# State of Oklahoma
# Department of Commerce

*Financial Statements*

June 30, 2022 and 2021
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**FINANCIAL STATEMENTS**

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FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

State of Oklahoma
Department of Commerce

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

*Opinions*

We have audited the accompanying financial statements of the governmental activities and the General Fund of the State of Oklahoma Department of Commerce (ODOC), which is part of the State of Oklahoma financial reporting entity, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise ODOC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of ODOC, as of June 30, 2022 and 2021, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

*Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ODOC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter***

*Department-Only Financial Statements*

As discussed in Note 1, the financial statements of ODOC 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 ODOC. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2022 or 2021, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

(Continued)



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***Responsibilities of Management for the Financial Statements***

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ODOC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ODOC's ability to continue as a going concern for a reasonable period of time.

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

(Continued)

***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-11 the budgetary comparison information on pages 62 through 66, the schedule of ODOC's proportionate share of the net pension (asset) liability—Oklahoma Public Employees Retirement System, the schedule of ODOC's contributions—Oklahoma Public Employees Retirement System, the schedule of ODOC's proportionate share of the net OPEB (asset) liability—Oklahoma Public Employees Health Insurance Subsidy Plan, the schedule of ODOC's contributions—Oklahoma Public Employees Health Insurance Subsidy Plan, and the schedule of ODOC's changes in total OPEB liability and related ratios—Implicit Rate Subsidy of Health Insurance OPEB Liability on pages 67 through 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ODOC's basic financial statements. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2022, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(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 October 31,2022, on our consideration of ODOC'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 ODOC'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 ODOC's internal control over financial reporting and compliance.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 31, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the State of Oklahoma Department of Commerce's (ODOC) financial performance provides an overview of ODOC's financial activity for the years ended June 30, 2022, and 2021. It should be read in conjunction with the financial statements which begin on page 5.

### Discussion of the Basic Financial Statements

The 2022 and 2021 financial statements have been prepared in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34). GASB 34 not only provides for the presentation of Management's Discussion and Analysis and other required supplementary information, but also provides for the following statements:

*Government-Wide Financial Statements:*

Statements of Net Position—These are financial statements of ODOC as a whole. They are prepared on the accrual basis of accounting and present all assets, liabilities, and net position for ODOC as of June 30, 2022 and 2021.

Statements of Activities—These statements are also prepared on the accrual basis of accounting and present the operating results of ODOC for the years ended June 30, 2022 and 2021.

*Fund Financial Statements:*

Balance Sheets–General Fund—As ODOC has only one fund, the General Fund, these financial statements present the balance sheets prepared on a modified accrual basis of accounting. Certain assets and liabilities presented on the statements of net position are not reflected on these statements. There is also a reconciliation prepared on the balance sheets to reconcile the fund balance per the General Fund to the government-wide net position.

Statements of Revenues, Expenditures, and Changes in Fund Balances–General Fund—These statements are prepared on a modified accrual basis of accounting; consider only the governmental funds, i.e., in ODOC's case, the General Fund; and present operating results on a governmental fund basis. There is also a reconciliation of the statements of revenues, expenditures, and changes in fund balances–General Fund to the statements of activities—as the name implies, these statements are simply a reconciliation of the net changes in fund balances for governmental funds to the changes in net position per the statements of activities.

The government-wide financial statements include all assets and liabilities of ODOC, such as land, building, furniture, fixtures, and equipment, capital leases payable, accruals for compensated absences, etc. As such, also included are depreciation and interest expenses, whereas the fund financial statements generally include only current assets and payables. At the fund level, payments on the capital lease obligations are reflected as expenditures when paid and no capital assets such as land and building are included.

## Condensed Financial Information

*Government-Wide Financial Statements*

### Statements of Net Position

| | June 30, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **Assets** | | | |
| Current assets | $ 100,317,824 | 99,884,617 | 63,504,988 |
| Noncurrent assets | 12,771,732 | 8,607,366 | 9,444,482 |
| Total assets | 113,089,556 | 108,491,983 | 72,949,470 |
| Deferred outflows of resources related to the pension and OPEB | 1,352,025 | 2,395,239 | 852,834 |
| **Liabilities** | | | |
| Current liabilities | 12,129,506 | 10,331,770 | 8,731,857 |
| Noncurrent liabilities | 327,619 | 3,661,144 | 1,078,214 |
| Total liabilities | 12,457,125 | 13,992,914 | 9,810,071 |
| Deferred inflows of resources related to the Pension plan and OPEB | 6,194,826 | 182,491 | 382,560 |
| Net position | $ 95,789,630 | 96,711,817 | 63,609,673 |

Current assets primarily consist of cash and receivables from grantors. In addition, as of June 30, 2022 and 2021, there was approximately $5,698,000 and $5,768,000, respectively, of receivables from subgrantees. This represents amounts that ODOC has advanced to subgrantees but which the subgrantees have not expended. Capital assets primarily consist of land, building, building improvements, furniture, fixtures, and equipment. Also included in noncurrent assets are certain loans which ODOC has made for which repayment is expected. There were deferred outflows of approximately $1,352,000 and $2,395,000 as of June 30, 2022 and 2021, respectively. Current liabilities were primarily composed of accounts payable and the current portion of compensated absences of approximately $535,000 and $452,000 at June 30, 2022 and 2021, respectively. There were deferred inflows of approximately $6,195,000 and $182,000 as of June 30, 2022 and 2021, respectively. Noncurrent liabilities consisted of accrued compensated absences, less the current portion, of approximately $328,000 and $346,000 at June 30, 2022 and 2021, respectively. Noncurrent liabilities also included the net pension liability and net OPEB liability.

## Condensed Financial Information, Continued

*Government-Wide Financial Statements, Continued*

Net position was composed of the net investment in capital assets of approximately $3,709,000 and $3,916,000 at June 30, 2022 and 2021, respectively. Restricted net position totaled approximately $67,118,000 and $72,266,000 at June 30, 2022 and 2021, respectively, representing the net position of the federal programs administered by ODOC; approximately $37,903,000 and $41,406,000 restricted for the Oklahoma Quick Action Closing Fund at June 30, 2022 and 2021, respectively, and approximately $7,000 and $866,000, respectively, restricted for the State Branding Initiative. Unrestricted net position was approximately $24,963,000 and $20,529,000 at June 30, 2022 and 2021, respectively.

A significant portion of the statements of activities is represented by state appropriations. For the years ended June 30, 2022 and 2021, approximately $38,265,000 and $65,866,000, respectively, was transferred to ODOC from State of Oklahoma appropriated revenues. Grant programs as of June 30, 2022 and 2021, accounted for approximately $68,378,000 and $207,426,000, respectively, of expenses and approximately $67,035,000 and $206,815,000, respectively, of revenues.

*Analysis of the Government's Overall Financial Position and Results of Operations*

At June 30, 2022 and 2021, the statements of net position reflect assets in excess of liabilities of approximately $95,790,000 and $96,712,000, respectively; approximately $29,208,000 and $29,994,000, respectively, of net position was restricted for grant operations. For the years ended June 30, 2022 and 2021, the statements of activities reflect a change in net position of approximately $(922,000) and $33,102,000, respectively.

*Analysis of Balances and Transactions of Individual Funds*

As noted previously, ODOC, for reporting purposes, has one fund and that is the General Fund. Included in the fund balance of the General Fund are the remaining assets of federal programs which are reflected as restricted.

## Condensed Financial Information, Continued

*Fund Financial Statements*

### Balance Sheets

| | June 30, 2022 | 2021 | 2020 |
|---|---|---|---|
| Cash, including short-term investments | $ 87,367,589 | 89,599,620 | 51,462,265 |
| Subgrantee advances | 5,697,999 | 5,767,839 | 7,537,691 |
| Grants receivable | 7,181,482 | 4,383,600 | 4,372,897 |
| Accounts receivable | 70,754 | 133,558 | 132,135 |
| Total assets | $ 100,317,824 | 99,884,617 | 63,504,988 |
| Accounts payable | $ 11,594,433 | 9,879,763 | 7,951,078 |
| Fund balances | 88,723,391 | 90,004,854 | 55,553,910 |
| Total liabilities and fund balances | $ 100,317,824 | 99,884,617 | 63,504,988 |

### Statements of Revenues, Expenditures, and Changes in Fund Balance

| | Year Ended June 30, 2022 | 2021 | 2020 |
|---|---|---|---|
| Revenues and other sources: | | | |
| State appropriations | $ 38,264,959 | 65,866,497 | 45,005,295 |
| Federal grant revenues | 64,030,280 | 203,806,045 | 35,824,695 |
| In-kind revenues (match) | 2,322,425 | 2,280,998 | 2,491,635 |
| Other | 2,624,677 | 5,691,881 | 2,352,266 |
| Total revenues and other sources | 107,242,341 | 277,645,421 | 85,673,891 |
| Expenditures: | | | |
| Subgrantee expenditures | 80,428,866 | 70,354,926 | 44,080,100 |
| Salaries, wages, and benefits | 11,367,825 | 10,983,937 | 9,656,540 |
| In-kind expenditures (match) | 2,322,425 | 2,280,997 | 2,491,635 |
| Other | 14,404,688 | 159,574,617 | 7,759,443 |
| Total expenditures | 108,523,804 | 243,194,477 | 63,987,718 |
| Net (decrease) increase in fund balance | $ (1,281,463) | 34,450,944 | 21,686,173 |

## Condensed Financial Information, Continued

*Fund Financial Statements, Continued*

Grants receivable represents amounts due from federal grants for expenditures made as of June 30, 2022 and 2021. Cash includes federal grant monies held at June 30, 2022 and 2021, of $19,679,329 and $19,540,471, respectively. The fund balance at June 30, 2022 and 2021, included $25,377,328 and $25,302,905, respectively, reserved for the grant programs administered by ODOC and $37,902,926 and $41,406,211, respectively, reserved for the Oklahoma Quick Action Closing Fund. The fund balance also included $6,622 and $865,916 reserved for the State Branding Initiative at June 30, 2022 and 2021, respectively.

## Analysis of Significant Variations Between Budget Amounts for the General Fund

The largest significant variances in the budgets are in the areas of grant revenues and subgrantee expenditures. For the years ended June 30, 2022 and 2021, it was anticipated that ODOC would receive approximately $77,098,000 and $89,444,000, respectively, in grant revenues and expend approximately $92,997,000 and $99,392,000, respectively, in subgrantee expenditures. For the years ended June 30, 2022 and 2021, grant revenue was overestimated by approximately $11,526,000 and $29,508,000, respectively, while subgrantee expenditures were overestimated by approximately $12,568,000 and $29,037,000, respectively. The variance for the years ended June 30, 2022 and 2021, was due to an overestimate of anticipated Workforce, Community Development Block Grant Disaster Recovery (CDBGDR), and CARES Act expenditures and slower than anticipated expenditure of state pass-through funds. ODOC was notified of a new CDBGDR award during FY-2020. As of June 30, 2022, the grant had been approved by HUD, however other factors in program design resulted in slower than expected expenditures. Other large variances in the budget were contractual and professional expenditures, for which actual expenditures were approximately $336,000 less than budgeted for the year ended June 30, 2022, and $144,067,000 more than budgeted for the year ended June 30, 2021, respectively; salaries, wages, and benefits, for which actual expenditures were approximately $2,403,000 and $755,000 less than budgeted for the years ended June 30, 2022 and 2021, respectively; and miscellaneous administrative expenses, for which actual expenditures were approximately $21,931,000 and $162,469,000 less than budgeted for the years ended June 30, 2022 and 2021, respectively. Most of the variance in contractual and professional expenditures for the year ended June 30, 2022, was in large part due to funds for EDA grant incorrectly budgeted in computer design services. Most of the variance in contractual and professional expenses and miscellaneous administrative expenses for the year ended June 30, 2021, was in large part due to expenditures for the Oklahoma Business Relief Program that were budgeted as miscellaneous administrative expenses but spent from contractual and professional. The salaries, wages, and benefits variance was due to FY-2021 carryover funds budgeted as salaries, wages, and benefits in order to expend the carryover prior to the statutory lapse date. The miscellaneous administrative expenses variance for the year ended June 30, 2022, was due to the Quick Action Closing Fund supplemental appropriation of $20 million but only 3.5 million was expended in FY-2022. A large portion of the QACF funds are committed but can take a year or longer to expend due to the requirements of the fund and the terms of the contracts with businesses.

## Description of Significant Capital Asset and Long-Term Debt Activity

As of June 30, 2022 and 2021, long-term debt of ODOC consisted of compensated absences.

Compensated absences totaled $862,962 and $797,792 at June 30, 2022 and 2021, respectively. The allocation of the portion considered long-term is as follows:

| | | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Total compensated absences | $ | 862,692 | 797,792 | 759,351 |
| Portion considered short-term | | (535,073) | (452,007) | (368,779) |
| Long-term portion | $ | 327,619 | 345,785 | 390,572 |

During the years ended June 30, 2022 and 2021, ODOC recorded approximately $207,000 of depreciation, respectively. There were no capital asset additions for the year ended June 30, 2022 or 2021. ODOC had no large amounts of infrastructure assets, and capital assets are depreciated on the half-year, straight-line basis.

## Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations

On July 21, 2022, OMES approved ODOC's budget for the fiscal year July 1, 2022, to June 30, 2023. Overall, the total budgeted operating expenditures increased $64,507,250 for FY 2023 and decreased $140,805,803 for FY-2022. The change in anticipated expenditures, reflected by funding source, is as follows:

| Funding Source | | 2023 Budget Compared to 2022 | 2022 Budget Compared to 2021 | 2021 Budget Compared to 2020 |
|---|---|---|---|---|
| State-appropriated (including appropriation budgeted in revolving funds and Special Cash and REAP funds) | $ | 14,858,816 | 25,627,711 | 1,206,700 |
| Revolving funds (excluding appropriation budgeted in revolving funds) | | (2,203,571) | (257,457) | 1,358,494 |
| Federal and other | | 51,852,005 | (166,176,057) | 184,472,436 |
| Total budget change | $ | 64,507,250 | (140,805,803) | 187,037,630 |

## Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations, Continued

ODOC is anticipating $80,229,323 in state-appropriated funding for FY-2023, compared to $65,370,507 in FY-2022. The $14,858,816 increase in the "state-appropriated" category for the year ending June 30, 2023, was due primarily to the following:

- The current budgeted appropriations for operating costs, increased by $1,939,364 in FY-2023—from $22,789,959 in FY-2022 to $24,729,323 in FY-2023.
- The Oklahoma Accelerator Program did not receive an appropriation in FY-2023 but the program had no expenditures in FY-2022 so the entire amount has been carried over to FY-2023 in revision one. After the revision, an increase of $15,000,000 is reflected from FY-2022 to FY-2023.
- Carryover of appropriated funds decreased $4,199,337 in FY-2023—from $4,199,337 in FY-2022 to $0 in FY-2023. The carryover revision has not been completed yet and is estimated to be above the FY-2022 carryover amount. The Oklahoma Accelerator Program listed above has already been carried over to FY-2023 and is not included in this amount.
- The Rural Economic Action Plan (REAP) Fund increased by $14,525,000 in FY-2023 from $15,475,000 in FY-2022 to $30,000,000 in FY-2023.
- The Quick Action Closing Fund decreased by $17,406,211 in FY-2023—from $22,906,211 in FY-2022 to $5,500,000 in FY-2023. No appropriation was received in FY-2023 only a portion of existing cash was budgeted due to the length of time necessary for companies to meet the requirements of Quick Action Closing Fund contracts.
- The Oklahoma Disaster Mitigation and Recovery Fund was created in FY-2023 and an amount of $5,000,000 was appropriated in FY-2023 by HB 3819. This fund has increased by $5,000,000 from $0 in FY-2022 to $5,000,000.

