earning a profit. This program is administered through an Oklahoma non-profit corporation, i2E. The TBFP award contracts require repayment of the award amount, plus interest, if the technology company meets agreed-upon milestones relating to profit. The contract also indicates that if the technology company does not meet the profit milestone, no repayment is required. Although funds advanced to awardees under award contracts are anticipated to be repaid, they are at potentially high risk of not being repaid at all due to the start-up stage of the awardees. Therefore, OCAST does not record a receivable related to these awards.

**Measurement Focus, Basis of Accounting, and  
Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus recognizes the net economic effect of transactions on all resources, whether financial or capital, regardless of when they will be received or disbursed in cash, presenting both long- and short-term consequences of transactions. All assets and liabilities are accounted for, as well as all inflows and outflows of resources. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. For award program payments, which are "reimbursement-type" nonexchange transactions, a liability is not recognized until the recipient has met OCAST's requirements by incurring costs in accordance with the program. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

See Independent Auditors' Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Measurement Focus, Basis of Accounting, and  
Financial Statement Presentation, Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus accounts for near-term (current) inflows, outflows, and balances of spendable financial resources, and focuses on the short run. This measurement focus is intended to determine if there are sufficient current financial resources available to pay for goods and services. In general, only current assets and liabilities are included in the governmental fund financial statements. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, OCAST considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due. The amount of accumulated annual leave unpaid at June 30, 2019 and 2018, has been reported only in the government-wide statements.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and  
Net Position/Fund Balance**

*Cash*

All cash balances are held by the Oklahoma Office of the State Treasurer. OCAST's cash is pooled with the cash of all other state agencies; this pool of cash is deposited in banks or invested by the State Treasurer in accordance with Oklahoma Statutes. The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution.

*Capital Assets*

The Office of Management and Enterprise Services (OMES) in accordance with Oklahoma Statutes, Title 74 § 110.1, has primary responsibility to maintain control of all property and equipment owned by the State of Oklahoma. OMES has delegated to each of the various state agencies the responsibility to maintain the accounting records for property and equipment purchased and used by each agency. Capital assets are defined as assets that have a cost in excess of \$25,000 at the date of acquisition and have an expected useful life of 5 or more years. OCAST has no assets meeting this definition.

See Independent Auditors' Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and  
Net Position/Fund Balance**

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statements of financial position report a separate section for deferred outflows of resources; this financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

Deferred outflows and deferred inflows of resources represent amounts associated with pension and OPEB differences between expected and actual experience, differences between projected and actual earnings on pension fund investments, changes in assumptions, and changes in proportionate share (see Notes 4 and 5).

*Compensated Absences*

Employees earn annual leave at the average rate of 10 hours per month for up to 5 years of service, an average of 12 hours per month for 5 to 10 years of service, an average of 13.33 hours per month for 10 to 20 years of service, and an average of 16.67 hours per month for over 20 years of service. Employees with up to 5 years of service may accumulate annual leave to a maximum of 240 hours, and employees with over 5 years of service may accumulate to a maximum of 480 hours. Vested accrued leave, up to a total of 480 hours, is payable upon termination, resignation, retirement, or death. In the statements of net position, this accrued leave is reported as a liability. The amount due within 1 year varies from year to year based on personnel turnover, and the amount reported is an estimate. For the years ended June 30, accrued compensated absence liabilities changed as follows:

	July 1, 2018	Additions	Deductions	June 30, 2019	Amount Due Within 1 Year
Compensated absences	\$ 152,283	75,971	(72,210)	156,044	46,813

  

	July 1, 2017	Additions	Deductions	June 30, 2018	Amount Due Within 1 Year
Compensated absences	\$ 165,891	75,458	(89,066)	152,283	45,685

See Independent Auditors' Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and  
Net Position/Fund Balance, Continued**

*Accounts Payable/Due to Other State Agencies/Out-Year Commitments*

Payables consist of prior year payments from July 1 to September 30 for which the goods or services were received prior to June 30. While a portion of the payments are for operational expenses, the majority of the payments are for contractual program management costs and for research project grant payments.

As of June 30, 2019, OCAST had encumbered FY 2019 awards contracts not classified as accounts payable in the amount of \$2,811,678 and out-year commitments for multi-year contracts which had not yet been contracted in the amount of \$6,849,340. As of June 30, 2018, OCAST had encumbered FY 2018 awards contracts not classified as accounts payable in the amount of \$2,297,047 and out-year commitments for multi-year contracts which had not yet been contracted in the amount of \$5,106,007.

*Net Position*

Net position, in the government-wide statements, may consist of three components:

- *Net investment in capital assets* consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or commercial paper, and leases that are attributable to the acquisition, construction, or improvement of those assets. OCAST has no assets in this category.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. A liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. The assets are considered restricted when the constraints are placed on the use of those assets either by external entities, such as creditors (debt covenants), grantors, contributors, and laws or regulations of other governments; or by constitutional provisions or enabling legislation of the state.
- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and  
Net Position/Fund Balance, Continued**

*Fund Equity*

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned.

