

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

Financial Statements

June 30, 2020 and 2019
(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 years ended June 30, 2020 and 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 audits. We conducted our audits 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, 2020 and 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, 2020 or 2019, or the changes in its financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-9 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 May 3, 2021, 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
May 3, 2021

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, 2020 and 2019. 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 2020, OCAST received state appropriated funding in the amount of \$14,371,398 an increase of \$1,014,471 (7.6%) from the FY 2019 state appropriation of \$13,356,927. 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.
- Over the last 10 years, OCAST's appropriation has been reduced from \$19,152,085 to \$14,371,398, a decrease of \$4,780,687, or 25.1%.

<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>
\$14,371,398	13,356,927	13,432,626	14,423,407	14,852,779
<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>
16,811,295	17,811,449	17,811,449	17,811,449	19,152,085

- From the total FY 2020 appropriation of \$14,371,398, \$2,933,448 was transferred by statute to the Seed Capital Revolving Fund, which was the same amount transferred in FY 2019. 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.
- 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, 2020 and 2019, the balance of the Technology Business Financing Program Fund was \$524,467 and \$454,331, 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, 2020 and 2019, OCAST received cumulative EDA Grant reimbursements in the amount of \$1,000,000 and \$984,157, respectively. As of June 30, 2019, OCAST’s accounts receivable associated with the EDA Grant amounted to \$1,923.

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, OCAST received reimbursements from OMES in the amount of \$30,000 and contract management fees in the amount of \$450. The service contract ended in FY 2019, and there were no reimbursements or management fees received from OMES during the year ended June 30, 2020.
- In FY 2020 and FY 2019, OCAST received from The Oklahoma Business Roundtable a grant in the amount of \$1,500 and \$20,000, respectively, 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 \$652,959 (4.6%) and \$671,279 (4.3%) at June 30, 2020 and 2019, 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, \$6,415,030 and \$6,849,340 as of June 30, 2020 and 2019, 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 2020 and FY 2019.

	<u>FY 2020</u>	<u>FY 2019</u>	<u>% Change</u>
Assets			
Cash and cash equivalents	\$ 7,014,277	7,289,794	(3.78)%
Accounts receivable	-	1,923	(100.00)%
Prepaid items	9,361	9,445	(0.89)%
Net OPEB asset	<u>21,156</u>	<u>7,099</u>	198.01%
Total assets	<u>7,044,794</u>	<u>7,308,261</u>	(3.61)%
Deferred Outflows of Resources			
Deferred amounts related to pensions	144,001	188,877	(23.76)%
Deferred amounts related to OPEB	<u>19,075</u>	<u>18,380</u>	3.78%
Total deferred outflows of resources	<u>163,076</u>	<u>207,257</u>	(21.32)%
Total assets and deferred outflows of resources	<u>\$ 7,207,870</u>	<u>7,515,518</u>	(4.09)%
Liabilities			
Accounts payable	\$ 901,824	1,023,177	(11.86)%
Due to other state agencies	450,532	850,363	(47.02)%
Compensated absences:			
Payable within 1 year	45,774	46,813	(2.22)%
Payable in more than 1 year	106,806	109,231	(2.22)%
Total OPEB liability—noncurrent	43,172	45,845	(5.83)%
Net pension liability—noncurrent	<u>72,076</u>	<u>106,987</u>	(32.63)%
Total liabilities	<u>1,620,184</u>	<u>2,182,416</u>	(25.76)%
Deferred Inflows of Resources			
Deferred amounts related to pensions	46,093	96,764	(52.37)%
Deferred amounts related to OPEB	<u>24,612</u>	<u>21,790</u>	12.95%
Total deferred inflows of resources	<u>70,705</u>	<u>118,554</u>	(40.36)%
Net Position			
Restricted for Technology Business Finance Program	524,467	454,331	15.44%
Unrestricted	<u>4,992,514</u>	<u>4,760,217</u>	4.88%
Total net position	<u>5,516,981</u>	<u>5,214,548</u>	5.80%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,207,870</u>	<u>7,515,518</u>	(4.09)%

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

ANALYSIS OF GOVERNMENT-WIDE BALANCES, CONTINUED

OCAST's net position for FY 2020 increased by 5.8% compared to FY 2019, mostly because of an increase in state appropriations. OCAST's net position for FY 2019 decreased by 23.9% compared to FY 2018, because of a combination of reduction in both state appropriations and operating grants and contributions.