ODOC is anticipating $1,773,645 in revolving fund operating expenditures for FY-2023, compared to $3,977,216 for FY-2022. The $2,203,571 decrease in the "Revolving Funds" category for the year ending June 30, 2023, was due primarily to the following:

- The ODOC Non-Appropriated Fund decreased by $2,000,599 in FY-2023—from $2,505,099 in FY-2022 to $504,500 in FY-2023. Approximately $1,711,676 was budgeted in FY-2022 for the EDA and STEP grants and the building expenses are no longer funded with revolving.
- The Historic Greenwood District Juneteenth Revolving Fund decreased by $500 in FY-2023—from $500 in FY-2022 to $0 in FY-2023. HB 1044 was signed into law in FY-2021 repealing the statutory language which authorized the Oklahoma Tax Commission (OTC) to transfer Historic Greenwood/Juneteenth license plate fees to ODOC. OTC now transfers the funds directly to the Historic Greenwood District Juneteenth Festival.

**Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations, Continued**

- The Oklahoma Main Street Program Revolving Fund decreased by $7,197 in FY-2023—from $15,005 in FY-2022 to $7,808 in FY-2023. Main Street received two $5,000 sponsorships for the Annual Main Street Awards Banquet in FY-2022 but at this time no sponsorships are anticipated.

- The Workforce Work-Based Learning Revolving Fund decreased by $66,000 in FY-2023—from $86,000 in FY-2022 to $20,000 in FY-2023. The budget was reduced based on an analysis of actual expenditures since Workforce moved to Commerce in December 2019.

- The Indirect Cost Fund decreased by $129,275 in FY-2023—from $1,370,612 in FY-2022 to $1,241,337 in FY-2023. There was an increase in appropriation funding so the amount needed from indirect was reduced.

ODOC is anticipating $127,195,686 in federally funded operating expenditures for FY-2023, compared to $75,343,681 in FY-2022. The $51,852,005 increase in the "Federal and Other" category for the year ending June 30, 2023, was due primarily to the following:

- The federal pass-through and other budget including payroll increased by $51,852,005 in FY-2023—from $75,343,681 in FY-2022 to $127,195,686 in FY-2023. The increase in federal funds is due to an increase in the CARES Act funds and the ARPA-Statewide Recovery Fund.

During FY-2020, HUD issued a Federal Register notice announcing the allocation of $36,353,000 in CDBGDR funds to address unmet disaster recovery needs resulting primarily from floods. No less than $29,082,000 must be allocated to Muskogee, Tulsa, and Sequoyah Counties. The official award was received in July 2021. ODOC is currently in the process of allocating these funds to local communities in accordance with program requirements.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act provided assistance through several means, including the Coronavirus Relief Fund (CRF) and allocations to the CDBG, CSBG, and ESG programs.

The Oklahoma CRF was awarded to OMES for distribution to state agencies, counties, and local municipalities. The CARES Act requires that the funds be used to cover expenses that are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19), were not accounted for in the budget most recently approved as of March 27, 2020, and were incurred during the period that began March 1, 2020, and ends on December 30, 2020. As of June 30, 2020, ODOC had incurred approximately $345,000 in CRF eligible expenditures and was reimbursed by OMES subsequent to year end.

**Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations, Continued**

The CARES Act formula grant allocations were as follows:

- CDBGCR: $29,977,900
  - At least 70 percent must be expended for activities that benefit low- and moderate-income persons by providing housing, a permanent job, a public service, or access to new or significantly improved infrastructure. Funds were allocated to grantees based on various factors, including the regular CDBG formula and the local impact of COVID-19 on communities. Two initial awards totaling $19,536,467 were received in FY-2021. The remaining award of $10,441,433 was received in August 2021. All funds must be expended by March 27, 2026.

- CSBGCR: $11,685,346
  - Funds are intended to address the consequences of increasing unemployment and economic disruption as a result of COVID-19. The funds were awarded in May 2020 and must be expended by September 30, 2022.

- ESGCR: $17,978,443
  - Funds are to be used to prevent, prepare for, and respond to the COVID-19 pandemic among individuals and families who are homeless or receiving homeless assistance and to support additional homeless assistance and homelessness prevention activities to mitigate the impacts of COVID-19. Funds were allocated to grantees based on various factors including the regular ESG formula and the local impact of COVID-19 on communities. An initial award of $5,743,528 was received in June 2020. The remaining award of $12,234,915 was received in September 2020. Recipients must expend all amounts awarded through the first and second allocations by September 30, 2023, except for administration and HMIS funds necessary for closeout, which must be expended by December 31, 2023.

In April 2020, the Governor and ODOC announced the Oklahoma Manufacturing Reboot Program (OMRP) to address the negative effects of the COVID-19 pandemic on Oklahoma businesses. The awards ranged from $25,000 to $150,000 and were paid from funds available in the Quick Action Closing Fund. These awards were eligible for reimbursement from the CRF. As of June 30, 2020, $3,933,075 had been awarded to eligible businesses. Subsequent to June 30, 2020, $1,061,075 was reimbursed to the Quick Action Closing Fund.

Additionally, the Governor designated $145 million in CRF funds to the Oklahoma Business Relief Program (OBRP). The OBRP provided for grants up to a maximum of $25,000 to eligible businesses located in Oklahoma that had incurred a revenue loss of 25% or more from March–May 2020 that was substantially caused by the impact of COVID-19 compared to one of three time periods (January–December 2019, March–May 2019, or January–February 2020). Grant amounts are equal to two months of average total payroll based on either average 2019 total payroll or the average of January–February 2020 total payroll. Businesses applied for funding through participating financial institutions (PFI). These PFIs also facilitated the payment process between ODOC and the businesses. The application period began June 29, 2020. During the year ended June 30, 2021, ODOC expended approximately $143,000,000, net of refunds, in relation to the OBRP, and returned approximately $2,000,000 of funds to the State.

**Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations, Continued**

On March 11, 2021, the American Rescue Plan Act (ARPA) of 2021 was signed into law. ARPA provided assistance through several means, including $1.87 billion to the State of Oklahoma to be used to respond to the public health and economic emergency, provide premium pay to essential workers, replace revenue lost to the pandemic, and make necessary investments in water, sewer, and broadband infrastructure. The State initially established the Joint Committee on Pandemic Relief Funding to receive and evaluate proposals for the use of these funds, with the committee making recommendations to the Governor for final determination on fund allocation. In May 2022, the Legislature amended the process; reallocating ARPA funds to the Statewide Recovery Fund, from which the Legislature will make appropriations to agencies through the legislative process. As of June 30, 2022, $25,000,000 had been appropriated to ODOC for nonprofit relief. This program will provide up to $75,000 to eligible nonprofits that can demonstrate a negative financial impact directly related to COVID-19 between January 1, 2020, and March 31, 2022. As of June 30, 2022, no funds had been expended for this program.

Subsequent to June 30, 2022, an additional $65,000,000 was appropriated to ODOC from the Statewide Recovery Fund. Up to $60,000,000 was appropriated to the Pandemic Relief Primary Source Revolving Fund for grants to industrial parks, airparks, and ports to cover costs related to water, wastewater, sewer, and broadband projects eligible under ARPA. Up to $5,000,000 was allocated for workforce coordination.

In conjunction with the ARPA appropriation, the Legislature also appropriated $122,150,000 from the Progressing Rural Economic Prosperity (PREP) fund. The PREP allocations are as follows:

- $46,200,000 to the Pandemic Relief Secondary Source Revolving Fund for grants to cover costs that are directly associated with projects at industrial parks, airparks, and ports at least partially funded by an appropriation from the Statewide Recovery Fund, with priority given to projects partially funded by the Pandemic Relief Primary Source Revolving Fund.

- $25,000,000 to construct needed facility upgrades including intermodal rail, at an industrial park in the southern region of the state.

- $1,000,000 to enhance trade with Latin America, Europe, and Southeast Asia.

- $20,000,000 to construct facility upgrades, such as fairground arena connectors, electrical infrastructure, and facilities associated with livestock events at a location in the central region of the state.

- $29,950,000 to fund facility upgrades, including electric, water, natural gas, sewer, fiber, site access and land remediation at industrial parks, airparks, and ports in counties not receiving funding from the Pandemic Relief Primary Source Revolving Fund or the Pandemic Relief Secondary Revolving Fund.

On November 15, 2021, the Infrastructure Investment and Jobs Act (IIJA) was signed into law. The IIJA provides assistance for transportation, environmental, energy, and broadband infrastructure, cybersecurity, and disaster response. Energy assistance included allocations for the Weatherization Program, State Energy Program (SEP), and Energy Efficiency and Conservation Block Grant (EECBG).

**Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations, Continued**

The IIJA formula grant allocations were as follows:

- Weatherization: $42,330,032
  - Eligible uses include improvement of heating and cooling of dwellings by the installation of weatherization materials such as attic insulation, caulking, weather-stripping, furnace efficiency modifications, certain mechanical measures to heating and cooling systems, and replacement furnaces, boilers, and air-conditioners. An initial award of $6,349,504 was received subsequent to June 30, 2022. All funds must be expended by June 30, 2027.

- SEP: $6,400,000 (estimated)
  - Eligible uses include energy conservation measures, renewable energy measures, and programs to increase deployment of clean energy technologies in buildings, industry and transportation, including programs to help reduce carbon emissions in the transportation sector and accelerate the use of alternative transportation fuels for, and electrification of, State government vehicles, fleet vehicles, taxis and ridesharing services, mass transit, school buses, ferries, and privately owned passenger and medium- and heavy-duty vehicles. ODOC anticipates receiving the SEP award in February 2023. Funds must be expended within five years.

- EECBG: $1,900,000 (estimated)
  - Eligible uses include development and implementation of an energy efficiency and conservation strategy, retaining technical consultant services to assist in the development of such a strategy, conducting residential and commercial building energy audits, and establishment of financial incentive programs for energy efficiency improvements, among other uses. The timeline for receipt and expenditure of funds is unknown at this time.

**Request for Information**

This financial report is designed to provide a general overview of ODOC's finances for those people who have an interest. Any questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Oklahoma Department of Commerce, 900 North Stiles Avenue, Oklahoma City, OK 73104.

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**STATEMENTS OF NET POSITION**

| *June 30,* | *2022* | *2021* |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash, including short-term investments | $ 87,367,589 | 89,599,620 |
| Subgrantee advances | 5,697,999 | 5,767,839 |
| Grants receivable | 7,181,482 | 4,383,600 |
| Accounts receivable | 70,754 | 133,558 |
| Total current assets | 100,317,824 | 99,884,617 |
| Noncurrent assets: | | |
| Loans receivable | 3,830,770 | 4,690,981 |
| Net pension asset—amount due in more than 1 year | 5,127,752 | - |
| Net OPEB asset—amount due in more than 1 year | 104,114 | - |
| Capital assets: | | |
| Nondepreciable—land | 70,000 | 70,000 |
| Depreciable, net of accumulated depreciation | 3,639,096 | 3,846,385 |
| Capital assets, net | 3,709,096 | 3,916,385 |
| Total noncurrent assets | 12,771,732 | 8,607,366 |
| Total assets | 113,089,556 | 108,491,983 |
| **Deferred Outflows of Resources** | | |
| Deferred amounts related to the pension and OPEB | 1,352,025 | 2,395,239 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable | 11,594,433 | 9,879,763 |
| Compensated absences—current portion | 535,073 | 452,007 |
| Total current liabilities | 12,129,506 | 10,331,770 |
| Noncurrent liabilities: | | |
| Compensated absences—less current portion | 327,619 | 345,785 |
| Net pension liability—amount due in more than 1 year | - | 3,063,517 |
| Net OPEB liability—amount due in more than 1 year | - | 251,842 |
| Total noncurrent liabilities | 327,619 | 3,661,144 |
| Total liabilities | 12,457,125 | 13,992,914 |
| **Deferred Inflows of Resources** | | |
| Deferred amounts related to the pension and OPEB | 6,194,826 | 182,491 |

(Continued)

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

## STATEMENTS OF NET POSITION, CONTINUED

| *June 30,* | *2022* | *2021* |
|---|---|---|
| **Net Position** | | |
| Net investment in capital assets | 3,709,096 | 3,916,385 |
| Restricted—grant programs | 29,208,098 | 29,993,886 |
| Restricted—Oklahoma Quick Action Closing Fund | 37,902,926 | 41,406,211 |
| Restricted—State Branding Initiative | 6,622 | 865,916 |
| Unrestricted | 24,962,888 | 20,529,419 |
| Total net position | $ 95,789,630 | 96,711,817 |

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

## STATEMENTS OF ACTIVITIES

*Year Ended June 30, 2022*

| | Expense | Revenue: Charges for Services | Revenue: Operating Grants and Contributions | Net (Expense) Revenue |
|---|---|---|---|---|
| Government activities: | | | | |
| General government: | | | | |
| Operations | $ (39,534,525) | 607,789 | - | (38,926,736) |
| Interest expense | - | - | - | - |
| Total general government | (39,534,525) | 607,789 | - | (38,926,736) |
| Grant programs | (68,377,582) | - | 67,034,705 | (1,342,877) |
| Total government activities | $ (107,912,107) | 607,789 | 67,034,705 | (40,269,613) |
| General revenues: | | | | |
| State appropriations | | | | 38,264,959 |
| Investment income | | | | 192,738 |
| Other | | | | 889,729 |
| Total general revenues | | | | 39,347,426 |
| Change in net position | | | | (922,187) |
| Net position, beginning of year | | | | 96,711,817 |
| Net position, end of year | | | | $ 95,789,630 |