- *Nonspendable* fund balance represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Prepaid items are not in spendable form, so are included in this classification.
- *Restricted* fund balance represents amounts where constraints placed on the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

The following components are restricted due to constraints imposed by laws or regulations of governments (the State of Oklahoma) other than the reporting entity (OCAST):

- That portion of the TBFP which is funded from “royalties, fees, interest, profits, or other payments or return of funding and financing” which is required by Title 74, Section 5060.20a of the Oklahoma Statutes, a law imposed by the State of Oklahoma, a government other than the reporting entity of OCAST, to be retained for use in the program. All funds available to this program are considered restricted because all prior appropriations have been paid out.

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**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and  
Net Position/Fund Balance, Continued**

*Fund Equity*

- *Committed* fund balance represents amounts that can be used only for the specific purposes determined by a formal action of a government’s highest level of decision-making authority. The Oklahoma Science and Technology Research and Development (OSTRaD) Board, OCAST’s governing board, is the highest level of decision-making authority that can, by formal action in a legally convened board meeting, commit fund balance. The OSTRaD Board approves the following competitive research awards, contracts for operation of technology commercialization assistance, and other major contracts in its Board meetings:
  - Competitive research awards for Health Research, Applied Research, Intern Partnerships, and Plant Research, (includes Health Research Postdoctoral Fellowship Program). The majority of these awards are for multiple years, although each year is separately contracted.
  - Oklahoma Technology Commercialization Center (contracted with i2E).
  - Industrial Extension Service (contracted with the Oklahoma Manufacturing Alliance).
  - Inventors Assistance (contracted with Oklahoma State University).
  - Various operating contracts such as legal, audit, marketing and information technology services.

The amount reported as committed is the remaining balance of the contract as of June 30, as represented by the encumbrance balance, less amounts recorded in accounts payable, less projected awards deobligations for the next 2 consecutive years, plus all out-year amounts which have not yet been contracted.

- *Assigned* fund balance represents amounts that are intended to be used by OCAST for specific purposes but do not meet the criteria to be classified as committed. Outstanding encumbrances for purposes not included in “restricted” or “committed” are included in this classification.
- *Unassigned* fund balance represents the residual amount for the General Fund not included in the four categories described above.

It is OCAST’s policy to first use the restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available.

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**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Pension and OPEB Plans**

*Pension Plans*

OCAST participates in two pension plans. The first is a cost-sharing, multiple-employer defined benefit pension plan administered by Oklahoma Public Employees Retirement System (“OPERS” or the “System”). This plan applies only to state employees who were employed by OCAST before November 1, 2015, or had prior participation in this defined benefit plan.

The second is a tax-qualified defined contribution retirement plan named Pathfinder, which is also administered by OPERS. In a defined contribution plan, no specific benefit is promised to a plan participant. This plan applies only to employees who first became employed by OCAST on or after November 1, 2015, and have no prior participation in the defined benefit plan.

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 pension plan and additions to/deletions from the plan’s fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

*OPEB Plans*

OCAST participates in two OPEB plans. The first is a cost-sharing, multiple-employer health insurance subsidy plan (HISP) administered by OPERS held in an irrevocable trust. The net OPEB (asset) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by OPERS.

The second is a non-trusted single employer OPEB plan that provides for employee and dependent healthcare coverage from the date of retirement to age 65 (implicit rate subsidy of health insurance). The total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the State of Oklahoma.

**Income Taxes**

As an agency of the State of Oklahoma, OCAST is exempt from federal and state income taxes.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Use of Estimates**

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

**Recent Accounting Pronouncements**

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 provides accounting and reporting requirements for certain asset retirement obligations (ARO) that arise from legally enforceable liabilities associated with the retirement of certain tangible capital assets. ARO's require an internal and external obligating event and the costs to be reasonably estimable for the incurrence of such a liability. OCAST adopted GASB 83 effective July 1, 2018, for the June 30, 2019, reporting year. The adoption of this Statement did not have a significant impact on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). GASB 95 postpones the effective dates of certain provisions in existing GASB Statements and Implementation Guides that are scheduled to become effective for periods beginning after June 15, 2018, and later. This includes GASB 83, GASB 84, GASB 87, GASB 88, GASB 90, GASB 91, GASB 92, GASB 93, Implementation Guide 2018-1, Implementation Guide 2019-1, Implementation Guide 2019-2, and Implementation Guide 2019-3.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. OCAST will adopt GASB 84 effective July 1, 2020, for the June 30, 2021, reporting year. OCAST is evaluating the impact that GASB 84 will have on the financial statements.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recent Accounting Pronouncements, Continued**

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. OCAST is evaluating the impact of GASB 87 on the financial statements.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 provides certain clarifications regarding debt as a liability and identifies additional required disclosures related to debt, including direct borrowings and direct placements of debt. OCAST will adopt GASB 88 on July 1, 2020, for the June 30, 2021, reporting year. OCAST does not expect GASB 88 to have a significant impact on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changes previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. OCAST will adopt GASB 89 on July 1, 2021, for the June 30, 2022, reporting year. OCAST does not expect GASB 89 to significantly impact the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interest* (GASB 90). GASB 90 improves the consistency and comparability of reporting government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. OCAST will adopt GASB 90 effective July 1, 2020, for the June 30, 2021, reporting year. OCAST does not expect GASB 90 to have a significant impact on the financial statements.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recent Accounting Pronouncements, Continued**