Deferred outflows—pensions had a balance of \$188,877 for FY 2019, and decreased by \$44,876, or 23.4%, in FY 2020. Deferred inflows—pensions in FY 2019 had a balance of \$96,764 and decreased by \$50,671, or 52.4%, in FY 2020. The net pension liability FY 2019 balance was \$106,987 and decreased by \$34,911, or 32.6%, in FY 2020. See Note 4 for additional information.

As a result of implementing GASB Statement 75, OCAST's statements of net position contain four accounts representing other postemployment benefits (OPEB): net OPEB asset, deferred outflows—OPEB, total OPEB liability, and deferred inflows—OPEB. Net OPEB asset in FY 2019 had a balance of \$7,099 and increased by \$14,057, or 198%, in FY 2020. Deferred outflows—OPEB in FY 2019 had a balance of \$18,380 and increased by \$695, or 3.8%, in FY 2020. Total OPEB liability in FY 2019 had a balance of \$45,845 and decreased in FY 2020 by \$2,673, or 5.8%, in FY 2020. Deferred inflows—OPEB in FY 2019 had a balance of \$21,790 and increased by \$2,822, or 12.95%, in FY 2020.

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 increased as discussed above, OCAST’s “unrestricted” component of net position is thus also increasing. 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 2020 Obligations Already Contracted	Future Years of Awards (FY 2021 and FY 2022)	Total Committed to Multi-Year Awards
Health Research	\$ 3,163,388	2,498,291	5,661,679
Applied Research	2,470,668	2,385,657	4,856,325
Intern Partnerships	575,300	371,846	947,146
Plant Science Research	<u>598,526</u>	<u>1,159,236</u>	<u>1,757,762</u>
	<u>\$ 6,807,882</u>	<u>6,415,030</u>	<u>13,222,912</u>

<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>

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 2020 and 2019:

	<u>FY 2020</u>	<u>FY 2019</u>	<u>% Change</u>
Program revenues:			
Charges for services	\$ -	450	(100.00)%
Operating grants and contributions	<u>260,001</u>	<u>372,436</u>	(30.19)%
Total program revenues	<u>260,001</u>	<u>372,886</u>	(30.27)%
General revenues:			
State appropriations	<u>14,371,398</u>	<u>13,356,927</u>	7.60%
Total general revenues	<u>14,371,398</u>	<u>13,356,927</u>	7.60%
Total revenues	<u>14,631,399</u>	<u>13,729,813</u>	6.57%
Expenses:			
Operational programs	13,442,844	14,470,362	(7.10)%
Technology information services	233,163	312,839	(25.47)%
Administration	<u>652,959</u>	<u>671,279</u>	(2.73)%
Total expenses	<u>14,328,966</u>	<u>15,454,480</u>	(7.28)%
Change in net position	302,433	(1,724,667)	(117.54)%
Net position, beginning of year	<u>5,214,548</u>	<u>6,939,215</u>	(23.85)%
Net position, end of year	<u>\$ 5,516,981</u>	<u>5,214,548</u>	5.80%

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 2020 State appropriations increased by \$1,014,471, or 7.6%, compared to FY 2019. The amount of FY 2020 total revenues and other financing sources decreased by \$112,885 or 30.3%, compared to FY 2019, for the most part related to a decrease in amount of EDA Grant repayments received in FY 2020 (\$15,843) compared to FY 2019 (\$390,734) offset by an increase of TBFP repayments in FY 2020 of \$126,736. The FY 2020 total expenses decreased by \$1,155,787, or 7.4%, compared to FY 2019.