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

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**STATEMENTS OF ACTIVITIES, CONTINUED**

*Year Ended June 30, 2021*

| | | Revenue | | |
|---|---|---|---|---|
| | Expense | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenue |
| Government activities: | | | | |
| General government: | | | | |
| Operations | $ (37,237,341) | 756,616 | - | (36,480,725) |
| Interest expense | (7,145) | - | - | (7,145) |
| Total general government | (37,244,486) | 756,616 | - | (36,487,870) |
| Grant programs | (207,425,581) | - | 206,815,341 | (610,240) |
| Total government activities | $ (244,670,067) | 756,616 | 206,815,341 | (37,098,110) |
| General revenues: | | | | |
| State appropriations | | | | 65,866,497 |
| Investment income | | | | 281,358 |
| Other | | | | 4,052,399 |
| Total general revenues | | | | 70,200,254 |
| Change in net position | | | | 33,102,144 |
| Net position, beginning of year | | | | 63,609,673 |
| Net position, end of year | | | | $ 96,711,817 |

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

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

**BALANCE SHEETS—GENERAL FUND**

| *June 30,* | *2022* | *2021* |
|---|---|---|
| **Assets** | | |
| Cash, including short-term investments | $ 87,367,589 | 89,599,620 |
| Subgrantee advances | 5,697,999 | 5,767,839 |
| Grants receivable | 7,181,482 | 4,383,600 |
| Accounts receivable | 70,754 | 133,558 |
| Total assets | $ 100,317,824 | 99,884,617 |
| **Liabilities and Fund Balances** | | |
| Liabilities: | | |
| Accounts payable | $ 11,594,433 | 9,879,763 |
| Total liabilities | 11,594,433 | 9,879,763 |
| Fund balances: | | |
| Restricted | 79,277,100 | 82,856,325 |
| Assigned | 4,057,584 | 1,451,446 |
| Unassigned | 5,388,707 | 5,697,083 |
| Total fund balances | 88,723,391 | 90,004,854 |
| Total liabilities and fund balances | $ 100,317,824 | 99,884,617 |

(Continued)

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

## BALANCE SHEETS—GENERAL FUND, CONTINUED

| *June 30,* | | *2022* | *2021* |
|---|---|---|---|
| **Reconciliation of Fund Balances to Net Position** | | | |
| Total fund balances from above | $ | 88,723,391 | 90,004,854 |
| Amounts reported in the statements of net position are different because: | | | |
| Capital assets and certain loans used in governmental activities are not financial resources and therefore not reported in the fund: | | | |
| Capital assets, net of accumulated depreciation of $4,313,161 and $4,105,873 at June 30, 2022 and 2021, respectively. | | 3,709,096 | 3,916,385 |
| Loans receivable | | 3,830,770 | 4,690,981 |
| Deferred outflows related to the pension and OPEB are not financial resources and therefore are not reported in the funds. | | 1,352,025 | 2,395,239 |
| Certain liabilities are not due and payable in the current period and therefore not reported in the fund: | | | |
| Accrued compensated absences | | (862,692) | (797,792) |
| Net pension asset/(liability) | | 5,127,752 | (3,063,517) |
| Net OPEB asset/(liability) | | 104,114 | (251,842) |
| Deferred inflows related to the pension and OPEB are not due and payable in the current period and therefore are not reported in the fund. | | (6,194,826) | (182,491) |
| Net position, per the statements of net position | $ | 95,789,630 | 96,711,817 |

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

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

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

| *Years Ended June 30,* | *2022* | *2021* |
|---|---|---|
| Revenues: | | |
| Federal grant revenues | $ 64,030,280 | 203,806,045 |
| Program income | 1,542,024 | 1,358,124 |
| Interest | 192,738 | 281,358 |
| Other | 889,915 | 4,052,399 |
| In-kind revenues (match) | 2,322,425 | 2,280,998 |
| Total revenues | 68,977,382 | 211,778,924 |
| Expenditures: | | |
| Subgrantee expenditures | 80,428,866 | 70,354,926 |
| Salaries, wages, and benefits | 11,367,825 | 10,983,937 |
| Professional | 1,164,748 | 2,566,377 |
| Travel | 581,328 | 147,392 |
| Debt service: | | |
| Principal | - | 412,000 |
| Interest | - | 7,145 |
| Space rental | 37,585 | - |
| Equipment rental | 82,452 | 200,831 |
| Supplies | 87,424 | 37,374 |
| Equipment | 36,471 | 28,035 |
| Maintenance | 199,917 | 347,627 |
| Telephone | 119,730 | 118,905 |
| Postage and freight | 11,401 | 7,418 |
| Advertising | 741,178 | 784,314 |
| Printing | 35,319 | 126,782 |
| Contractual | 10,366,777 | 151,366,514 |
| Funds returned to grantor | 79,253 | 2,028,960 |
| Other | 861,105 | 1,394,942 |
| In-kind expenditures (match) | 2,322,425 | 2,280,998 |
| Total expenditures | 108,523,804 | 243,194,477 |
| Deficiency of revenues over expenditures | (39,546,422) | (31,415,553) |
| Other funding sources: | | |
| State appropriations | 38,264,959 | 65,866,497 |
| Net changes in fund balances | (1,281,463) | 34,450,944 |
| Beginning fund balances | 90,004,854 | 55,553,910 |
| Ending fund balances | $ 88,723,391 | 90,004,854 |

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

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

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

| *Years Ended June 30,* | *2022* | *2021* |
|---|---|---|
| Net changes in fund balances—General Fund | $ (1,281,463) | 34,450,944 |
| Amounts reported for governmental activities in the statements of activities are different because: | | |
| Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets: | | |
| Depreciation expense | (207,289) | (207,289) |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of net position: | | |
| Capital lease obligation principal payments | - | 412,000 |
| Repayment of certain loans is revenue in the governmental funds, but the repayment reduces long-term assets (loans) on the statements of net position: | | |
| Loan principal repayments | (860,211) | (629,827) |
| 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 governmental funds: | | |
| Accrued compensated absences | (64,900) | (38,441) |
| Deferred outflows and inflows related to the pension and OPEB benefits are not financial resources and therefore are not reported in the General Fund | 1,491,676 | (885,243) |
| Changes in net position, per the statements of activities | $ (922,187) | 33,102,144 |

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

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State of Oklahoma Department of Commerce (ODOC) complies with accounting principles generally accepted in the United States. Accounting principles generally accepted in the United States include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

### Reporting Entity

ODOC was created on July 1, 1986, under the provisions of the State of Oklahoma House Bill 1944. This legislation joined two state agencies, the Department of Economic and Community Affairs and the Office of the Governor—Department of Economic Development, with several other smaller entities to become the State of Oklahoma Department of Commerce.

ODOC, as an agency of the State of Oklahoma, receives appropriations from state funds, in addition to administrating various federal programs. ODOC passes certain federal and state funds through to qualifying participants. The financial statements include revenues and expenditures for all funds administered by ODOC.

As a state agency, ODOC's insurance is provided through a risk pool of state agencies. For the years ended June 30, 2022 and 2021, the premiums paid for this coverage were approximately $36,000 and $35,000, respectively.

The financial statements include only the activities of ODOC and 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 ODOC.

ODOC's financial statements are included in the statewide financial statements of the State of Oklahoma.

### Basis of Presentation

#### *Government-Wide Financial Statements*

The statements of net position and the statements of activities display information about ODOC as a whole. ODOC's activities are all governmental in nature and generally are financed primarily through state appropriations and other nonexchange revenues (grants). ODOC has no business-type activities as defined by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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

### Basis of Presentation, Continued

***Fund Financial Statements***

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

For the financial statement presentation, ODOC has only one fund, and that is the General Fund. All grant revenues and expenditures are accounted for in the General Fund, with net position and fund balances restricted.

ODOC has only governmental-type funds and no proprietary or fiduciary funds.

### Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded, regardless of the measurement focus applied.

Measurement Focus

On the government-wide statements of net position and the statements of activities, ODOC's activities are presented using the economic resources measurement focus as defined in item *a* below.

In the fund financial statements, the "current financial resources" measurement focus is used as defined in item *b* below.

a. The statements of net position and the statements of activities utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of changes in net positions and financial positions. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

b. The General Fund utilizes a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. The fund uses fund balances as the measure of available spendable financial resources at the end of the period.

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

### Measurement Focus and Basis of Accounting, Continued

Basis of Accounting

In the government-wide statements of net position and statements of activities, ODOC's activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic assets are used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchanges take place.

In the fund financial statements, the General Fund is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities; ODOC considers 90 days as the timeframe for collectible. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest which are reported when due.

### Fund Accounting

The General Fund is the operating fund of ODOC. It is used to account for all activities. Included in the General Fund are various grant revenues and expenditures. The grant monies are considered restricted. Because the operations of the federal and state programs are so significant to ODOC, a summary of the objectives of the more significant federal and state programs administered by ODOC is as follows:

- √ *Community Development Block Grant/States Program (CDBG)*—The objective of CDBG is the development of viable urban communities, decent housing and a suitable living environment, and expanded economic opportunities to be achieved through the undertaking of eligible activities that fulfill one or more of three broad national objectives: (1) benefiting low- and moderate-income individuals, (2) aiding in the prevention or elimination of slums or blight, and (3) meeting other communities' development needs having a particular urgency because existing conditions pose a serious and immediate threat to health or welfare of the community and other financial resources are not available to meet such needs.

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

### Fund Accounting, Continued

√ *CDBG ED Recovery and CD Recovery*—These are funds received by ODOC in repayment of various financial assistance agreements which were initially funded by the CDBG program. These funds are designated to be used in the same manner and under the same conditions as the CDBG program funds.

The outstanding balances of loans made to municipal authorities and cities for the funding of projects to provide for jobs to low-income individuals and to assist communities with community development projects under this program are not reflected in the financial statements. Due to the nature of the loans, the ultimate collection of the full amount of the loans cannot be determined. Therefore, in accordance with accounting principles generally accepted in the United States, the loan repayments are treated as revenue when cash payments are received. Such repayments are included as program income.

Since the inception of the program, loans of approximately $57,574,000 have been funded through June 30, 2022, with approximately $14,966,000 and $15,563,000 outstanding at June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, collection of principal and interest on loans amounted to approximately $576,000 and $601,000, respectively. Cumulative collections of principal and interest since the inception of the program approximated $42,608,000 and $42,032,000 as of June 30, 2022 and 2021, respectively. There were no loans deemed as uncollectable and written-off during the year ended June 30, 2022 or 2021. No loans previously written-off were recovered during the years ended June 30, 2022 or 2021. Cumulative loans charged-off since the inception of the program approximated $13,777,000 as of both June 30, 2022 and 2021.

√ *Other Loan Programs*—ODOC has other loan activities funded through the oil overcharge programs and the SEPRF as noted below. The other loan programs are expected to be collected and for the purpose of government-wide financial statements are included as assets.

A summary of the loans by program funded at June 30 is as follows:

| Program | 2022 | 2021 |
|---|---|---|
| SEPRF* | $ 3,053,957 | 3,887,057 |
| EIRLF | 776,959 | 804,070 |
| Stripper Well | (146) | (146) |
| | $ 3,830,770 | 4,690,981 |

* The State Energy Program Revolving Loan Fund (SEPRF) is funded through the American Recovery and Reinvestment Act of 2009. The program is to provide loans for eligible energy activities.

See Independent Auditors' Report.

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

### Fund Accounting, Continued

- √ *Weatherization Assistance Program for Low-Income Persons ("Weatherization")*—The objective of Weatherization is to conserve energy and reduce the impact of rising costs on low-income persons, particularly the elderly and handicapped, through the installation of energy-conserving measures in their dwellings.

- √ *Community Services Block Grant* (*CSBG)*—The objective of CSBG programs is to provide funds to states for community-based programs that assist in removing the causes and consequences of poverty.

- √ *Emergency Solutions Grant (ESG)*—These funds are used to engage homeless individuals and families living on the street; improve the number and quality of emergency shelters for homeless individuals and families; help operate these shelters; provide essential services to shelter residents; rapidly re-house homeless individuals and families; and prevent families/individuals from being homeless.

- √ *Stripper Well and Oil Overcharge*—These funds are used for energy-related purposes as authorized by the U.S. Department of Energy.

- √ *Workforce Innovation and Opportunity Act (WIOA)*—The objectives of the WIOA programs are to help Americans access the tools needed to manage their careers through information and high-quality services and to help U.S. companies find skilled workers.

- √ *Community Development Block Grant Disaster Recovery (CDBG-DR)*—The objective of these funds is to support long-term disaster recovery efforts in eligible designated disaster areas with demonstrated "unmet need." Outside of requirements specifically related to the geographic areas where funds must be expended, CDBG-DR expenditures have the same national objectives as CDBG program funds.

  CDBG-DR funds were distributed in two allocations from the U.S. Department of Housing and Urban Development (HUD). The first allocation of $10,600,000 may only be expended in areas of Oklahoma directly impacted by the tornadoes of May 18 through June 2, 2013. Of the $10,600,000 allocation, 30.4% must be expended in Cleveland County.

  ODOC received notice of a second allocation of $83,100,000 on June 3, 2014. The second allocation may only be expended in areas of Oklahoma designated as Presidentially Declared Disaster areas between 2011 and 2013. A minimum of $41,200,000 must be expended in Cleveland and Creek Counties.

  During the year ended June 30, 2020, HUD issued a Federal Register notice announcing the allocation of $36,353,000 in CDBG-DR funds to address unmet disaster recovery needs resulting primarily from floods. No less than $29,082,000 must be allocated to Muskogee, Tulsa, and Sequoyah Counties. The official award was received by ODOC in July 2021. ODOC is currently in the process of allocating these funds to local communities in accordance with program requirements.

See Independent Auditors' Report.

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

### Fund Accounting, Continued

- √ *Oklahoma Business Relief Fund*—In June 2020, the State of Oklahoma started the Oklahoma Business Relief Program (OBRP) that was developed to assist Oklahoma businesses in overcoming the economic challenges of the COVID-19 pandemic. Businesses could apply for participation in the OBRP through various financial institutions in Oklahoma. ODOC was assigned as the State agency with the responsibility of overseeing the OBRP for the State. Oklahoma's Governor designated approximately $145,000,000 of Federal Cares Act funds for the OBRP, which was provided to ODOC during July and August 2020. The participating financial institutions provided a preliminary determination of eligibility for businesses based on the OBRP rules established by the State of Oklahoma. The financial institutions subsequently provided the applications and supporting documentation to ODOC to make the final determination of eligibility. During the year ended June 30, 2021, ODOC expended approximately $143,000,000, net of refunds, in relation to the OBRP, and returned approximately $2,000,000 of funds to the State.