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligation, and (3) related note disclosures. OCAST will adopt GASB 91 effective July 1, 2022, for the June 30, 2023, reporting year. OCAST does not expect GASB 91 to have a significant impact on the financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). GASB 92 addresses a variety of topics and includes specific provisions relating to 1) interim financial reporting requirements of GASB 87 and Implementation Guide 2019-3 2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan 3) the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits 4) the applicability of certain requirements of GASB 84 to postemployment benefit arrangements 5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition 6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers 7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and 8) terminology used to refer to derivative instruments. The requirements of GASB 92 are effective upon issuance in relation to the provisions impacting GASB 87 and Implementation Guide 2019-3 and are effective for periods beginning after June 15, 2021, for all other provisions. OCAST is currently evaluating the impact that the adoption of GASB 92 will have on its financial statements.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recent Accounting Pronouncements, Continued**

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates Activities* (GASB 93). GASB 93 addresses various accounting and other issues arising from the result of the replacement of an interbank offered rate (IBOR) by 1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment 2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate 3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable 4) removing the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap 5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and 6) clarifying the definition of *reference rate*, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021, and the remaining requirements of GASB 93 are effective for periods beginning after June 15, 2021, for all other provisions. OCAST is currently evaluating the impact that the adoption of GASB 93 will have on its financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 improves accounting and financial reporting by addressing various issues relating to public-private and public-public partnership arrangements (PPPs). This includes the requirement that PPPs that meet the definition of a lease apply the guidance in GASB 87 and establishes the accounting and financial reporting requirements for all other PPPs. The requirements of GASB 94 are effective for periods beginning after June 15, 2022. OCAST is currently evaluating the impact that the adoption of GASB 94 will have on its financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. GASB 96 1) defines a SBITA; 2) establishes that SBITA results in a right-to-use subscription intangible asset and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA; and 4) requires note disclosures regarding SBITA. The requirements of GASB 96 are effective for periods beginning after June 15, 2022. OCAST is currently evaluating the impact that the adoption of GASB 96 will have on its financial statements.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recent Accounting Pronouncements, Continued**

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans— an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* (GASB 97). The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 that 1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and 2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective at the date of issuance of GASB 97. The requirements of GASB 97 that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of GASB 97 that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within GASB 97. OCAST is currently evaluating the impact that the adoption of GASB 97 will have on its financial statements.

**Date of Management’s Review of Subsequent Events**

OCAST’s management has evaluated subsequent events through November 23, 2020, the date which the financial statements were available to be issued. See Note 7 for a discussion of significant subsequent events.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) OPERATING LEASES**

OCAST's operating leases consist of a contract with University of Oklahoma Health Sciences Center for OCAST's Oklahoma City office space and parking, a contract with i2E INC for OCAST's Tulsa office space, a contract with Standley Systems for leasing a Savin MP C5503 color laser multifunction printer, and a contract for leasing a postage machine. The lease on the Savin printer is effective until June 30, 2021, the lease for the Oklahoma City office space is effective until January 31, 2024, the lease for the Tulsa office space is effective until May 31, 2022, and the lease for the postage machine is effective until December 31, 2019. For FY 2019 and FY 2018, total lease expenditures amounted to \$75,112 and \$78,272, respectively. The future minimum lease payments for these leases as of June 30, 2019, are as follows:

2020	\$	83,536
2021		85,870
2022		83,570
2023		84,516
2024		<u>52,264</u>
	\$	<u>389,756</u>

**(3) RISK MANAGEMENT**

As part of the State of Oklahoma primary government, the risk of losses to which OCAST is exposed is managed through the State's risk management activities. OCAST is subject to risks of loss from tort claims, property loss, health claims, and workers' compensation claims. In general, the State of Oklahoma is self-insured for healthcare claims, workers' compensation claims, tort claims, and property losses. These services are provided by the Risk Management Department of OMES. OCAST is at no financial risk of loss from these types of risks.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) PENSION PLAN PARTICIPATION**

**Plan Description**

OCAST contributes to the Oklahoma Public Employees Retirement Plan, a cost-sharing, multiple-employer public employee retirement system administered by OPERS. OPERS provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the Oklahoma Legislature. Title 74 of the Oklahoma Statutes, Sections 901–943, as amended, assigns the authority for management and operation of OPERS to the Board of Trustees of OPERS (the “Board”). OPERS issues a publicly available annual financial report that includes financial statements and required supplementary information for OPERS. That annual report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5400 N. Grand Boulevard, Suite 400, Oklahoma City, Oklahoma 73112 or by calling 1-800-733-9008, or can be obtained at <https://www.opers.org/pubs-archive/financial/cafr/2019-06-24-2018-CAFR.pdf>.