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 TBFP 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.

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.

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

STATEMENTS OF NET POSITION

<i>June 30,</i>	<i>2020</i>	<i>2019</i>
Assets		
Cash and cash equivalents	\$ 7,014,277	7,289,794
Accounts receivable	-	1,923
Prepaid items	9,361	9,445
Net OPEB asset	21,156	7,099
Total assets	<u>7,044,794</u>	<u>7,308,261</u>
Deferred Outflows of Resources		
Deferred amounts related to pensions	144,001	188,877
Deferred amounts related to OPEB	19,075	18,380
Total deferred outflows of resources	<u>163,076</u>	<u>207,257</u>
Total assets and deferred outflows of resources	<u>\$ 7,207,870</u>	<u>7,515,518</u>
Liabilities		
Accounts payable	\$ 901,824	1,023,177
Due to other state agencies	450,532	850,363
Compensated absences:		
Payable within 1 year	45,774	46,813
Payable in more than 1 year	106,806	109,231
Total OPEB liability—noncurrent	43,172	45,845
Net pension liability—noncurrent	72,076	106,987
Total liabilities	<u>1,620,184</u>	<u>2,182,416</u>
Deferred Inflows of Resources		
Deferred amounts related to pensions	46,093	96,764
Deferred amounts related to OPEB	24,612	21,790
Total deferred inflows of resources	<u>70,705</u>	<u>118,554</u>
Net Position		
Restricted for Technology Business Finance Program	524,467	454,331
Unrestricted	4,992,514	4,760,217
Total net position	<u>5,516,981</u>	<u>5,214,548</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,207,870</u>	<u>7,515,518</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, 2020

	<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	\$ (652,959)	-	-	(652,959)
Total governmental activities	<u>(652,959)</u>	-	-	<u>(652,959)</u>
Operational programs:				
Health Research	(2,960,369)	-	-	(2,960,369)
Applied Research	(2,542,978)	-	-	(2,542,978)
Intern Partnerships	(392,448)	-	880	(391,568)
Plant Science	(658,653)	-	-	(658,653)
Inventors Assistance	(290,678)	-	15,309	(275,369)
Small Business Research	(145,433)	-	1,500	(143,933)
Industrial Extension System	(1,004,634)	-	-	(1,004,634)
Technology Commercialization	(1,171,078)	-	-	(1,171,078)
Technology Business				
Finance Program	(562,176)	-	242,312	(319,864)
Seed Capital	(2,933,448)	-	-	(2,933,448)
Program Services	(712,230)	-	-	(712,230)
Programs—MIS	(68,719)	-	-	(68,719)
Technology Information Services	(233,163)	-	-	(233,163)
Total operational programs	<u>(13,676,007)</u>	-	<u>260,001</u>	<u>(13,416,006)</u>
Total OCAST expenses	<u>\$ (14,328,966)</u>	-	<u>260,001</u>	<u>(14,068,965)</u>
General revenues—state appropriations				<u>14,371,398</u>
Total general revenues				<u>14,371,398</u>
Changes in net position				302,433
Net position, beginning of year				<u>5,214,548</u>
Net position, end of year				<u>\$ 5,516,981</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, 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				<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**