- √ *Quick Action Closing Fund*—The Quick Action Closing Fund was established by the Oklahoma Legislature, with the objectives being the creation of new jobs which offer a basic health benefit plan; the maintenance of existing jobs which are at risk for termination; investment in real property, plant, or equipment; or improvements in ad valorem, income, or sales and use taxes. ODOC did not receive any state appropriations for the Quick Action Closing Fund during the year ended June 30, 2022. ODOC received $20,000,000 in state appropriations for the Quick Action Closing Fund during the year ended June 30, 2021. ODOC expended $4,150,000 and $4,687,000 during the years ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, $37,902,926 and $41,406,211 of funds, respectively, were available for expenditure for the Quick Action Closing Fund.

- √ *Rural Economic Action Plan (REAP) Fund*—The REAP Fund is a continuing fund established by the Oklahoma Legislature for rural cities and towns that do not exceed 7,000 persons. The purposes of the funds were established for, but not limited to, water quality projects, solid waste disposal, sanitary sewer construction or improvement projects, road or street construction, fire protection services, expenditures designed to increase employment, construction or improvement of telecommunication facilities or systems, and improvement of municipal energy distribution systems, community buildings, courthouses, town halls, senior nutrition centers, meeting rooms, or similar public facilities. ODOC received approximately $15,475,000 and $13,127,000 in state appropriations for the REAP Fund during the years ended June 30, 2022 and 2021, respectively. ODOC expended approximately $15,584,000 and $13,024,000 during the years ended June 30, 2022 and 2021, respectively, which is reflected as subgrantee expenditures in the statements of revenues, expenditures, and changes in fund balances—General Fund. There were no funds available for expenditure for the REAP Fund as of June 30, 2022. There was approximately $109,000 of funds available for expenditure for the REAP Fund as of June 30, 2021.

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

### Fund Accounting, Continued

√ *Statewide Recovery Fund*—On March 11, 2021, the American Rescue Plan Act (ARPA) of 2021 was signed into law. ARPA provided assistance through several means, including $1.87 billion to the State of Oklahoma to be used to respond to the public health and economic emergency, provide premium pay to essential workers, replace revenue lost to the pandemic, and make necessary investments in water, sewer, and broadband infrastructure. The State initially established the Joint Committee on Pandemic Relief Funding to receive and evaluate proposals for the use of these funds, with the committee making recommendations to the Governor for final determination on fund allocation. In May 2022, the Legislature amended the process; reallocating ARPA funds to the Statewide Recovery Fund, from which the Legislature will make appropriations to agencies through the legislative process. As of June 30, 2022, $25,000,000 had been appropriated to ODOC for nonprofit relief. This program will provide up to $75,000 to eligible nonprofits that can demonstrate a negative financial impact directly related to COVID-19 between January 1, 2020, and March 31, 2022. As of June 30, 2022, no funds had been expended for this program.

Subsequent to June 30, 2022, an additional $65,000,000 was appropriated to ODOC from the Statewide Recovery Fund. Up to $60,000,000 was appropriated to the Pandemic Relief Primary Source Revolving Fund for grants to industrial parks, airparks, and ports to cover costs related to water, wastewater, sewer, and broadband projects eligible under ARPA. Up to $5,000,000 was allocated for workforce coordination.

### Program Income

Program income represents repayments on the various loan programs and other income earned by subgrantees from the federal financial assistance provided.

### Subgrantee Advances

ODOC does not reflect subgrantee payments as expenditures until the subgrantee reports them as expenditures and, as such, payments made to subgrantees which have not been reported as expenditures are reflected as subgrantee advances. Such amounts are subject to be refunded to ODOC if not expended or if expended improperly.

### Subgrantee Expenditures

ODOC recognizes subgrantee expenditures when incurred as evidenced by a monthly expenditure report, signifying eligibility requirements for the expenditures have been met. Subgrantee advances represent the difference between funds advanced to subgrantees and subgrantee expenditures incurred.

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

### Deferred Outflows and Inflows of Resources

*Government-Wide Financial Statements*

Deferred outflows and inflows of resources represent amounts associated with pension and other postemployment benefits (OPEB), as applicable, for differences between expected and actual experience, differences between projected and actual earnings on pension fund investments, and changes in assumptions. Notes 9 and 10 detail the components of these items.

### Capital Lease Obligations

In 1997, ODOC entered into a capital lease obligation, as more fully described in Note 4 to the financial statements. All amounts due under the capital lease obligation were fully paid as of June 30, 2021.

At July 1, 2008, the operations of the Oklahoma Capitol Complex and the Centennial Commemoration Commission (collectively referred to as the "Centennial Commission") were transferred to ODOC. This transfer resulted in ODOC assuming an additional capital lease obligation, as more fully described in Note 4 to the financial statements. All amounts due under the capital lease obligation were fully paid as of June 30, 2021.

### Compensated Absences

Full-time continuous employees earn annual vacation leave at the rate of 10 hours per month for up to 5 years of service, 12 hours per month for service of over 5 years to 10 years, 13.2 hours per month for service of over 10 years to 20 years, and 16.4 hours per month for over 20 years of service. Annual leave can only be accumulated for up to 480 hours for employees with 5 or more years of service and up to 240 hours for employees with less than 5 years of service. Annual leave is payable upon termination, resignation, retirement, or death. The statements of net position and statements of activities account for compensated absences on an accrual basis. The amount reflected as a current liability is an estimate based on historical use.

### Pension Plans

Defined Benefit Plan

ODOC participates in a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension benefit or expense, information about the fiduciary net position of the Oklahoma Public Employees Retirement Plan and additions to/deductions from OPERS' 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. Investments are reported at fair value.

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

### Pension Plans, Continued

Defined Contribution Plan

Effective November 1, 2015, OPERS established Pathfinder, a mandatory defined contribution plan for eligible state employees who first become employed by a participating employer on or after November 1, 2015, and have no prior participation in OPERS. Under Pathfinder, members will choose a contribution rate which will be matched by their employer up to 7%. During the years ended June 30, 2022 and 2021, ODOC made contributions to Pathfinder of approximately $162,000 and $135,000, respectively.

### Other Postemployment Benefits

ODOC participates in the OPERS Health Insurance Subsidy Plan (HISP), a cost-sharing, multiple-employer defined benefit public employee health insurance subsidy retirement plan which is administered by OPERS.

ODOC participates in the Oklahoma Employees Group Insurance Division's (EGID) 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.

ODOC follows the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) in recording the net OPEB asset, net OPEB liability, deferred outflows, deferred inflows, and OPEB benefit or expense.

### Equity Classifications

Government-Wide Financial Statements

Equity is classified as net position and displayed in three components:

a. 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, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position—consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position—all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

It is ODOC's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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

### Equity Classifications, Continued

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. These classifications are defined as:

a. Nonspendable fund balance—includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. ODOC had no fund balance classified as nonspendable at June 30, 2022 or 2021.

b. Restricted fund balance—consists of fund balances with constraints placed on the use of resources that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

   ODOC has identified all federal grants and certain state funded programs as restricted fund balances. ODOC received state appropriations that were specifically identified within the state legislation for the use of outside agencies. These appropriations are identified as restricted fund balances.

c. Committed fund balance—the committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of ODOC's highest level of decision-making authority. Also, such constraints can only be removed or changed by the same form of formal action. ODOC had no fund balance classified as committed at June 30, 2022 or 2021.

d. Assigned fund balance—the assigned fund balance classification reflects amounts that are constrained by ODOC's intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint. Assigned funds cannot cause a deficit in unassigned fund balance.

   ODOC has also received appropriations that were not specifically identified within state legislation for the use of outside agencies. The Executive Director has the authority as recommended or approved by the Governor or State Leadership to set aside a portion of these funds for the use of outside agencies. These funds are identified as assigned fund balance.

e. Unassigned fund balance—the unassigned fund balance classification is the residual classification for the General Fund only. Unassigned fund balance essentially consists of excess funds that have not been classified in the four above fund balance categories.

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

### Equity Classifications, Continued

Fund Financial Statements, Continued

It is ODOC'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 balance are available. ODOC's policy for the use of unrestricted fund balance amounts requires that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

ODOC has adopted the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The following table shows the fund balance classifications as shown on the governmental fund balance sheets in accordance with GASB 54 for the years ended June 30:

| | General Fund | |
|---|---|---|
| | 2022 | 2021 |
| Fund balances: | | |
| Restricted for: | | |
| Federal grants | $ 25,377,328 | 25,302,905 |
| State appropriations | - | 109,446 |
| State funded and other restricted programs | 53,899,772 | 57,443,974 |
| Total restricted | 79,277,100 | 82,856,325 |
| Assigned: | | |
| State appropriations | 4,057,584 | 1,451,446 |
| Unassigned: | | |
| State appropriations | 2,534,196 | 1,999,030 |
| Program income | 2,854,511 | 3,698,053 |
| Total unassigned | 5,388,707 | 5,697,083 |
| Total fund balances | $ 88,723,391 | 90,004,854 |

See Independent Auditors' Report.

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

### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds, is used. This is an extension of the formal budgetary integration in the General Fund. Encumbrances do not represent any further constraint on the use of amounts than is already communicated by governmental fund balance classification as restricted, committed, or assigned. As of June 30, 2022 and 2021, approximately $4,640,000 and $4,049,000, respectively, of encumbrances, adjusted for accruals and negative subgrantee advances, were outstanding.

### Advertising Costs

All costs associated with advertising are expensed as incurred.

### Grant Revenues and Expenditures

Grant revenues are primarily expenditure driven, in that prior to requesting grant monies, expenditures are normally incurred. As noted previously, ODOC does not recognize subgrantee expenditures until the subgrantee expends the funds and reports this to ODOC. ODOC has contracts with various subgrantees throughout the state. Grants receivable represent the amount needed to fund expenditures accrued at June 30, 2022 and 2021.

As of June 30, 2022 and 2021, ODOC had approximately $161,867,000 and $139,674,000, respectively, of grant funds available to be drawn upon when needed. Contract commitments with subgrantees of approximately $91,599,000 and $65,050,000 were outstanding as of June 30, 2022 and 2021, respectively.

### Recent Accounting Pronouncements

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. ODOC adopted GASB 87 on July 1, 2021, for the June 30, 2022, reporting year, which did not have a significant impact on the financial statements.

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

### Recent Accounting Pronouncements, Continued

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

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

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

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

### Recent Accounting Pronouncements, Continued

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates Activities* (GASB 93). GASB 93 addresses various accounting and other issues arising from the result of the replacement of an interbank offered rate (IBOR) by 1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment 2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate 3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable 4) removing the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap 5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and 6) clarifying the definition of *reference rate*, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021 and the remaining requirements of GASB 93 are effective for periods beginning after June 15, 2021, for all other provisions. ODOC adopted GASB 93 effective July 1, 2021 which did not have a significant effect 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 defines and provides financial reporting requirements for Public-Private or Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA). A PPP is an arrangement between a government (transferor) and an operator (governmental or non-governmental) to provide public services by conveying the right to control or use a nonfinancial or infrastructure asset for a period of time in an exchange-like transaction. An APA is a similar arrangement where the operator may also be compensated for services that include designing, constructing, financing and maintaining a nonfinancial asset for a period of time. ODOC will adopt GASB 94 on July 1, 2022, for the June 30, 2023, reporting year. ODOC does not expect GASB 94 to significantly impact the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides accounting and financial reporting guidance for the governmental end users of subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes right-to-use assets and corresponding liabilities, and provides capitalization criteria and the note disclosures required for SBITAs. ODOC will adopt GASB 96 on July 1, 2022, for the June 30, 2023, reporting year. ODOC has not determined the impact of GASB 96 on the financial statements.

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

### Recent Accounting Pronouncements, Continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97). GASB 97 seeks to improve consistency and comparability related to fiduciary component unit reporting in circumstances where the potential component unit does not have a governing board and the primary government performs such duties. GASB 97 also seeks to mitigate reporting costs for certain defined-contribution, OPEB and other employee benefit plans as fiduciary component units and to enhance the relevance, consistency and comparability of Internal Revenue Code (IRC) Section 457 deferred compensation plans. Portions of GASB 97 where effective immediately for the June 30, 2020, reporting year. ODOC adopted sections of GASB 97 related to IRC Section 457 plans on July 1, 2021, for the June 30, 2022, reporting year, which did not have a significant impact on ODOC 's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). GASB 99 is a technical omnibus statement that addresses issues or concerns from previous statements that were discovered during implementation and application of those statements. GASB 99 covers several topics including but not limited to, financial guarantees, derivatives, leases, non-monetary transactions, future revenue pledges and terminology updates. ODOC adopted the sections that were effective immediately for the June 30, 2022, reporting year, which did not have a significant impact on the financial statements. The remaining sections will be adopted by ODOC for either the June 30, 2023, or June 30, 2024, reporting year, as required by GASB 99. ODOC does not expect the adoption of the remaining sections of GASB 99 to significantly impact the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100). GASB 100 proscribes accounting and financial reporting for accounting changes and error corrections to the financial statements. GASB 100 defines what constitutes an accounting change versus a change in accounting principle or error correction and outlines the appropriate note disclosures in each circumstance. ODOC will adopt GASB 100 on July 1, 2023, for the June 30, 2024, reporting year. ODOC does not expect GASB 100 to significantly impact the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 outlines the definition of compensated absences and sets forth the accounting and financial reporting for compensated absence liabilities. GASB 101 outlines that leave accrued should be measured using the employees pay rate at the financial statement date and that certain salary related payments, such as Social Security and Medicare, should be included in such measurement. ODOC will adopt GASB 101 on July 1, 2024, for the June 30, 2025, reporting year. ODOC has not determined the impact of GASB 101 on the financial statements.

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

### Date of Management's Review of Subsequent Events

ODOC has evaluated subsequent events through October 31, 2022, the date which the financial statements were available to be issued. See Note 15 for a discussion of significant subsequent events.

## (2) CASH BALANCES

Cash balances consist of cash held at the State Treasurer's office. Cash balances of ODOC are part of the State of Oklahoma's pooled cash system and, as such, are properly collateralized.

*Custodial Credit Risk*—Custodial credit risk is the risk that in the event of the failure of a counterparty, ODOC will not be able to recover the value of its cash deposits. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. As a department of the State of Oklahoma, ODOC's deposits are required to be invested in fully collateralized accounts.