**Benefits Provided**

OPERS provides members with full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member’s age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member’s age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983, must have 6 or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of 10 years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available for members having 8 years of credited service whose disability status has been certified as being within 1 year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) PENSION PLAN PARTICIPATION, CONTINUED**

**Benefits Provided, Continued**

For state, county, and local agency employees, benefits are determined at 2% of the average annual salary received during the highest 36 months of the last 10 years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last 10 years. Normal retirement age under the plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the plan.

Members become eligible to vest fully upon termination of employment after attaining 8 years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Benefits are payable to the surviving spouse of an elected official only if the elected official had at least 6 years of participating elected service and was married at least 3 years immediately preceding death. Survivor benefits are terminated upon death of the named survivor and, for elected officials, remarriage of the surviving spouse. Upon the death of a retired member, with no survivor benefits payable, the member's beneficiary(ies) are paid the excess, if any, of the member's accumulated contributions over the sum of all retirement benefit payments made.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) PENSION PLAN PARTICIPATION, CONTINUED**

**Benefits Provided, Continued**

Upon the death of a retired member, OPERS will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Legislation was enacted in 1999 which provided a limited additional benefit for certain terminated members eligible to vest as of July 1, 1998. This limited benefit is payable as an additional \$200 monthly benefit upon the member's retirement up to the total amount of certain excess contributions paid by the participant to OPERS. In April 2001, limited benefit payments began for qualified retired members.

Benefits are established and may be amended by the State Legislature.

**Contributions**

The contribution rates for each member category of OPERS are established by the Oklahoma Legislature after recommendation by the Board of Trustees of OPERS based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation.

For 2019, 2018, and 2017, state agency employers contributed 16.5% on all salary, and state employees contributed 3.5% on all salary.

Members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91% which is actuarially determined. The election is available for all state, county, and local government employees, except for elected officials and hazardous duty members.

For the fiscal year ended June 30, 2019, OCAST total contributions to OPERS was \$153,418; OCAST total contributions to OPERS for the two preceding fiscal years were \$152,198 for 2018 and \$177,563 for 2017.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(4) PENSION PLAN PARTICIPATION, CONTINUED**

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

At June 30, 2019 and 2018, OCAST reported a liability of \$106,987 and \$333,542, respectively, for its proportionate share of the net pension liability. For 2019, the net pension liability was measured as of June 30, 2018, and the total OPERS pension liability of \$195,043,008 used to calculate the OCAST net pension liability was determined by an actuarial valuation as of July 1, 2018. For 2018, the net pension liability was measured as of June 30, 2017, and the total OPERS pension liability of \$540,663,181 used to calculate the OCAST net pension liability was determined by an actuarial valuation as of July 1, 2017. OCAST's proportion of the net pension liability was based on OCAST's contributions received by OPERS for all participating employers for the years ended June 30, 2018 and 2017. Based upon this information, OCAST's proportion for June 30, 2018 and 2017, was 0.05485322% and 0.06169120%, respectively.

For the years ended June 30, 2019 and 2018, OCAST recognized pension expense of \$59,922 and \$142,573, respectively. At June 30, 2019 and 2018, OCAST reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	-	60,254
Net difference between projected and actual earnings on pension plan investments		-	17,501
Changes in assumptions		46,010	-
Changes in proportionate share		-	19,009
OCAST contributions subsequent to the measurement date		<u>142,867</u>	<u>-</u>
		<u>\$ 188,877</u>	<u>96,764</u>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) PENSION PLAN PARTICIPATION, CONTINUED**

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

	<u>2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	-	59,647
Net difference between projected and actual earnings on pension plan investments		14,900	-
Changes in assumptions		148,073	-
Changes in proportionate share		1,767	10,952
Contributions subsequent to the measurement date		<u>141,732</u>	<u>-</u>
		<u>\$ 306,472</u>	<u>70,599</u>

Reported deferred outflows of resources of \$142,867 at June 30, 2019, related to pensions resulting from the OCAST contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:	
2020	\$ (20,730)
2021	(15,640)
2022	(7,384)
2023	(3,500)
2024	<u>(3,500)</u>
	<u>\$ (50,754)</u>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) PENSION PLAN PARTICIPATION, CONTINUED**

**Actuarial Methods and Assumptions**

The total pension liability as of June 30, 2019 and 2018, was determined based on an actuarial valuation prepared as of July 1, 2018 and 2017, respectively, using the following actuarial assumptions:

Investment return:	7.00% for both 2019 and 2018, compounded annually, net of investment expense and including inflation.
Salary increases:	3.50% to 9.50% for both 2019 and 2018, including inflation.
Mortality rates:	For 2019 and 2018 Calculations—Active participants and nondisabled pensioners: RP-2014 Mortality Table projected to 2025 by Scale MP 2016 (disabled pensioners set forward 12 years).
Annual post-retirement benefit increases:	None
Assumed inflation rate:	2.75% for both 2019 and 2018
Payroll growth:	3.50% for both 2019 and 2018
Actuarial cost method:	Entry age
Select period for the termination of employment assumptions:	10 years

The actuarial assumptions used in the July 1, 2018 and 2017, valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) PENSION PLAN PARTICIPATION, CONTINUED**

**Actuarial Methods and Assumptions, Continued**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<u>2019</u>		
U.S. large cap equity	38.0%	3.8%
U.S. small cap equity	6.0%	4.9%
Non-U.S. equity	24.0%	9.2%
U.S. fixed income	<u>32.0%</u>	1.5%
	<b><u>100.0%</u></b>	
<u>2018</u>		
U.S. large cap equity	38.0%	5.3%
U.S. small cap equity	6.0%	5.6%
U.S. fixed income	25.0%	0.7%
International stock	18.0%	5.6%
Emerging market stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate anticipation	<u>3.5%</u>	1.5%
	<b><u>100.0%</u></b>	

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) PENSION PLAN PARTICIPATION, CONTINUED**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% for both 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS' fiduciary net position was projected to be available to make 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 discount rate determined does not use a municipal bond rate.