BALANCE SHEETS—GENERAL FUND

<i>June 30,</i>	<i>2020</i>	<i>2019</i>
Assets		
Cash and cash equivalents	\$ 7,014,277	7,289,794
Accounts receivable	-	1,923
Prepaid items	<u>9,361</u>	<u>9,445</u>
 Total assets	 <u>\$ 7,023,638</u>	 <u>7,301,162</u>
Liabilities and Fund Balance		
Accounts payable	\$ 901,824	1,023,177
Due to other state agencies	<u>450,532</u>	<u>850,363</u>
Total liabilities	<u>1,352,356</u>	<u>1,873,540</u>
 Nonspendable	 9,361	 9,445
Restricted	524,467	454,331
Committed	4,995,458	4,963,846
Assigned	<u>141,996</u>	<u>-</u>
Total fund balance	<u>5,671,282</u>	<u>5,427,622</u>
 Total liabilities and fund balance	 <u>\$ 7,023,638</u>	 <u>7,301,162</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>2020</i>	<i>2019</i>
Reconciliation of Fund Balance to Net Position		
Total fund balance from above	\$ 5,671,282	5,427,622
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	144,001	188,877
Deferred outflows related to OPEB	19,075	18,380
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements:		
Compensated absences	(152,580)	(156,044)
Total OPEB liability	(43,172)	(45,845)
Net pension liability	(72,076)	(106,987)
Net OPEB asset	21,156	7,099
Deferred inflows related to the pension	(46,093)	(96,764)
Deferred inflows related to OPEB	(24,612)	(21,790)
Net position, per statements of net position	<u>\$ 5,516,981</u>	<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 REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE—GENERAL FUND**

<i>Years Ended June 30,</i>	<i>2020</i>	<i>2019</i>
Revenues:		
Charges for services	\$ -	450
Operating grants and contributions	260,001	372,436
Total revenues	<u>260,001</u>	<u>372,886</u>
Expenditures:		
Administration/MIS	679,995	713,524
Operational programs:		
Health Research	2,960,369	3,630,570
Applied Research	2,542,978	2,572,725
Intern Partnerships	392,448	344,810
Plant Science	658,653	541,436
Inventors Assistance	290,678	471,706
Small Business Research	145,433	270,381
Industrial Extension System	1,004,634	993,522
Technology Commercialization	1,171,078	1,466,273
Technology Business Finance Program	562,176	233,415
Seed Capital	2,933,448	2,933,448
Program Services	735,151	965,585
Programs—MIS	68,719	84,094
Technology information services	241,979	322,037
Total expenditures	<u>14,387,739</u>	<u>15,543,526</u>
Deficiency of revenues over expenditures	(14,127,738)	(15,170,640)
Other funding sources:		
State appropriations	14,371,398	13,356,927
Total other funding sources	<u>14,371,398</u>	<u>13,356,927</u>
Net changes in fund balance	243,660	(1,813,713)
Fund, beginning of year	<u>5,427,622</u>	<u>7,241,335</u>
Fund balance, end of year	<u>\$ 5,671,282</u>	<u>5,427,622</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>2020</i>	<i>2019</i>
Net change in fund balance—General Fund	\$ 243,660	(1,813,713)
<p>Amounts reported for governmental activities in the statements of activities are different because:</p> <p>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:</p>		
Accrued compensated absences	3,464	(3,761)
Deferred outflows and inflows related to the net pension liability	40,706	82,794
Deferred outflows and inflows related to the OPEB liability	<u>14,603</u>	<u>10,013</u>
Changes in net position, per the statements of activities	<u>\$ 302,433</u>	<u>(1,724,667)</u>

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

(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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial Reporting Entity, Continued

In FY 2020 and FY 2019, 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.

In September 2019, Oklahoma’s Governor issued Executive Order 2019-38 which established a 10 member Science and Innovation Council (the “Council”). As part of Executive Order 2019-38, OCAST was designated to provide the necessary administrative support, including the utilization of OCAST’s personnel, to the Council to ensure the proper performance of its duties and responsibilities.

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 the 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, 2020 or 2019.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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, 2020 and 2019, OCAST received cumulative EDA Grant reimbursements in the amount of \$1,000,000 and \$984,157, respectively. As of June 30, 2019, accounts receivable associated with the EDA Grant amounted to \$1,923.
 - 3) During the years ended June 30, 2020 and 2019, OCAST received from The Oklahoma Business Roundtable a grant in the amount of \$1,500 and \$20,000, respectively, 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 year ended June 30, 2019, OCAST received the Tapzot LLC contract management fees from OMES in the amount of \$450.