Included in cash are investments which are included in the State of Oklahoma's OK INVEST Portfolio, as follows:

| | 2022 | 2021 |
|---|---|---|
| U.S. agencies | $ 5,475,984 | 7,141,024 |
| Mortgage-backed agencies | 5,040,935 | 5,170,570 |
| U.S. Treasury notes | 7,507,727 | 4,478,587 |
| Municipal bonds | 15,954 | 25,035 |
| Foreign bonds | 66,718 | 125,173 |
| Certificates of deposit | 67,478 | 120,733 |
| Money market mutual funds | 862,733 | 785,803 |
| | $ 19,037,529 | 17,846,925 |

The amounts held in OK INVEST are considered liquid as they are available to be withdrawn on demand with limited redemption restrictions.

## (2) CASH BALANCES, CONTINUED

Agencies and funds that are considered to be part of the State's reporting entity in the State's Annual Comprehensive Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day-to-day OK INVEST management, with the emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds' and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at http://www.ok.gov/treasurer. The State Treasurer, at his discretion, may further limit or restrict such investments on a day-to-day basis. OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. OK INVEST maintains an overall weighted average maturity of less than four years.

Participants in OK INVEST maintain interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of failing interest rates, the yield will tend to be higher.

Custodial credit risk of investments is the risk that in the event of a bank failure, the government's investments may not be returned to it. OK INVEST is not insured or guaranteed by the State, the FDIC, or any other government agency.

## (3) CAPITAL ASSETS

The capital assets of ODOC consist of land, building, building improvements, and furniture, fixtures, and equipment. A summary of changes in capital assets is as follows:

| | Balance at June 30, 2021 | Additions | Disposals | Balance at June 30, 2022 |
|---|---|---|---|---|
| Land, nondepreciable | $ 70,000 | - | - | 70,000 |
| Building | 2,625,000 | - | - | 2,625,000 |
| Building improvements—capitol dome | 4,720,000 | - | - | 4,720,000 |
| Furniture, fixtures, and equipment | 607,258 | - | - | 607,258 |
| Total cost | 8,022,258 | - | - | 8,022,258 |
| Less accumulated depreciation: | | | | |
| Building | (1,674,271) | (61,338) | - | (1,735,609) |
| Building improvements—capitol dome | (1,859,391) | (143,030) | - | (2,002,421) |
| Furniture, fixtures, and equipment | (572,211) | (2,921) | - | (575,132) |
| Total accumulated depreciation | (4,105,873) | (207,289) | - | (4,313,162) |
| Capital assets, net | $ 3,916,385 | (207,289) | - | 3,709,096 |

See Independent Auditors' Report.

## (3) CAPITAL ASSETS, CONTINUED

| | Balance at June 30, 2020 | Additions | Disposals | Balance at June 30, 2021 |
|---|---|---|---|---|
| Land, nondepreciable | $ 70,000 | - | - | 70,000 |
| Building | 2,625,000 | - | - | 2,625,000 |
| Building improvements—capitol dome | 4,720,000 | - | - | 4,720,000 |
| Furniture, fixtures, and equipment | 607,258 | - | - | 607,258 |
| Total cost | 8,022,258 | - | - | 8,022,258 |
| Less accumulated depreciation: | | | | |
| Building | (1,612,933) | (61,338) | - | (1,674,271) |
| Building improvements—capitol dome | (1,716,361) | (143,030) | - | (1,859,391) |
| Furniture, fixtures, and equipment | (569,290) | (2,921) | - | (572,211) |
| Total accumulated depreciation | (3,898,584) | (207,289) | - | (4,105,873) |
| Capital assets, net | $ 4,123,674 | (207,289) | - | 3,916,385 |

ODOC has no significant infrastructure assets.

The assets are valued at cost and are depreciated using the half-year, straight-line method over their estimated useful lives. The useful lives are as follows:

| | |
|---|---|
| Land | N/A |
| Building | 40 years |
| Building improvements—capitol dome | 33 years |
| Furniture, fixtures, and equipment | 5–10 years |

Depreciation expense for each of the years ended June 30, 2022 and 2021, was $207,289.

## (4) CAPITAL LEASE OBLIGATIONS

During 1997, ODOC entered into a lease agreement with the OCIA for office space. The lease was accounted for as a capital lease. The leased asset (building and land) are accounted for in the statements of net position. There was no lease obligation as of June 30, 2022 or 2021.

During 2005, the Centennial Commission, a governmental agency of the State of Oklahoma, entered into a lease agreement with OCIA for building improvements. At July 1, 2008, the rights and responsibilities of the Centennial Commission transferred to ODOC, including all property, furniture, equipment, supplies, records, current and future liabilities, fund balances, encumbrances, obligations, and indebtedness associated with the Centennial Commission. The lease was accounted for as a capital lease. The leased asset (capitol dome) is accounted for in the statements of net position. There was no lease obligation as of June 30, 2022 or 2021.

OCIA issued revenue bonds to facilitate the acquisition of the building which ODOC occupies (Bond Series 2004A) and for the payments for the improvements to the capitol dome (Bond Series 2005), which is located on the State Capitol Building. The lease payments made by ODOC repaid the principal of the bonds, plus interest. As of June 30, 2022 and 2021, all required payments had been made and there was no outstanding lease obligation.

On July 1, 2013, ODOC’s 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005 bonds, which was accounted for in the current year. OCIA issued new bonds, Series 2013A, to accomplish the refunding over a period of 7 years. As a result, the total liability of the remaining 2005 bonds refunded and the amount of the 2013A bonds acquired was a gain on restructuring of $172,000, which was recorded as a deferred inflow of resources that was amortized over a period of 7 years. The restructured lease agreement with OCIA secures OCIA’s bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. ODOC’s aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $641,473, which approximates the economic savings of the transaction.

## (4) CAPITAL LEASE OBLIGATIONS, CONTINUED

During the year ended June 30, 2021, no amortization was recognized on the deferred gain on lease restructuring on the OCIA 2013A lease obligation, due to the lease being fully amortized as of June 30, 2020. ODOC recognized $24,571 of amortization on the deferred gain on lease restructuring on the OCIA 2013A lease obligation during the year ended June 30, 2020.

On July 23, 2014, ODOC's remaining 2004A lease agreement with OCIA was restructured through a partial refunding of the Series 2004A bonds. OCIA issued new bonds, Series 2014B, to accomplish the refunding over a period of 7 years. As a result, the total liability of the remaining 2004A bonds refunded and the amount of the 2014B bonds acquired was a gain on restructuring of $228,733, which was recorded as a deferred inflow of resources that was amortized over a period of 7 years. The restructured lease agreement with OCIA secures OCIA's bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. ODOC's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $375,356, which approximates the economic savings of the transaction.

In December 2016, ODOC defeased the remaining Series 2014B debt service principal balance of $891,591. ODOC transferred $881,835 in carryover funds to the Oklahoma State Treasurer. These funds and an additional $64,441 from the OCIA Sinking Fund were used to purchase state and local government series U.S. Treasury obligations. The proceeds of these obligations will be used to satisfy the scheduled interest and principal payments through the maturity of the defeased debt. ODOC chose to defease the debt with carryover funds to reduce the future budgeted debt expenses in future fiscal years. The defeased debt was paid in full as of June 30, 2022.

Changes in the lease obligations for the years ended June 30 were as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of year | $ - | 412,000 |
| Principal payments | - | (412,000) |
| Balance at end of year | $ - | - |

See Independent Auditors' Report.

## (5) ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences for the years ended June 30 were as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of year | $ 797,792 | 759,351 |
| Amount earned | 599,973 | 490,448 |
| Amount used | (535,073) | (452,007) |
| Balance at end of year | $ 862,692 | 797,792 |

For the statements of net position and the statements of activities, the changes in the accounts are reflected and the amounts estimated to be current are what were used during the years ended June 30, 2022 and 2021.

## (6) STATE APPROPRIATIONS

ODOC receives monies through appropriations from the State of Oklahoma as approved by the Oklahoma Legislature. Appropriations received for the years ended June 30, 2022 and 2021, were $38,264,959 and $65,866,497, respectively.

During the years ended June 30, 2022 and 2021, $79,253 and $6,778, respectively, of state funds were returned/transferred to the State of Oklahoma.

## (7) MATCHING REQUIREMENTS

Certain of the federal grants require that the state or local government match the federal dollars expended. The required matching (in-kind) dollars have been reflected in the revenues and expenditures of the financial statements, as they are considered part of the grant.

## (8) INDIRECT COSTS

For the years ended June 30, 2022 and 2021, ODOC had a fixed indirect cost rate (a percentage of direct salaries and wages, including applicable fringe benefits) approved by the U.S. Department of Labor for use in charging indirect costs. ODOC's indirect cost rate for the years ended June 30, 2022 and 2021, was 19.75% and 23.49%, respectively, which resulted in a charge of $607,789 and $756,616 to the various federal programs during 2022 and 2021, respectively.

## (9) PENSION PLAN

### Plan Description

ODOC contributes to the Oklahoma Public Employees Retirement Plan, a cost-sharing, multiple-employer public employee retirement system administered by the Oklahoma Public Employees Retirement System (collectively referred to as "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/publications.

### 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.

## (9) PENSION PLAN, CONTINUED

### Benefits Provided, Continued

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

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

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

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

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

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.

## (9) PENSION PLAN, CONTINUED

### Benefits Provided, Continued

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 based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

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

For 2022, 2021, and 2020, *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.

Contributions to OPERS by ODOC for 2022, 2021, and 2020 were approximately as follows:

| 2022 | 2021 | 2020 |
|---|---|---|
| $ 666,000 | 678,000 | 697,000 |

## (9) PENSION PLAN, CONTINUED

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

At June 30, 2022 and 2021, ODOC reported an asset of $5,127,752 and a liability of $3,063,517, respectively, for its proportionate share of the net pension asset or liability. As of June 30, 2022, the net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2021. As of June 30, 2021, the net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. ODOC's proportion of the net pension asset or liability was based on ODOC's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2021 and 2020. Based upon this information, ODOC's proportion for June 30, 2022 and 2021, was 0.38205200% and 0.34338079%, respectively.

For the years ended June 30, 2022 and 2021, ODOC recognized pension (benefit) expense of $(519,638) and $1,638,221, respectively. At June 30, 2022 and 2021, ODOC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| 2022 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | 128,933 |
| Changes in assumptions | 377,843 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 5,718,380 |
| Changes in proportion | 116,210 | - |
| ODOC contributions subsequent to the measurement date | 666,413 | - |
| | $ 1,160,466 | 5,847,313 |

See Independent Auditors' Report.

## (9) PENSION PLAN, CONTINUED

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

| 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | 16,740 |
| Changes in assumptions | 1,094,259 | - |
| Net difference between projected and actual earnings on pension plan investments | 364,022 | - |
| Changes in proportion | 33,467 | - |
| ODOC contributions subsequent to the measurement date | 677,877 | - |
| | $ 2,169,625 | 16,740 |

Reported deferred outflows of resources of $666,413 at June 30, 2022, related to pensions resulting from ODOC contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2023. Any other amounts reported as deferred outflows of resources and deferred inflows of resources as of June 30, 2022, related to pensions will be recognized in pension (benefit) or expense as follows:

| Year Ended June 30: | |
|---|---|
| 2023 | $ (1,063,702) |
| 2024 | (1,325,065) |
| 2025 | (1,409,379) |
| 2026 | (1,555,114) |
| | $ (5,353,260) |

See Independent Auditors' Report.

## (9) PENSION PLAN, CONTINUED

### Actuarial Methods and Assumptions

The total pension liability was determined on an actuarial valuation prepared as of July 1, 2021 and 2020, using the following actuarial assumptions:

| | |
|---|---|
| Investment return: | 6.50% for both 2021 and 2020, compounded annually, net of investment expense and including inflation. |
| Salary increases: | 3.50% to 9.25% for both 2021 and 2020, including inflation. |
| Mortality rates: | Active participants and nondisabled pensioners:<br>For 2021 and 2020—Pub-2010 Below Media, General Membership Active/Retiree Health Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are set back one year and female rates are set forward two years. |
| Annual post-retirement benefit increases: | None |
| Assumed inflation rate: | 2.50% for both 2021 and 2020 |
| Payroll growth: | 3.25% for both 2021 and 2020 |
| Actuarial cost method: | Entry age |
| Select period for the termination of employment assumptions: | 10 years |

The actuarial assumptions used in the July 1, 2021 and July 1, 2020, valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ended June 30, 2019. The experience study report is dated May 13, 2020.

## (9) PENSION PLAN, CONTINUED

### Actuarial Methods and Assumptions, Continued

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2022 and 2021, are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| U.S. large cap equity | 34.0% | 4.7% |
| U.S. small cap equity | 6.0% | 5.8% |
| International developed equity | 23.0% | 6.5% |
| Emerging market equity | 5.0% | 8.5% |
| Core fixed income | 25.0% | 0.5% |
| Long-term treasuries | 3.5% | 0.0% |
| U.S. TIPS | 3.5% | 0.3% |
| | **100.0%** | |

See Independent Auditors' Report.

## (9) PENSION PLAN, CONTINUED

### Discount Rate

The discount rate used to measure the total pension liability was 6.50% for both 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

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

The following presents the net pension (asset) liability of the employer calculated using the discount rate of 6.50% for both 2022 and 2021, as well as what ODOC's net pension (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|---|---|---|
| 2022 | | | |
| Net pension (asset) | $ (476,049) | (5,127,752) | (9,059,542) |
| 2021 | | | |
| Net pension liability (asset) | $ 7,211,756 | 3,063,517 | (441,711) |

### 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.

## (10) OTHER POSTEMPLOYMENT BENEFITS

### *HEALTH INSURANCE SUBSIDY PLAN OPEB*

#### Description

ODOC participates in the HISP, a cost-sharing, multiple-employer defined benefit public employee health insurance subsidy retirement plan which is administered by OPERS. The HISP is classified as an "other postemployment benefit."

#### Benefits Provided

HISP provides a health insurance premium subsidy for retirees of OPERS who elect to maintain health insurance with the EGID's 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 the EGID's 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 is set aside to finance the cost of the benefits of the HISP in accordance with provisions of the Internal Revenue Code.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to IRS limitations on compensation. Only employers contribute to the HISP. For 2022 and 2021, state agency employers contributed 16.5% on all salary.

Contributions to OPERS for the HISP by ODOC for the years ended June 30, 2022, 2021, and 2020, were approximately $61,000, $57,000, and $59,000, respectively.