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

The following presents the net pension liability of OCAST as of both June 30, 2019 and 2018, calculated using the discount rate of 7.00%, as well as what OCAST's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<u>2019</u>			
Net pension liability (asset)	<u>\$ 686,454</u>	<u>106,987</u>	<u>(384,079)</u>
<u>2018</u>			
Net pension liability (asset)	<u>\$ 985,796</u>	<u>333,542</u>	<u>(218,765)</u>

**Pension Plan Fiduciary Net Position**

Detailed information about OPERS' fiduciary net position is available in the separately issued financial report of OPERS, which can be located at [www.opers.ok.gov](http://www.opers.ok.gov).

See Independent Auditors' Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(5) OTHER POSTEMPLOYMENT BENEFITS**

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE***

**Description**

OCAST participates in the EGID's health insurance plan, which is a non-trusted single-employer plan that provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the health insurance plan before retiring.

In conjunction with providing the postretirement medical benefits through the health insurance plan, the State of Oklahoma determined that an OPEB liability existed in relation to an implicit rate subsidy. The State of Oklahoma calculated the implicit rate subsidy of health insurance plan OPEB liability (IRSHIP OPEB liability) for all state agencies that participate in the EGID health insurance plan and whose payroll is processed through the State of Oklahoma's payroll system. OCAST met these criteria and therefore was one of the agencies included in the State of Oklahoma's calculation.

The IRSHIP provides members with postretirement medical benefits until age 65 if the retiree and spouse pay the full active premium. Participation in the health insurance plan can elect to enroll in special coverage, and surviving spouses may continue in the plan until age 65. Contributions to the health insurance plan are made by both participants and OCAST on a "pay as you go" basis. OCAST's contributions for the years ended June 30, 2019 and 2018, were approximately \$3,700 and \$3,500, respectively.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE, CONTINUED***

**OPEB Liabilities, Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources**

At June 30, 2019, OCAST reported a liability of \$45,845 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of July 1, 2018. The total OPEB liability used was determined by an actuarial valuation as of June 30, 2018. At June 30, 2018, OCAST reported a liability of \$46,627 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of July 1, 2017. The total OPEB liability used was determined by an actuarial valuation as of June 30, 2017. OCAST's proportion of the total OPEB liability was based on OCAST's active employees of the plan relative to the total participation of the substantive plan as of June 30, 2018 and 2017. Based upon this information, OCAST's proportion for June 30, 2019 and 2018, was 0.03135730% and 0.03139940%, respectively.

Changes in assumptions reflect a change in the discount rate from 3.58% in 2017 to 3.87% in 2018, resulting in recognition of a deferred inflow of resources. Changes in assumptions reflect a change in the discount rate from 2.85% in 2016 to 3.58% in 2017, resulting in recognition of a deferred inflow of resources.

For the years ended June 30, 2019 and 2018, OCAST recognized OPEB expense of \$2,665 and \$2,765, respectively. At June 30, 2019 and 2018, OCAST reported deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2019</u>		
Differences between expected and actual experience	\$ -	305
Changes in assumptions	-	1,445
Changes in proportion and differences between agency contributions and proportionate share of contributions	-	51
OCAST contributions subsequent to the measurement date	<u>3,668</u>	<u>-</u>
	<u>\$ 3,668</u>	<u>1,801</u>

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**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE, CONTINUED***

**OPEB Liabilities, Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources, Continued**

	<u>2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	-	-
Changes in assumptions		-	1,819
Changes in proportion and differences between agency contributions and proportionate share of contributions		-	-
Office contributions subsequent to the measurement date		<u>3,457</u>	<u>-</u>
		<u>\$ 3,457</u>	<u>1,819</u>

Reported deferred outflows of resources of \$3,668 related to OPEB resulting from OCAST's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. The amortization of deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability as of June 30, 2019, will be recognized in OPEB expense as follows:

Years Ending June 30:	
2020	\$ (498)
2021	(498)
2022	(498)
2023	<u>(307)</u>
	<u>\$ (1,801)</u>

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**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE, CONTINUED***

**Actuarial Methods and Assumptions**

The total IRSHIP OPEB liability was determined based on actuarial valuations prepared using a July 1, 2018 and 2017, measurement date using the following actuarial assumptions:

- Investment return—Not applicable, as the health insurance plan is unfunded and benefits are not paid from a qualifying trust.
- Mortality rates—RP-2006 Combining Healthy Mortality Table, with a fully generational projection using Scale MP-2017 as of July 1, 2017.
- Salary scale, retirement rate, withdrawal rate, and disability rate actuarial assumptions are based on rates for the various retirement systems that the health insurance plan’s participants are in, including—
  - Oklahoma Public Employees Retirement System
  - Oklahoma Law Enforcement Retirement System
  - Teachers’ Retirement System of Oklahoma
  - Uniform Retirement System of Justices & Judges
  - Oklahoma Department of Wildlife Conservation Defined Benefit Pension Plan
- Plan participation—40% of retired employees are assumed to participate in the health insurance plan.
- Marital assumptions—Male participants: 25% who elect coverage are assumed to have a spouse who will receive coverage  
Female participants: 15% who elect coverage are assumed to have a spouse who will receive coverage  
Males are assumed to be 3 years older than their spouses
- Plan entry date is the date of hire
- Actuarial cost method—Entry age normal based upon salary
- Healthcare trend rate—7.10% decreasing to 4.60% for 2019 and 2018
- Discount rate—Based on the Bond Buyer GO 20-Bond Municipal Bond Index

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**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE, CONTINUED***

**Actuarial Methods and Assumptions, Continued**

At both July 1, 2019 and 2018, OCAST had 16 active participants in the plan.

The June 30, 2019, valuation is based on a measured date of July 1, 2018, with a measurement period of July 1, 2017, to July 1, 2018. The June 30, 2018, valuation is based on a measured date of July 1, 2017, with a measurement period of July 1, 2016, to July 1, 2017.

**Changes in the Total OPEB Liability**

The following table reports the components of the changes in the total OPEB liability for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 46,627	49,670
Changes for the year:		
Service cost	1,627	1,859
Interest expense	1,664	1,413
Actual experience	(85)	-
Changes in assumptions	(541)	(2,325)
Other	5	-
Benefits paid	<u>(3,452)</u>	<u>(3,990)</u>
Net changes	<u>(782)</u>	<u>(3,043)</u>
Balance at end of year	<u>\$ 45,845</u>	<u>46,627</u>

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**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

***IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE, CONTINUED***

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total IRSHIP OPEB liability of OCAST calculated using the discount rate of 3.87% and 3.58% for 2019 and 2018, respectively, as well as what OCAST's total IRSHIP OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
<u>2019</u>			
Employer's total OPEB liability	\$ 48,919	45,845	42,984
	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
<u>2018</u>			
Employer's total OPEB liability	\$ 49,768	46,627	43,702

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the total IRSHIP OPEB liability at June 30, 2019 and 2018, calculated using the healthcare trend rate of 7.10% decreasing to 4.60% for both years, as well as what the liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease in Healthcare Trend Rate (6.10% decreasing to 3.60%)	Current Healthcare Trend Rate (7.10% decreasing to 4.60%)	1% Increase in Healthcare Trend Rate (8.10% decreasing to 5.60%)
<u>2019</u>			
Employer's total OPEB liability	\$ 41,718	45,945	50,636
<u>2018</u>			
Employer's total OPEB liability	\$ 42,794	46,627	51,066

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**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

***HEALTH INSURANCE SUBSIDY PLAN (OPERS)***

**Plan Description**

OCAST participates in the HISP, a cost-sharing multiple-employer defined benefit public employee health insurance subsidy retirement plan administered by OPERS. HISP is classified as “other postemployment employee benefit”.

**Benefits Provided**

HISP provides a health insurance premium subsidy for retirees of OPERS who elect to maintain health insurance with EGID or other qualified insurance plan provided by the employers. The HISP subsidy is capped at \$105 per month per retiree. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries.

**Contributions**

The contribution rates for each member category of OPERS are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contribution to OPERS are set aside to finance the cost of the benefits of the HISP in accordance with provisions of the Internal Revenue Code.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation. Only employers contribute to the HISP. For 2019, state agency employers contributed 16.5% on all salary.

Contributions to OPERS for the HISP by OCAST were approximately \$10,600 and \$10,500, respectively, for the years ended June 30, 2019 and 2018.

See Independent Auditors’ Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

***HEALTH INSURANCE SUBSIDY PLAN (OPERS), CONTINUED***

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

At June 30, 2019, OCAST reported an asset of \$7,099 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2018. At June 30, 2018, OCAST reported a liability of \$7,066 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. OCAST's proportion of the net OPEB asset or liability was based on OCAST's contributions received by the HISP relative to the total contributions received by the HISP for all participating employers as of June 30, 2018 and 2017. Based upon this information, OCAST's proportion at June 30, 2019 and 2018, was 0.05485322% and 0.06169120%, respectively.