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation, Continued

Fund Financial Statements, Continued

- Program revenues for the years ended June 30, 2020 and 2019, include gain of \$29,925 and \$100,000, respectively, and principal repayments from TBFP clients totaling \$212,387 and \$15,576, respectively.

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, Inc. 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.

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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, 2020 and 2019, 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 as of June 30, 2020 or 2019.

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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, <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	June 30, <u>2020</u>	Amount Due Within <u>1 Year</u>
Compensated absences	\$ 156,044	<u>75,564</u>	<u>(79,028)</u>	<u>152,580</u>	<u>45,774</u>
	July 1, <u>2018</u>	<u>Additions</u>	<u>Deductions</u>	June 30, <u>2019</u>	Amount Due Within <u>1 Year</u>
Compensated absences	\$ 152,283	<u>75,971</u>	<u>(72,210)</u>	<u>156,044</u>	<u>46,813</u>

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

(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, 2020, OCAST had encumbered FY 2020 awards contracts not classified as accounts payable in the amount of \$2,560,913 and out-year commitments for multi-year contracts which had not yet been contracted in the amount of \$6,415,030. 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.

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 net position in this category at June 30, 2020, or 2019.
- 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
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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Fund Equity, Continued

- *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, Inc.).
 - 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

(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

(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 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 does not expect GASB 84 to have a significant impact on the financial statements.

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 December 15, 2019. Earlier application is encouraged. OCAST has not determined the impact of GASB 87 on 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

(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, 2021, for the June 30, 2022, 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 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. OCAST will adopt GASB 92 effective July 1, 2021, for the June 30, 2022, reporting year. OCAST does not expect GASB 92 to have a significant impact on the financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). GASB 93 is to address other accounting and financial reporting implications that result from the replacement of interbank offered rates. OCAST will adopt GASB 93 effective July 1, 2022, for the June 30, 2023, reporting year. OCAST does not expect GASB 93 to have a significant impact on the financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. OCAST will adopt GASB 94 effective July 1, 2022, for the June 30, 2023, reporting year. OCAST does not expect GASB 94 to 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 provides temporary postponement of the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective after June 15, 2018. Most affected statements are postponed by one year while GASB Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, are postponed by 18 months. GASB 95 was effective immediately for the June 30, 2020, reporting year.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

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 (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. OCAST will adopt GASB 96 effective July 1, 2022, for the June 30, 2023, reporting year. OCAST has not determined the impact of GASB 96 on the financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria and Accounting 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). GASB 97 objectives 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. OCAST will adopt GASB 97 effective July 1, 2021, for the June 30, 2022, reporting year. OCAST has not determined the impact of GASB 97 on the financial statements.

Date of Management’s Review of Subsequent Events

OCAST’s management has evaluated subsequent events through May 3, 2021, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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 was effective until December 31, 2019. For FY 2020 and FY 2019, total lease expenditures amounted to \$91,283 and \$75,112, respectively. The future minimum lease payments for these leases as of June 30, 2020, are as follows:

2021	\$	83,927
2022		81,900
2023		84,516
2024		<u>52,263</u>
	\$	<u>302,606</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.

(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.ok.gov/wp-content/uploads/2020/05/CAFR-2019-OPERS.pdf>.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) PENSION PLAN PARTICIPATION, CONTINUED

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.

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.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) PENSION PLAN PARTICIPATION, CONTINUED

Benefits Provided, Continued

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.

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.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) PENSION PLAN PARTICIPATION, CONTINUED

Contributions, Continued

For 2020, 2019, and 2018, 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, 2020, OCAST's total contributions to OPERS was \$154,840; OCAST's total contributions to OPERS for the two preceding fiscal years were \$153,418 for 2019 and \$152,198 for 2018.