## (10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

### *HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED*

#### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022 and 2021, ODOC reported an asset for its proportionate share of the net OPEB asset. The net OPEB asset at June 30, 2022 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2021. The net OPEB asset at June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2020. ODOC's proportion of the net OPEB asset was based on ODOC's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2021 and 2020. Based upon this information, ODOC's proportion for June 30, 2022 and 2021, was 0.38205200% and 0.34338079%, respectively.

For the years ended June 30, 2022 and 2021, ODOC recognized OPEB benefit related to the HISP of $136,430 and $76,013, respectively. At June 30, 2022 and 2021, ODOC reported deferred outflows of resources and deferred inflows of resources related to the HISP from the following sources:

| 2022 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | 170,265 |
| Changes in assumptions | 46,697 | - |
| Net difference between projected and actual earnings on OPEB investments | - | 149,559 |
| Changes in proportion | - | 11,424 |
| ODOC contributions subsequent to the measurement date | 61,235 | - |
| | $ 107,932 | 331,248 |

See Independent Auditors' Report.

## (10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

### *HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED*

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

| 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | 136,304 |
| Changes in assumptions | 56,806 | - |
| Net difference between projected and actual earnings on OPEB investments | 24,510 | - |
| Changes in proportion | - | 1,726 |
| ODOC contributions subsequent to the measurement date | 57,061 | - |
| | $ 138,377 | 138,030 |

Reported deferred outflows of resources of $61,235 related to OPEB resulting from ODOC's contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2023. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2022, will be recognized in OPEB benefit or expense as follows:

| Year Ended June 30: | |
|---|---|
| 2023 | $ (73,210) |
| 2024 | (69,321) |
| 2025 | (65,789) |
| 2026 | (62,154) |
| 2027 | (14,077) |
| | $ (284,551) |

See Independent Auditors' Report.

## (10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

### *HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED*

### Actuarial Methods and Assumptions

The total OPEB asset was determined on an actuarial valuation prepared as of July 1, 2021 and 2020:

| | |
|---|---|
| Investment return: | 6.50% for both 2021 and 2020, compounded annually, net of investment expense and including inflation. |
| Salary increases: | 3.50% to 9.25% for both 2021 and 2020, including inflation. |
| Mortality rates: | Active participants and nondisabled pensioners:<br>For 2021 and 2020—Pub-2010 Below Media, General Membership Active/Retiree Health Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are set back one year and female rates are set forward two years. |
| Annual post-retirement benefit increases: | None |
| Assumed inflation rate: | 2.50% for both 2021 and 2020 |
| Payroll growth: | 3.25% for both 2021 and 2020 |
| Actuarial cost method: | Entry age |
| Select period for the termination of employment assumptions: | 10 years |

The actuarial assumptions used in the July 1, 2021 and July 1, 2020, valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ended June 30, 2019. The experience study report is dated May 13, 2020.

## (10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

### *HEALTH INSURANCE SUBSIDY PLAN OPEB, 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, 2022 and 2021, are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| U.S. large cap equity | 34.0% | 4.7% |
| U.S. small cap equity | 6.0% | 5.8% |
| International developed equity | 23.0% | 6.5% |
| Emerging market equity | 5.0% | 8.5% |
| Core fixed income | 25.0% | 0.5% |
| Long-term treasuries | 3.5% | 0.0% |
| U.S. TIPS | 3.5% | 0.3% |
| | **100.0%** | |

## (10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

### *HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED*

#### Discount Rate

The discount rate used to measure the total OPEB liability was 6.50% for both 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determined does not use a municipal bond rate.

#### Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of ODOC calculated using the discount rate of 6.50% for both 2022 and 2021, as well as what ODOC's net OPEB asset would be at June 30 if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|---|---|---|
| 2022 | | | |
| Net OPEB asset | $ (394,961) | (525,254) | (636,930) |
| 2021 | | | |
| Net OPEB asset | $ (40,987) | (160,987) | (263,830) |

#### OPEB 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.

See Independent Auditors' Report.

## (10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

### *IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY*

#### Description

ODOC 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's health insurance plan and whose payroll is processed through the State of Oklahoma's payroll system. ODOC met these criteria and therefore was one of the agencies included in the State of Oklahoma's calculation.

The IRSHIP provides members with postretirement medical benefits until age 65 if the retiree and spouse pay the full active premium. Participants 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 ODOC on a "pay as you go" basis. ODOC's contributions were approximately $31,000 for both years ended June 30, 2022 and 2021.

#### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022 and 2021, ODOC reported a liability for its proportionate share of the net IRSHIP OPEB liability. At June 30, 2022, the net IRSHIP OPEB liability was measured as of June 30, 2021, and the total IRSHIP OPEB liability used to calculate the net IRSHIP OPEB liability was determined by an actuarial valuation as of July 1, 2022. At June 30, 2021, the net IRSHIP OPEB liability was measured as of June 30, 2020, and the total IRSHIP OPEB liability used to calculate the net IRSHIP OPEB liability was determined by an actuarial valuation as of July 1, 2021. ODOC's proportion of the net IRSHIP OPEB liability was based on ODOC's active employees as of July 1, 2021 and 2020, to all active employees of the state agencies included in the State of Oklahoma's calculation. Based upon this information, ODOC's proportion was 0.29923390% and 0.2905330% at June 30, 2022 and 2021, respectively.

## (10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

### *IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED*

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

For the years ended June 30, 2022 and 2021, ODOC recognized OPEB benefit of $8,600 and $1,000, respectively. At June 30, 2022 and 2021, ODOC reported deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2022 | | |
| Differences between expected and actual experience | $ - | 2,599 |
| Changes in assumptions | 24,570 | 13,666 |
| Changes in proportion | 28,058 | - |
| ODOC contributions subsequent to the measurement date | 30,999 | - |
| | $ 83,627 | 16,265 |
| 2021 | | |
| Differences between expected and actual experience | $ - | 3,659 |
| Changes in assumptions | 28,869 | 24,062 |
| Changes in proportion | 27,709 | - |
| ODOC contributions subsequent to the measurement date | 30,659 | - |
| | $ 87,237 | 27,721 |

See Independent Auditors' Report.

## (10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

### *IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED*

### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued

Reported deferred outflows of resources of $30,999 related to OPEB resulting from ODOC's contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Deferred inflows of resources and deferred outflows of resources related to the IRSHIP OPEB liability as of June 30, 2022, will be recognized in OPEB expense as follows:

| Year Ending June 30: | |
|---|---|
| 2023 | $ 721 |
| 2024 | 4,798 |
| 2025 | 10,768 |
| 2026 | 10,768 |
| 2027 | 8,456 |
| Thereafter | 852 |
| | $ 36,363 |

### Actuarial Methods and Assumptions

The total IRSHIP OPEB liability was determined based on actuarial valuations prepared as of July 1, 2021 and 2020:

- Investment return—Not applicable, as the health insurance plan is unfunded and benefits are not paid from a qualifying trust.

- Mortality rates—

  For 2021— Pub-2010 Public Retirement Plans General Mortality Table weighted by headcount projected by MP-2021.

  For 2020— Pub-2010 Public Retirement Plans General Mortality Table weighted by headcount projected by MP-2020.

(Continued)

## (10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

### *IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED*

#### Actuarial Methods and Assumptions, Continued

- 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—45% for 2022 and 40% for 2021 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—6.10% decreasing to 4.80% for 2022 and 5.30% decreasing to 5.00% for 2021

#### Discount Rate

The discount rate used to measure the total OPEB liability was 2.16% and 2.21% for June 30, 2022 and 2021, respectively. The discount rate was determined using the Bond Buyer GO 20-Bond Municipal Bond Index.

See Independent Auditors' Report.

## (10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

### *IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED*

### Changes in the Net OPEB Liability

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

| | | 2022 | 2021 |
|---|---|---|---|
| Balance at beginning of year | $ | 412,829 | 387,330 |
| Changes for the year: | | | |
| Service cost | | 18,594 | 14,267 |
| Interest expense | | 9,461 | 13,439 |
| Actual experience | | (1,496) | (1,405) |
| Changes in assumptions and deferred outflows and inflows | | 13,329 | 30,414 |
| Benefits paid | | (31,577) | (31,216) |
| Net changes | | 8,311 | 25,499 |
| Balance at end of year | $ | 421,140 | 412,829 |

### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Trend Rate

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*—The following presents the net IRSHIP OPEB liability of ODOC calculated using the discount rate of 2.16% and 2.21% for 2022 and 2021, respectively, as well as what ODOC's net IRSHIP OPEB liability would be at June 30 if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| 2022 | | 1% Decrease (1.16%) | Current Discount Rate (2.16%) | 1% Increase (3.16%) |
|---|---|---|---|---|
| Net OPEB liability | $ | 449,753 | 421,140 | 394,045 |

| 2021 | | 1% Decrease (1.21%) | Current Discount Rate (2.21%) | 1% Increase (3.21%) |
|---|---|---|---|---|
| Net OPEB liability | $ | 440,614 | 412,829 | 386,678 |

See Independent Auditors' Report.

## (10) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

### *IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED*

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Trend Rate, Continued**

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate*—The following presents the net OPEB liability at June 30, 2022 and 2021, calculated using the healthcare trend rates shown in the table below for each respective year, as well as what the liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| 2022 | 1% Decrease in Healthcare Trend Rate (5.10% decreasing to 3.80%) | Current Healthcare Trend Rate (6.10% decreasing to 4.80%) | 1% Increase in Healthcare Trend Rate (7.10% decreasing to 5.80%) |
|---|---|---|---|
| Net OPEB liability | $ 381,518 | 420,140 | 467,674 |

| 2021 | 1% Decrease in Healthcare Trend Rate (4.30% decreasing to 4.00%) | Current Healthcare Trend Rate (5.30% decreasing to 5.00%) | 1% Increase in Healthcare Trend Rate (6.30% decreasing to 6.00%) |
|---|---|---|---|
| Net OPEB liability | $ 371,755 | 412,829 | 461,152 |

A copy of the actuarial valuations for the IRSHIP OPEB liability can be obtained at the following link:

https://oklahoma.gov/content/dam/ok/en/omes/documents/ImplicitRateSubsidy2022.pdf

## (11) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN, DEFERRED SAVINGS INCENTIVE PLAN, AND DEFINED CONTRIBUTION PLAN

### Deferred Compensation Plan

The State of Oklahoma offers its employees a Deferred Compensation Plan (the "Plan") as authorized by Section 457 of the Internal Revenue Code (IRC), as amended by the Tax Reform Act of 1986, and in accordance with the provisions of Sections 1701 through 1706 of Title 74 of the Oklahoma Statutes.

The supervisory authority for the management and operation of the Plan is the Board.

The Plan is available to all State of Oklahoma employees, as well as any elected officials receiving a salary from the State of Oklahoma. Participants may direct the investment of their contributions in available investment options offered by the Plan. The minimum contribution amount is the equivalent of $25 per month, and participants are immediately 100% vested in their respective accounts. All interest, dividends, and investment fees are allocated to participants' accounts.

Participants may defer until future years up to the lesser of 100% of their compensation as defined by plan documents or the maximum amount allowed each year as determined by the IRS.

The Plan offers a catch-up program to participants which allows them to defer annually for the 3 years prior to their year of retirement up to twice that plan year's deferral limit. The amount of additional contributions in excess of the normal maximum contributions to the Plan are also limited to contributions for years in which the participant was eligible but did not participate in the Plan or the difference between contributions made and the maximum allowable level. To be eligible for the catch-up program, the participant must be within 3 years of retirement with no reduced benefits.

Participants age 50 or older may make additional contributions annually, subject to certain limits.

Deferred compensation benefits are paid to participants or beneficiaries upon termination, retirement, death, or unforeseeable emergency. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments at the option of the participant or beneficiaries in accordance with the Plan's provisions.

## (11) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN, DEFERRED SAVINGS INCENTIVE PLAN, AND DEFINED CONTRIBUTION PLAN, CONTINUED

### Deferred Compensation Plan, Continued

Effective January 1, 1998, the Board established a trust and a trust fund covering the Plan's assets, pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC no later than January 1, 1999. Under the terms of the trust, the corpus or income of the trust fund may be used only for the exclusive benefit of the Plan's participants and their beneficiaries. Prior to the establishment of the trust, the Plan's assets were subject to the claims of general creditors of the State of Oklahoma. The Board acts as trustee of the trust. The participants' accounts are invested in accordance with the investment elections of the participants. The Board is accountable for all deferred compensation received, but has no duty to require any compensation to be deferred or to determine that the amounts received comply with the Plan or to determine that the trust fund is adequate to provide the benefits payable pursuant to the Plan.

Further information may be obtained from the Plan's audited financial statements for the years ended June 30, 2022 and 2021. ODOC believes that it has no liabilities with respect to the Plan.

### Deferred Savings Incentive Plan

Effective January 1, 1998, the State of Oklahoma established the Oklahoma State Employees Deferred Savings Incentive Plan (the "Savings Incentive Plan") as a money purchase pension plan pursuant to IRC Section 401(a). The Savings Incentive Plan and its related trust are intended to meet the requirements of IRC Sections 401(a) and 501(a).

Any qualified participant who is a state employee and is an active participant in the Plan is eligible for a contribution of the amount determined by the Oklahoma Legislature, currently the equivalent of $25 per month. Participation in the Savings Incentive Plan is automatic in the month of participation in the Plan and is not voluntary.

Upon cessation of contributions to the Plan, termination of employment with the State of Oklahoma, retirement, or death, a participant will no longer be eligible for contributions from the State of Oklahoma into the Savings Incentive Plan. Participants are at all times 100% vested in their Savings Incentive Plan account. Participant contributions are not required or permitted. Qualified participants may make rollover contributions to the Savings Incentive Plan, provided such rollover contributions meet applicable requirements of the IRC. Plan participants may direct the investment of the contributions in available investment options offered by the Savings Incentive Plan. All interest, dividends, and investment fees are allocated to the participants' accounts.

Savings Incentive Plan benefits are paid to participants or beneficiaries upon termination, retirement, or death. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments or may be rolled over to a qualified plan at the option of the participant or beneficiaries.

## (11) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN, DEFERRED SAVINGS INCENTIVE PLAN, AND DEFINED CONTRIBUTION PLAN, CONTINUED

### Defined Contribution Plan

Pathfinder is a mandatory defined contribution plan for eligible state employees who first became employed by a participating employer on or after November 1, 2015, and who have no prior participation in OPERS.