For the years ended June 30, 2019 and 2018, OCAST recognized OPEB expense of \$549 and \$4,327, respectively. At June 30, 2019 and 2018, OCAST reported deferred outflows of resources and deferred inflows of resources related to the HISP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2019</u>		
Differences between expected and actual experience	\$ -	11,161
Changes in assumptions	4,161	-
Net difference between projected and actual earnings on HISP investments	-	6,584
Changes in proportion and differences between agency contributions and proportionate share of contributions	-	2,244
Office contributions subsequent to the measurement date	<u>10,551</u>	<u>-</u>
	<u>\$ 14,712</u>	<u>19,989</u>

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

***HEALTH INSURANCE SUBSIDY PLAN (OPERS), CONTINUED***

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2018</u>		
Differences between expected and actual experience	\$ -	8,710
Changes in assumptions	5,755	-
Net difference between projected and actual earnings on OPEB plan investments	-	7,625
Changes in proportion and differences between agency contributions and proportionate share of contributions	-	-
OCAST contributions subsequent to the measurement date	<u>10,466</u>	<u>-</u>
	<u>\$ 16,221</u>	<u>16,335</u>

Reported deferred outflows of resources of \$10,551 related to OPEB resulting from OCAST's contributions subsequent to the measurement date will be recognized as an increase of the total OPEB (asset) liability in the year ended June 30, 2020. The amortization of deferred outflows of resources and deferred inflows of resources related to the HISP OPEB asset as of June 30, 2019, will be recognized in OPEB expense as follows:

Years Ending June 30:	
2020	\$ (4,574)
2021	(4,397)
2022	(3,225)
2023	(1,817)
2024	<u>(1,815)</u>
	<u>\$ (15,828)</u>

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**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

***HEALTH INSURANCE SUBSIDY PLAN (OPERS), CONTINUED***

**Actuarial Methods and Assumptions**

The total OPEB (asset) liability was determined on an actuarial valuation prepared as of July 1, 2018 and 2017, using the following actuarial assumptions:

Investment return:	7.00% for both 2019 and 2018, compounded annually, net of investment expense and including inflation.
Salary increases:	3.50% to 9.50% for both 2019 and 2018, including inflation.
Mortality rates:	For 2019 and 2018 Calculations—Active participants and nondisabled pensioners: RP-2014 Mortality Table projected to 2025 by Scale MP 2016 (disabled pensioners set forward 12 years).
Annual post-retirement benefit increases:	None
Assumed inflation rate:	2.75% for both 2019 and 2018
Payroll growth:	3.50% for both 2019 and 2018
Actuarial cost method:	Entry age
Select period for the termination of employment assumptions:	10 years
Healthcare trend rate:	N/A based on how the System is structured and benefit payments are made.

The actuarial assumptions used in the July 1, 2018 and 2017, valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ended June 30, 2016. The experience study report is dated April 13, 2017.

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**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

***HEALTH INSURANCE SUBSIDY PLAN (OPERS), CONTINUED***

**Actuarial Methods and Assumptions, Continued**

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2019 and 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<u>2019</u>		
U.S. large cap equity	38.0%	3.8%
U.S. small cap equity	6.0%	4.9%
Non-U.S. equity	24.0%	9.2%
U.S. fixed income	<u>32.0%</u>	1.5%
	<b><u>100.0%</u></b>	
<u>2018</u>		
U.S. large cap equity	38.0%	5.3%
U.S. small cap equity	6.0%	5.6%
U.S. fixed income	25.0%	0.7%
International stock	18.0%	5.6%
Emerging market stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate anticipation	<u>3.5%</u>	1.5%
	<b><u>100.0%</u></b>	

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

***HEALTH INSURANCE SUBSIDY PLAN (OPERS), CONTINUED***

**Discount Rate**

A discount rate used to measure the total OPEB liability was 7.00% for both June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that contributions from the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS; fiduciary net position was projected to be available to make 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 discount rate determined does not use a municipal bond rate.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents OCAST's proportionate share of the net OPEB (asset) liability using the discount rate of 7.00% for both 2019 and 2018, as well as what OCAST's proportionate share of the total 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 discount rate as of June 30:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<u>2019</u>			
Employer's net OPEB (asset) liability	\$ 11,302	(7,099)	(22,925)
<u>2018</u>			
Employer's net OPEB (asset) liability	\$ 27,911	7,066	(10,854)

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report of the OPERS, which can be located at [www.opers.ok.gov](http://www.opers.ok.gov).

**(6) INTERAGENCY SERVICE AGREEMENT**

OCAST entered into an agreement with OMES to obtain all information technology and telecommunication services. The total amount of payments per this agreement for the years ended June 30, 2019 and 2018, was \$47,102 and \$46,534, respectively.

See Independent Auditors' Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(7) SUBSEQUENT EVENTS**

The novel coronavirus (“COVID-19”), which was declared a global health emergency in January 2020 and a pandemic in March 2020, has caused significant changes in political and economic conditions around the world, including disruptions and volatility in the global capital markets. In response, the State of Oklahoma and local municipalities have taken various preventative or protective actions, such as imposing restrictions on business operations and advising or requiring individuals to limit or forgo their time outside of their homes. The extent to which the COVID-19 pandemic may impact OCAST will depend on future developments which are uncertain, such as the duration of the outbreak, additional governmental mandates issued to mitigate the spread of the disease, business closures, economic disruptions, and the effectiveness of actions taken to contain and treat the virus. Accordingly, the COVID-19 pandemic may have a negative impact on OCAST’s future operations, the size and duration of which is difficult to predict. OCAST’s management will continue to actively monitor the situation and may take further actions altering operations that OCAST’s management determines are in the best interests of its employees and stakeholders, or as required by federal, state, or local authorities.