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

At June 30, 2020 and 2019, OCAST reported a liability of \$72,076 and \$106,987, respectively, for its proportionate share of the net pension liability. For 2020, the net pension liability was measured as of June 30, 2019, and the total OPERS pension liability of \$133,188,077 used to calculate the OCAST net pension liability was determined by an actuarial valuation as of July 1, 2019. 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. 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, 2019 and 2018. Based upon this information, OCAST's proportion for June 30, 2019 and 2018, was 0.05411586% and 0.05485322%, respectively.

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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, Continued**

For the years ended June 30, 2020 and 2019, OCAST recognized pension expense of \$103,576 and \$59,922, respectively. At June 30, 2020 and 2019, OCAST reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	16,960
Net difference between projected and actual earnings on pension plan investments	-	21,748
Changes in assumptions	-	-
Changes in proportionate share	-	7,385
OCAST contributions subsequent to the measurement date	<u>144,001</u>	<u>-</u>
	<u>\$ 144,001</u>	<u>46,093</u>

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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, Continued**

<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>

Reported deferred outflows of resources of \$144,001 at June 30, 2020, 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, 2021. 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:	
2021	\$ (18,283)
2022	(10,898)
2023	(8,214)
2024	(4,350)
2025	<u>(4,348)</u>
	<u>\$ (46,093)</u>

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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, 2019 and 2018, 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, 2019 and 2018, 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.

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.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) PENSION PLAN PARTICIPATION, CONTINUED

Actuarial Methods and Assumptions, Continued

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2020 and 2019, 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.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%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for both 2019 and 2018. 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.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) PENSION PLAN PARTICIPATION, CONTINUED

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, 2020 and 2019, 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 <u>(6.00%)</u>	Current Discount <u>Rate (7.00%)</u>	1% Increase <u>(8.00%)</u>
<u>2020</u>			
Net pension liability (asset)	\$ <u>651,678</u>	<u>72,076</u>	<u>(419,316)</u>
<u>2019</u>			
Net pension liability (asset)	\$ <u>686,454</u>	<u>106,987</u>	<u>(384,079)</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.

(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.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE, CONTINUED

Description, Continued

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, 2020 and 2019, were approximately \$3,500 and \$3,700, respectively.

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

At June 30, 2020, OCAST reported a liability of \$43,172 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of July 1, 2019. The total OPEB liability used was determined by an actuarial valuation as of June 30, 2019. 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. 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, 2019 and 2018. Based upon this information, OCAST’s proportion for June 30, 2020 and 2019, was 0.03265640% and 0.03135730%, respectively.

Changes in assumptions reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019, resulting in recognition of a deferred inflow of resources. 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.

For the years ended June 30, 2020 and 2019, OCAST recognized OPEB expense of \$2,369 and \$2,665, respectively. At June 30, 2020 and 2019, OCAST reported deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability from the following sources:

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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, Continued**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2020</u>		
Differences between expected and actual experience	\$ -	386
Changes in assumptions	-	4,147
Changes in proportion and differences between agency contributions and proportionate share of contributions	1,548	37
OCAST contributions subsequent to the measurement date	<u>3,509</u>	<u>-</u>
	<u>\$ 5,057</u>	<u>4,570</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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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, Continued**

Reported deferred outflows of resources of \$3,509 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 ending June 30, 2021. The amortization of deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability as of June 30, 2020, will be recognized in OPEB expense as follows:

Years Ending June 30:	
2021	\$ (832)
2022	(832)
2023	(827)
2024	<u>(531)</u>
	<u>\$ (3,022)</u>

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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, 2019 and 2018, 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—Pub-2010 Public Retirement Plans General Mortality Table, weighted by Headcount, projected by MP-2019 for 2019 and MP-2018 for 2018.
- 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—5.30% decreasing to 5.00% for 2019; 7.10% decreasing to 4.60% for 2018
- Discount rate—Based on the Bond Buyer GO 20-Bond Municipal Bond Index

See Independent Auditors’ Report.