Under this plan, members choose a contribution rate, which is matched by their employer up to 7%, and members have the freedom to select and change their investments. A defined contribution plan like Pathfinder does not provide a guaranteed lifetime source of income. The amount a participant has at retirement under a defined contribution plan is dependent upon how much was contributed over his/her career, how well those investments performed, and how quickly distributions are taken in retirement.

The Pathfinder plan is one retirement plan with two components: a savings incentive 401(a) plan for mandatory contributions; and a deferred compensation 457(b) plan for additional voluntary contributions. The mandatory 401(a) plan contribution is 4.5% of the participant's annual salary, and state agency employers contribute an additional 6%. In addition, the participant can receive an additional 1% matching contribution when they make a voluntary contribution of 2.5% to the 457(b) plan. The agency contributes 16.5% to all eligible employees. The amounts not used for matching with Pathfinder are given to OPERS and do not come back to the agency.

## (12) RISK MANAGEMENT

The Risk Management Division is part of the General Counsel's Division for the Office of Management and Enterprise Services, (the "Division") and is responsible for the acquisition and administration of all insurance purchased by the State of Oklahoma or administration of any self-insurance plans and programs adopted for use by the State of Oklahoma for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Division is authorized to settle claims of the State of Oklahoma and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided by the State of Oklahoma, an agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Government Tort Claims Act, as provided by Title 51 O.S. Supp. 1988, Section 154. The Division oversees the collection of claims owed to the State of Oklahoma incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Division is also charged with the responsibility to immediately notify the attorney general of any claims against the State of Oklahoma presented to the Division. The Division purchases insurance policies through third-party insurance carriers that ultimately inherit the risk of loss. The Division annually assesses each state agency, including ODOC, their pro rata share of the premiums purchased. ODOC has no obligations to any claims submitted against ODOC.

## (13) TAX ABATEMENTS

While ODOC does not have tax assessment authority, it does perform certain administrative procedures for the following tax abatement programs:

- **Oklahoma Quality Jobs Program**—was established by the Legislature (68 O.S. § 3601) to provide an incentive for companies to expand or relocate jobs to Oklahoma. Companies meeting certain statutory requirements can receive a rebate up to 5% of new taxable payroll for up to 10 years. The requirements include creating jobs within a qualifying industry as noted by the North American Industry Classification System (NAICS) description; paying wages on the newly created jobs equal to the average county wage or state threshold wage, whichever is lower; achieving $2,500,000 in new annual taxable payroll within 3 years; and offering basic health insurance to employees within 180 days of employment. Companies can receive up to a 6% rebate if at least 10% of new payroll is comprised of qualified military veterans.

  Under certain circumstances, some program requirements may be amended or waived.

  A company that participates in the Oklahoma Quality Jobs Program but fails to maintain a business presence in the state of Oklahoma within 3 years of start date must repay all program benefits that they received and may not re-apply for the program for 1 year following dismissal.

- **Small Employer Quality Jobs Program**—was established by the Legislature (68 O.S. § 3901) to provide appropriate incentives to support the creation of quality jobs, particularly for small businesses, in basic industries in the state of Oklahoma. Companies applying for the Small Employer Quality Jobs Program must have 90 employees or less at the time of application to the program. Rebates under the program are received for up to 7 years. Program requirements include creating a minimum number of new jobs based on the population of the community where the company is located; having 35% out-of-state sales for the first two years and subsequently 60% out-of-state sales; paying the newly created jobs at 110% of the average county wage; and offering basic health insurance within 180 days of employment (the employee must not pay more than 50% of the premium).

  Benefits are not payable until the company has attained both the minimum number of new jobs and the required average wage.

  The Oklahoma Quality Jobs Act and the Oklahoma Small Employer Quality Jobs Act offer specific benefits for companies locating in certain economically distressed geographic areas.

  For the Oklahoma Quality Jobs Program, companies locating in "Automatic 5% Counties" may qualify for a 5% net benefit rate. Within "Opportunity Zones," in addition to a 5% net benefit rate, average wage requirements may be waived in the Oklahoma Quality Jobs Program. Other thresholds will still need to be met in order for a company to qualify for the Oklahoma Quality Jobs Program.

## (13) TAX ABATEMENTS, CONTINUED

- **21st Century Quality Jobs Program**—was established by the Legislature (68 O.S. § 3911) to provide appropriate incentives to attract growth industries and sectors to Oklahoma in the 21st century through a policy of rewarding businesses with a highly skilled, knowledge-based workforce. The program allows a net benefit rate of up to 10% of payroll for up to 10 years and requires at least 10 full-time jobs at an annual average wage of the lesser of $103,736 (the state wage, which is indexed every year) or 300% of the county's average wage. Out-of-state sales for the company must be at least 50% for most participants. The program targets industries such as knowledge-based industries, including professional, scientific, and technical services; music, film, and performing arts; and specialty hospitals.
- **Remote Quality Jobs**—was established by the Legislature (68 O.S. §4501) to provide appropriate incentives to attract growth industries that employ remote workers to Oklahoma. The program allows organizations that focus on attracting remote workers by direct marketing, visits and tours by potential remote workers, and monetary payments to remote workers who move to Oklahoma, to receive a rebate of up to 5% of payroll for up to 2 ½ years. The remote worker must be already working remotely in the state they were originally located and cannot be employed by an entity participating in another version of the Quality Jobs Program. Other requirements are an annual gross payroll threshold and full-time equivalent employees must work an average of 30 or more hours per week in the new direct jobs equal to or in excess of 80% of the total number of new direct jobs.
- **Filmed in Oklahoma**—was established by the Legislature (68 O.S. §3631) to provide an incentive to certain film projects and eligible television series projects filmed or produced in Oklahoma. The program allows a base incentive amount of up to 20% of the qualified production expenditure amount for a project filmed in the state. An incentive for a project filmed in the state for wages paid to nonresident crew is allowed in the amount of 7.5%. Additional incentives are available if the project meets certain other criteria. The total amount of rebate payments conditionally prequalified each fiscal year cannot exceed $30,000,000.
- **Oklahoma Film Enhancement Rebate**—was established by the legislature (68 O.S. §§ 3621-3626) to promote production of films in Oklahoma. A rebate, of up to 37% of documented expenditures made in Oklahoma directly attributable to the production of film, television production, or television commercials, may be paid to the production company. The program will terminate on July 1, 2027, and no claims may be paid thereafter.

ODOC does not grant rebates, but assists the Oklahoma Tax Commission with certain administrative functions for the programs. Further details as to the actual amounts of tax abatements and companies involved can be obtained from the June 30, 2022, financial statements of the State of Oklahoma.

## (14) COMMITMENTS AND CONTINGENT LIABILITIES

### Grant Programs

In the normal course of operations, ODOC participates in a number of federally assisted grant programs. These programs are subject to audits by the grantors or their representatives. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under the terms of the grant.

## (14) COMMITMENTS AND CONTINGENT LIABILITIES, CONTINUED

### Grant Programs, Continued

During 2016, the Office of Inspector General (OIG) of the U.S. Department of Housing and Urban Development (HUD) performed a review of the State of Oklahoma Community Development Block Grant Disaster Recovery (CDBG-DR) program administered by ODOC. On September 30, 2016, HUD issued its report. The report noted instances of lack of adequate documentation supporting certain obligations and expenditures. From 2016 to 2021, HUD performed additional monitoring visits to follow up on the findings included in its original report and to review additional documentation, which resulted in some additional findings being issued. ODOC's management worked with HUD throughout the process to provide additional information necessary to resolve the findings. A final review was performed by HUD in June 2021, which resulted in no new findings and the closing of all previous findings that HUD had included in its reports issued during the prior reviews.

In the administration of its grant programs, ODOC subcontracts with numerous subgrantees throughout the state of Oklahoma to accomplish the overall goals of grant agreements. In the administration of subgrantee activities, ODOC requires that an audit of the subgrantee's financial statements be performed by independent certified public accountants on an annual basis. While the subgrantee is held accountable for all questioned costs, ODOC is ultimately responsible to the grantor agency for the funds it receives. ODOC's policy is to require subgrantees to resolve questioned costs on a timely basis.

### Leasing Agreements

ODOC leases space and various items of equipment under annual renewable operating leases. As of June 30, 2022 and 2021, there were no significant operating lease commitments outstanding.

### Legal

ODOC is occasionally involved in legal proceedings in the normal course of operations. At June 30, 2022, there was no litigation outstanding.

## (15) SUBSEQUENT EVENTS

### Department of Labor Review of WIOA Programs

In June 2022, the U.S. Department of Labor, Employment and Training Administration (ETA) conducted an on-site review of the Workforce Innovation and Opportunity Act (WIOA) Title I programs administered by ODOC and Title III programs administered by the Oklahoma Employment Security Commission. The program aspects of the review included governance and the service delivery of the Adult, Dislocated Worker, and Youth activities administered by the Green Country Workforce Development Board ("Green Country WDB"). The ETA issued a report on August 22, 2022. The report noted 16 compliance findings and 2 areas of concern, as well as approximately $12,678,000 of questioned costs specific to subgrants to Green Country WDB. ODOC is working with the ETA and Green Country WDB to resolve the findings and questioned costs. As the amount, if any, of the final questioned costs has not been determined, no loss provision has been provided for in the accompanying financial statements.

See Independent Auditors' Report.

## (15) SUBSEQUENT EVENTS, CONTINUED

### PREP Fund Allocation

In September 2022, ODOC received an appropriation from the Oklahoma Legislature of $122,150,000 from the Progressing Rural Economic Prosperity (PREP) fund. The PREP allocations are as follows:

- $46,200,000 to the Pandemic Relief Secondary Source Revolving Fund for grants to cover costs that are directly associated with projects at industrial parks, airparks, and ports at least partially funded by an appropriation from the Statewide Recovery Fund, with priority given to projects partially funded by the Pandemic Relief Primary Source Revolving Fund.

- $25,000,000 to construct needed facility upgrades including intermodal rail, at an industrial park in the southern region of the state.

- $1,000,000 to enhance trade with Latin America, Europe, and Southeast Asia.

- $20,000,000 to construct facility upgrades, such as fairground arena connectors, electrical infrastructure, and facilities associated with livestock events at a location in the central region of the state.

- $29,950,000 to fund facility upgrades, including electric, water, natural gas, sewer, fiber, site access and land remediation at industrial parks, airparks, and ports in counties not receiving funding from the Pandemic Relief Primary Source Revolving Fund or the Pandemic Relief Secondary Revolving Fund.

**STATE OF OKLAHOMA**
**DEPARTMENT OF COMMERCE**

# REQUIRED SUPPLEMENTARY INFORMATION

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

## COMBINED STATEMENTS OF REVENUES AND EXPENDITURES—BUDGET TO ACTUAL (BUDGETARY BASIS)—GENERAL FUND

*Year Ended June 30, 2022*

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance |
|---|---|---|---|---|
| Revenues: | | | | |
| State appropriations | $ 72,552,680 | 58,264,959 | 38,264,959 | (20,000,000) |
| Federal grant revenues | 68,111,343 | 77,098,102 | 65,572,304 | (11,525,798) |
| Other | 2,055,715 | 2,065,715 | 1,690,442 | (375,273) |
| Total revenues | 142,719,738 | 137,428,776 | 105,527,705 | (31,901,071) |
| Expenditures: | | | | |
| Subgrantee expenditures | 85,381,730 | 92,996,937 | 80,428,866 | 12,568,071 |
| Salaries, wages, and benefits | 12,472,229 | 13,770,680 | 11,367,825 | 2,402,855 |
| Contractual and professional | 22,383,011 | 11,867,860 | 11,531,525 | 336,335 |
| Travel | 653,045 | 714,215 | 581,328 | 132,887 |
| Debt service on capitol dome leases and equipment rental | 335,333 | 539,422 | 120,037 | 419,385 |
| Equipment | 3,119 | 13,119 | 36,471 | (23,352) |
| Maintenance | 250,090 | 394,369 | 199,917 | 194,452 |
| Miscellaneous administrative expenses | 23,919,771 | 24,394,802 | 2,463,946 | 21,930,856 |
| Total expenditures | 145,398,328 | 144,691,404 | 106,729,915 | 37,961,489 |
| Revenues in excess of (less than) expenditures | $ (2,678,590) | (7,262,628) | (1,202,210) | 6,060,418 |

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

## STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

## COMBINED STATEMENTS OF REVENUES AND EXPENDITURES—
## BUDGET TO ACTUAL (BUDGETARY BASIS)—GENERAL FUND, CONTINUED

*Year Ended June 30, 2021*

| | Original Budget | Final Budget | Actual on Budgetary Basis | Variance |
|---|---|---|---|---|
| Revenues: | | | | |
| State appropriations | $ 30,866,497 | 33,428,674 | 65,866,497 | 32,437,823 |
| Federal grant revenues | 89,154,350 | 89,444,350 | 59,935,991 | (29,508,359) |
| OMES CARES Act grant funds | 101,800,000 | 145,228,179 | 145,228,179 | - |
| Other | 2,161,546 | 2,168,046 | 5,090,374 | 2,922,328 |
| Total revenues | 223,982,393 | 270,269,249 | 276,121,041 | 5,851,792 |
| Expenditures: | | | | |
| Subgrantee expenditures | 99,385,468 | 99,391,968 | 70,354,926 | 29,037,042 |
| Salaries, wages, and benefits | 11,368,865 | 11,738,848 | 10,983,937 | 754,911 |
| Contractual and professional | 8,924,307 | 9,866,026 | 153,932,891 | (144,066,865) |
| Travel | 712,346 | 713,096 | 147,392 | 565,704 |
| Debt service on capitol dome leases and equipment rental | 244,820 | 244,820 | 619,976 | (375,156) |
| Equipment | - | 5,000 | 28,035 | (23,035) |
| Maintenance | 551,764 | 576,764 | 347,627 | 229,137 |
| Miscellaneous administrative expenses | 121,000,598 | 165,695,765 | 3,226,353 | 162,469,412 |
| Total expenditures | 242,188,168 | 288,232,287 | 239,641,137 | 48,591,150 |
| Revenues in excess of (less than) expenditures | $ (18,205,775) | (17,963,038) | 36,479,904 | 54,442,942 |