See Independent Auditors’ Report.

**SUPPLEMENTARY INFORMATION REQUIRED BY  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
STATEMENTS NO. 68 AND 75**

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**SCHEDULE OF OCAST'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
Oklahoma Public Employees Retirement System**

<b>Last 5 Fiscal Years</b>	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
OCAST's proportion of the net pension liability	0.05485322%	0.06169120%	0.06336585%	0.06657395%	0.06118200%
OCAST's proportionate share of the net pension liability	\$ 106,987	333,542	603,125	239,456	112,308
OCAST's covered payroll	982,875	1,007,194	1,068,494	1,116,472	1,072,734
OCAST's proportionate share of the net pension liability as a percentage of its covered payroll	10.89%	33.12%	56.45%	21.45%	10.47%
OPERS' fiduciary net position as a percentage of the total pension liability	97.96%	94.28%	89.48%	96.00%	97.90%

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

Only the last 5 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**SCHEDULE OF OCAST'S CONTRIBUTIONS  
Oklahoma Public Employees Retirement System**

**Last 6 Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 142,867	141,732	165,947	187,400	194,184	171,029
Contributions in relation to the contractually required contributions	<u>142,867</u>	<u>141,732</u>	<u>165,948</u>	<u>187,831</u>	<u>194,184</u>	<u>171,029</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>(1)</u>	<u>(431)</u>	<u>-</u>	<u>-</u>
OCAST's covered payroll	\$ 1,000,127	982,875	1,007,194	1,068,494	1,116,472	1,072,734
Contributions as a percentage of covered payroll	14.28%	14.42%	16.48%	17.58%	17.39%	15.94%

Only the last 6 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**SCHEDULE OF OCAST'S PROPORTIONATE SHARE OF  
THE NET OPEB (ASSET) LIABILITY  
Oklahoma Public Employees Health Insurance Subsidy Plan**

**Last 2 Fiscal Years**

	<u>2019*</u>	<u>2018*</u>
OCAST's proportion of the net OPEB (asset) liability	0.05485322%	0.06169120%
OCAST's proportionate share of the net OPEB (asset) liability	\$ (7,099)	7,066
OCAST's covered payroll	982,875	1,007,184
OCAST's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(0.72)%	0.70%
OPERS' fiduciary net position as a percentage of the total OPEB liability	103.94%	96.50%

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

Only the last 2 fiscal years are presented because 10-year data is not readily available.

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**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**SCHEDULE OF OCAST'S CONTRIBUTIONS  
Oklahoma Public Employees Health Insurance Subsidy Plan**

**Last 2 Fiscal Years**

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 10,551	10,466
Contributions in relation to the contractually required contributions	<u>10,551</u>	<u>10,466</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
OCAST's covered payroll	1,000,127	982,875
Contributions as a percentage of covered payroll	1.05%	1.06%

Only the last 2 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report.

**OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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**SCHEDULE OF OCAST'S CHANGES IN NET OPEB LIABILITY AND  
RELATED RATIOS**

**Implicit Rate Subsidy of Health Insurance Plan OPEB Liability**

**Last 2 Fiscal Years**

	<u>2019</u>	<u>2018</u>
Beginning of year	\$ 46,627	49,670
Changes for the year:		
Service cost	1,627	1,859
Interest	1,664	1,413
Actual experience	(85)	-
Changes in assumptions	(541)	(2,325)
Other	5	-
Benefit paid	<u>(3,452)</u>	<u>(3,990)</u>
Net change in net IRSHIP OPEB liability	<u>(782)</u>	<u>(3,043)</u>
Net IRSHIP OPEB liability—ending	<u>\$ 45,845</u>	<u>46,627</u>
Covered-employee payroll	\$ 982,875	1,007,194
Net IRSHIP OPEB liability as a percentage of covered-employee payroll	4.66%	4.63%

Only the last 2 fiscal years are presented because 10-year data is not readily available.

The discount rate used for 2019 was 3.87%.

The discount rate used for 2018 was 3.58%.

See Independent Auditors' Report.



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

To the Oklahoma Center for the Advancement of  
Science and Technology

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Oklahoma Center for the Advancement of Science and Technology (OCAST), an agency of the State of Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OCAST's basic financial statements, and have issued our report thereon dated November 23, 2020. Our report includes an explanatory paragraph to emphasize the fact that the financial statements of OCAST are intended to present the financial position and changes in financial position of only that portion of the State of Oklahoma that is attributable to transactions of OCAST. In addition, our report includes an explanatory paragraph disclaiming an opinion on required supplementary information.

**Internal Control Over Financial Reporting**

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

(Continued)

**INDEPENDENT AUDITORS' 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*, CONTINUED**

**Internal Control Over Financial Reporting, Continued**

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

**Compliance and Other Matters**

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

**Purpose of This Report**

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

*Finlay + Cook, PLLC*

Shawnee, Oklahoma  
November 23, 2020