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(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, 2020, valuation is based on a measured date of July 1, 2019, with a measurement period of July 1, 2018, to July 1, 2019. 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.

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>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 45,845	46,627
Changes for the year:		
Service cost	1,692	1,627
Interest expense	1,840	1,664
Actual experience	(131)	(85)
Changes in assumptions	(1,442)	(541)
Other	(812)	5
Benefits paid	<u>(3,820)</u>	<u>(3,452)</u>
Net changes	<u>(2,673)</u>	<u>(782)</u>
Balance at end of year	<u>\$ 43,172</u>	<u>45,845</u>

See Independent Auditors' Report.

**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 3.51% and 3.87% for 2020 and 2019, 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 <u>(2.51%)</u>	Current Discount Rate (3.51%)	1% Increase <u>(4.51%)</u>
<u>2020</u>			
Employer's total OPEB liability	\$ 46,083	<u>43,172</u>	<u>40,454</u>
	1% Decrease <u>(2.87%)</u>	Current Discount Rate (3.87%)	1% Increase <u>(4.87%)</u>
<u>2019</u>			
Employer's total OPEB liability	\$ 48,919	<u>45,845</u>	<u>42,984</u>

**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, 2020 and 2019, calculated using the healthcare trend rate of 5.30% decreasing to 5.00% for 2020 and 7.10% decreasing to 4.60% for 2019, 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 (4.30% decreasing to <u>4.00%</u>)	Current Healthcare Trend Rate (5.30% decreasing to <u>5.00%</u>)	1% Increase in Healthcare Trend Rate (6.30% decreasing to <u>6.00%</u>)
<u>2020</u>			
Employer's total OPEB liability	\$ 39,513	<u>43,172</u>	<u>47,431</u>

See Independent Auditors' Report.

**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
Healthcare Cost Trend Rate, Continued**

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

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” (OPEB).

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.

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

Contributions, Continued

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 2020, state agency employers contributed 16.5% on all salary.

Contributions to OPERS for the HISP by OCAST were approximately \$10,800, \$10,600, and \$10,500 for the years ended June 30, 2020, 2019, and 2018, respectively.

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

At June 30, 2020, OCAST reported an asset of \$21,156 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2019. 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. 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, 2019 and 2018. Based upon this information, OCAST's proportion at June 30, 2020 and 2019, was 0.05441586% and 0.05485322%, respectively.

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, Continued**

For the years ended June 30, 2020 and 2019, OCAST recognized OPEB (benefit) expense of \$(1,821) and \$549, respectively. At June 30, 2020 and 2019, OCAST reported deferred outflows of resources and deferred inflows of resources related to the HISP from the following sources:

<u>2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	17,190
Changes in assumptions	3,179	-
Net difference between projected and actual earnings on HISP investments	-	2,286
Changes in proportion and differences between agency contributions and proportionate share of contributions	-	566
Office contributions subsequent to the measurement date	<u>10,839</u>	<u>-</u>
	<u>\$ 14,018</u>	<u>20,042</u>

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, Continued**

<u>2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</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>

Reported deferred outflows of resources of \$10,839 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 ending June 30, 2021. The amortization of deferred outflows of resources and deferred inflows of resources related to the HISP OPEB asset as of June 30, 2020, will be recognized in OPEB expense as follows:

Years Ending June 30:	
2021	\$ (6,421)
2022	(5,879)
2023	(3,648)
2024	(457)
2025	<u>(458)</u>
	<u>\$ (16,863)</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

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, 2019 and 2018, 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, 2019 and 2018, 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

(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, 2020 and 2019, 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.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%
	<u>100.0%</u>	

Discount Rate

A discount rate used to measure the total OPEB liability was 7.00% for both June 30, 2019 and 2018. 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.

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**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

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 2020 and 2019, 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>2020</u>			
Employer's net OPEB (asset)	\$ <u>(3,341)</u>	<u>(21,156)</u>	<u>(36,476)</u>
<u>2019</u>			
Employer's net OPEB liability (asset)	\$ <u>11,302</u>	<u>(7,099)</u>	<u>(22,925)</u>

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.

(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, 2020 and 2019, was \$49,839 and \$47,102, respectively.

See Independent Auditors’ Report.

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

(7) COMMITMENTS AND CONTINGENCIES

COVID-19

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, including the City of Oklahoma City, Oklahoma, 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. These issues impacted the operations of OCAST during the year ended June 30, 2020, including instituting remote work requirements for some employees. OCAST's management has considered the economic implications of the COVID-19 pandemic in making critical and significant accounting estimates included in the June 30, 2020, financial statements.

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 OCAST's staff 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
SCIENCE AND TECHNOLOGY**

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

Last 5 Fiscal Years	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
OCAST's proportion of the net pension liability	0.05411586%	0.05485322%	0.06169120%	0.06336585%	0.06657395%	0.06118200%
OCAST's proportionate share of the net pension liability	\$ 72,076	106,987	333,542	603,125	239,456	112,308
OCAST's covered payroll	1,000,127	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	7.21%	10.89%	33.12%	56.45%	21.45%	10.47%
OPERS' fiduciary net position as a percentage of the total pension liability	98.63%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 144,001	142,867	141,732	165,947	187,400	194,184	171,029
Contributions in relation to the contractually required contributions	<u>144,001</u>	<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>-</u>	<u>(1)</u>	<u>(431)</u>	<u>-</u>	<u>-</u>
OCAST's covered payroll	\$ 963,473	1,000,127	982,875	1,007,194	1,068,494	1,116,472	1,072,734
Contributions as a percentage of covered payroll	14.95%	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>2020*</u>	<u>2019*</u>	<u>2018*</u>
OCAST's proportion of the net OPEB (asset) liability	0.05411586%	0.05485322%	0.06169120%
OCAST's proportionate share of the net OPEB (asset) liability	\$ (21,156)	(7,099)	7,066
OCAST's covered payroll	1,000,127	982,875	1,007,184
OCAST's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(2.12)%	(0.72)%	0.70%
OPERS' fiduciary net position as a percentage of the total OPEB liability	112.11%	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.

See Independent Auditors' Report.

**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>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 10,839	10,551	10,466
Contributions in relation to the contractually required contributions	<u>10,839</u>	<u>10,551</u>	<u>10,466</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
OCAST's covered payroll	963,473	1,000,127	982,875
Contributions as a percentage of covered payroll	1.13%	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>2020</u>	<u>2019</u>	<u>2018</u>
Beginning of year	\$ 45,845	46,627	49,670
Changes for the year:			
Service cost	1,692	1,627	1,859
Interest	1,840	1,664	1,413
Actual experience	(131)	(85)	-
Changes in assumptions	(1,442)	(541)	(2,325)
Other	(812)	5	-
Benefit paid	<u>(3,820)</u>	<u>(3,452)</u>	<u>(3,990)</u>
Net change in net IRSHIP OPEB liability	<u>(2,673)</u>	<u>(782)</u>	<u>(3,043)</u>
Net IRSHIP OPEB liability—ending	<u>\$ 43,172</u>	<u>45,845</u>	<u>46,627</u>
Covered-employee payroll	\$ 1,000,127	982,875	1,007,194
Net IRSHIP OPEB liability as a percentage of covered-employee payroll	4.32%	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 2020 was 3.51%.

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, 2020, and the related notes to the financial statements, which collectively comprise OCAST's basic financial statements, and have issued our report thereon dated May 3, 2021. 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Finley + Cook, PLLC

Shawnee, Oklahoma
May 3, 2021