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

## RECONCILIATION OF DIFFERENCES BETWEEN BUDGETARY BASIS AND REPORT BASIS—GENERAL FUND

*Year Ended June 30, 2022*

| | Actual per Audit Report | Adjustment to Budgetary Basis | Actual on Budgetary Basis |
|---|---|---|---|
| Revenues: | | | |
| State appropriations | $ 38,264,959 | - | 38,264,959 |
| Federal grant revenues | 64,030,280 | 1,542,024 | 65,572,304 |
| Other | 4,947,102 | (3,256,660) | 1,690,442 |
| Total revenues | 107,242,341 | (1,714,636) | 105,527,705 |
| Expenditures: | | | |
| Subgrantee expenditures | 80,428,866 | - | 80,428,866 |
| Salaries, wages, and benefits | 11,367,825 | - | 11,367,825 |
| Contractual and professional | 11,531,525 | - | 11,531,525 |
| Travel | 581,328 | - | 581,328 |
| Debt service on capitol dome leases and equipment rental | 120,037 | - | 120,037 |
| Equipment | 36,471 | - | 36,471 |
| Maintenance | 199,917 | - | 199,917 |
| Miscellaneous administrative expenses | 4,257,835 | (1,793,889) | 2,463,946 |
| Total expenditures | 108,523,804 | (1,793,889) | 106,729,915 |
| Revenues in excess of expenditures | $ (1,281,463) | 79,253 | (1,202,210) |

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**RECONCILIATION OF DIFFERENCES BETWEEN BUDGETARY BASIS AND REPORT BASIS—GENERAL FUND, CONTINUED**

*Year Ended June 30, 2021*

| | Actual per Audit Report | Adjustment to Budgetary Basis | Actual on Budgetary Basis |
|---|---|---|---|
| Revenues: | | | |
| State appropriations | $ 65,866,497 | - | 65,866,497 |
| Federal grant revenues | 58,577,866 | 1,358,125 | 59,935,991 |
| OMES CARES Act grant funds | 145,228,179 | - | 145,228,179 |
| Other | 7,972,879 | (2,882,505) | 5,090,374 |
| Total revenues | 277,645,421 | (1,524,380) | 276,121,041 |
| Expenditures: | | | |
| Subgrantee expenditures | 70,354,926 | - | 70,354,926 |
| Salaries, wages, and benefits | 10,983,937 | - | 10,983,937 |
| Contractual and professional | 153,932,891 | - | 153,932,891 |
| Travel | 147,392 | - | 147,392 |
| Debt service on capitol dome leases and equipment rental | 619,976 | - | 619,976 |
| Equipment | 28,035 | - | 28,035 |
| Maintenance | 347,627 | - | 347,627 |
| Miscellaneous administrative expenses | 6,779,693 | (3,553,340) | 3,226,353 |
| Total expenditures | 243,194,477 | (3,553,340) | 239,641,137 |
| Revenues in excess of expenditures | $ 34,450,944 | 2,028,960 | 36,479,904 |

See Independent Auditors' Report.
See accompanying notes to required supplementary information.

- In preparing its budget, ODOC is allowed to budget estimated revenues, expenditures, and available cash on-hand. The budgeted expenditures in excess of revenues for 2022 and 2021 were budgeted to be funded with available cash on-hand.

- Certain appropriations, if unexpended, may be transferred to the next fiscal year's budget for expenditures. Unexpended amounts so transferred may then be rebudgeted in the next fiscal year. Unexpended 2021 amounts transferred to 2022 and rebudgeted approximated $4,199,000. Unexpended 2020 amounts transferred to 2021 and rebudgeted approximated $3,857,000.

- The budget for the General Fund includes the originally approved appropriations for expenditures as adjusted for budget reductions, supplementary appropriations, and approved transfers between budget categories.

- Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriations, is employed as an extension of the formal budgetary process of the General Fund.

# STATE OF OKLAHOMA
# DEPARTMENT OF COMMERCE

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

Exhibit I

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**SCHEDULE OF ODOC'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY**
**Oklahoma Public Employees Retirement System**

**Last 8 Fiscal Years[(1)]**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017[(2)] | 2016[(2)] | 2015[(2)] |
|---|---|---|---|---|---|---|---|---|
| ODOC's proportion of the net pension (asset) liability | 0.38205200% | 0.34338079% | 0.31842062% | 0.31282374% | 0.31654233% | 0.29806652% | 0.34115499% | 0.40678366% |
| ODOC's proportionate share of the net pension (asset) liability | $ (5,127,752) | 3,063,517 | 424,092 | 610,141 | 1,711,428 | 2,957,508 | 1,227,080 | 783,224 |
| ODOC's covered payroll | 4,445,095 | 4,570,469 | 4,517,351 | 4,659,218 | 4,758,673 | 5,008,509 | 5,894,624 | 6,965,782 |
| ODOC's proportionate share of the net pension (asset) liability as a percentage of its covered payroll | (115.36)% | 67.03% | 9.39% | 13.10% | 35.96% | 59.05% | 20.82% | 11.24% |
| OPERS' fiduciary net position as a percentage of the total pension liability | 112.51% | 91.59% | 98.63% | 97.96% | 94.28% | 89.48% | 96.00% | 97.90% |

(1) The amounts presented for each fiscal year were determined as of June 30 of the prior year.
(2) The amounts presented were net of NACEA.

Only the last 8 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report.

**Exhibit II**

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**SCHEDULE OF ODOC'S CONTRIBUTIONS**
**Oklahoma Public Employees Retirement System**
**Last 10 Fiscal Years**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017* | 2016* | 2015* | 2014* | 2013* |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 666,413 | 677,877 | 696,996 | 688,896 | 710,531 | 785,181 | 826,404 | 972,613 | 1,149,354 | 1,160,264 |
| Contributions in relation to the contractually required contributions | 666,413 | 677,877 | 696,996 | 688,896 | 710,531 | 785,181 | 826,404 | 972,613 | 1,149,354 | 1,160,264 |
| Contribution deficiency (excess) | $ - | - | - | - | - | - | - | - | - | - |
| ODOC's covered payroll | 4,369,921 | 4,445,095 | 4,570,469 | 4,517,351 | 4,659,218 | 4,758,673 | 5,008,509 | 5,894,624 | 6,965,782 | 7,031,903 |
| Contributions as a percentage of covered payroll | 15.25% | 15.25% | 15.25% | 15.25% | 15.25% | 16.50% | 16.50% | 16.50% | 16.50% | 16.50% |

*The amounts presented were net of NACEA.

See Independent Auditors' Report.

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**SCHEDULE OF ODOC'S PROPORTIONATE SHARE OF THE NET OPEB (ASSET) LIABILITY**
**Oklahoma Public Employees Health Insurance Subsidy Plan**
**Last 5 Fiscal Years***

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| ODOC's proportion of the net OPEB (asset) liability | 0.38205200% | 0.34338079% | 0.31842062% | 0.31282374% | 0.31654233% |
| ODOC's proportionate share of the net OPEB (asset) liability | $ (525,254) | (160,987) | (123,787) | (40,482) | 36,257 |
| ODOC's covered payroll | 4,445,095 | 4,570,469 | 4,517,351 | 4,659,218 | 4,758,673 |
| ODOC's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | (11.82)% | (3.52)% | (2.74)% | (0.87)% | 0.76% |
| OPERS' fiduciary net position as a percentage of the total OPEB liability | 142.87% | 114.27% | 112.11% | 103.94% | 96.50% |

*The amounts presented for the 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.

**Exhibit IV**

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**SCHEDULE OF ODOC'S CONTRIBUTIONS**
**Oklahoma Public Employees Health Insurance Subsidy Plan**

**Last 5 Fiscal Years**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 61,235 | 57,061 | 58,670 | 57,988 | 58,353 |
| Contributions in relation to the contractually required contributions | 61,235 | 57,061 | 58,670 | 57,988 | 58,353 |
| Contribution deficiency (excess) | $ - | - | - | - | - |
| ODOC's covered payroll | $ 4,898,800 | 4,564,880 | 4,693,600 | 4,639,040 | 4,659,218 |
| Contributions as a percentage of covered payroll | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |

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

See Independent Auditors' Report.

**Exhibit V**

**STATE OF OKLAHOMA DEPARTMENT OF COMMERCE**

**SCHEDULE OF ODOC'S CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**
**Implicit Rate Subsidy of Health Insurance Plan OPEB Liability**
**Last 5 Fiscal Years**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Total OPEB liability: | | | | | |
| Service cost | $ 18,594 | 14,267 | 15,179 | 13,313 | 15,271 |
| Interest | 9,461 | 13,439 | 16,508 | 13,613 | 11,602 |
| Actual experience | (1,496) | (1,405) | 51,521 | (5,334) | - |
| Changes in assumptions and deferred outflows and inflows | 13,329 | 30,414 | (36,644) | (1,384) | (19,101) |
| Benefits paid | (31,577) | (31,216) | (34,275) | (28,239) | (32,777) |
| Net change in total OPEB liability | 8,311 | 25,499 | 12,289 | (8,031) | (25,005) |
| Total OPEB liability—beginning | 412,829 | 387,330 | 375,041 | 383,072 | 408,077 |
| Total OPEB liability—ending | $ 421,140 | 412,829 | 387,330 | 375,041 | 383,072 |
| Covered-employee payroll | $ 4,564,880 | 4,693,600 | 4,639,040 | 4,659,218 | 4,758,683 |
| Total OPEB liability as a percentage of covered-employee payroll | 9.23% | 8.80% | 8.35% | 8.05% | 8.05% |

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

The discount rate used for 2022 was 2.16%.
The discount rate used for 2021 was 2.21%.
The discount rate used for 2020 was 3.58%.
The discount rate used for 2019 was 3.87%.
The discount rate used for 2018 was 3.58%.

See Independent Auditors' Report.

**STATE OF OKLAHOMA**
**DEPARTMENT OF COMMERCE**

**REPORTS AND SCHEDULES REQUIRED BY**
***GOVERNMENT AUDITING STANDARDS* AND**
**THE UNIFORM GUIDANCE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Year Ended June 30, 2022*

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Number/ Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| **DEPARTMENT OF ENERGY PROGRAMS— PASSED THROUGH STATE OF OKLAHOMA GOVERNOR'S OFFICE** | | | | |
| State Energy Program | 81.041 | | | |
| FY 21 | | DE-EE0008663 | $ 485,847 | 648,513 |
| FY 20 | | DE-EE0008663 | (3,720) | 3,236 |
| | | | 482,127 | 651,749 |
| Weatherization | 81.042 | | | |
| FY 22 | | DE-EE0009925 | 6,792 | 49,944 |
| FY 21 | | DE-EE0007944 | 1,549,824 | 1,816,958 |
| FY 20 | | DE-EE0007944 | (50) | (50) |
| FY 19 | | DE-EE0007944 | (468) | (468) |
| | | | 1,556,098 | 1,866,384 |
| **Total Department of Energy Programs** | | | 2,038,225 | 2,518,133 |

(Continued)

See Independent Auditors' Report.
See accompanying notes to schedule of expenditures of federal awards.

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Number/ Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS** | | | | |
| Community Development Block Grants— | | | | |
| State-Administered Small Cities Program Cluster | 14.228* | | | |
| FY 21 | | B-21-DC-40-0001 | 363,962 | 657,768 |
| FY 20 | | B-20-DC-40-0001 | 4,709,648 | 4,711,762 |
| FY 19 | | B-19-DC-40-0001 | 4,067,314 | 4,067,314 |
| FY 18 | | B-18-DC-40-0001 | 333,275 | 333,415 |
| FY 17 | | B-17-DC-40-0001 | 56,063 | 56,063 |
| FY 16 | | B-16-DC-40-0001 | 6,526 | 6,526 |
| FY 15 | | B-15-DC-40-0001 | 188,787 | 188,787 |
| FY 14 | | B-14-DC-40-0001 | 8 | 8 |
| FY 13 | | B-13-DC-40-0001 | 2,838 | 2,838 |
| CDBG—CR | | B-20-DW-40-0001 | 2,802,653 | 3,033,765 |
| CDBG—ED | | N/A | 2,564,800 | 2,565,229 |
| CDBG—Disaster Recovery FY 19 | | B-19-DF-40-0001 | - | 128,050 |
| CDBG—Disaster Recovery FY 13 | 14.269* | B-13-DS-40-0001 | 30,384 | 62,924 |
| | | | 15,126,258 | 15,814,449 |
| Emergency Solutions Grant Program | 14.231* | | | |
| FY 21 | | E-21-DC-40-0001 | 1,263,804 | 1,309,010 |
| FY 20 | | E-20-DC-40-0001 | 468,918 | 469,458 |
| FY 19 | | E-19-DC-40-0001 | - | 149 |
| ESG—CR | | E-20-DW-40-0001 | 8,318,158 | 8,594,752 |
| | | | 10,050,880 | 10,373,369 |
| **Total Department of Housing and Urban Development Programs** | | | 25,177,138 | 26,187,818 |

(Continued)

See Independent Auditors' Report.
See accompanying notes to schedule of expenditures of federal awards.

STATE OF OKLAHOMA DEPARTMENT OF COMMERCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

*Year Ended June 30, 2022*

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Number/ Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS** | | | | |
| Community Services Block Grant | 93.569* | | | |
| FY 22 | | 2201OKCOSR | 1,850,044 | 1,850,044 |
| FY 21 | | 2101OKCOSR | 5,414,407 | 5,692,141 |
| FY 20 | | 2001OKCOSR | 1,405,896 | 1,406,271 |
| CSBG—CR | | 2001OKCSC3 | 5,285,551 | 5,431,008 |
| CSBG—Disaster Recovery | | 2001OKCOSD | 87,776 | 91,669 |
| | | | 14,043,674 | 14,471,133 |
| Head Start | 93.600 | | | |
| FY 22 | | 06CD004085-02-00 | 36,500 | 36,500 |
| FY 21 | | 06CD004085-01-00 | 96,756 | 102,610 |
| | | | 133,256 | 139,110 |
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS—PASSED THROUGH OKLAHOMA DEPARTMENT OF HUMAN SERVICES** | | | | |
| LIHEAP | 93.568 | | | |
| FY 21 | | FFY21 Weatherization | - | 11,540 |
| FY 20 | | FFY20 Weatherization | 984,937 | 1,033,561 |
| FY 19 | | FFY19 Weatherization | 197,333 | 197,567 |
| | | | 1,182,270 | 1,242,668 |
| **Total Department of Health and Human Services Programs** | | | 15,359,200 | 15,852,911 |

(Continued)

See Independent Auditors' Report.
See accompanying notes to schedule of expenditures of federal awards.

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Number/ Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| **DEPARTMENT OF LABOR PROGRAMS** | | | | |
| Workforce Innovation and Opportunity Act Cluster | | | | |
| WIOA Adult Programs | 17.258* | | | |
| FY 22 | | AA36340KY0 | 1,409,181 | 1,411,434 |
| PY 21 | | AA36340D90 | 399,618 | 419,476 |
| FY 21 | | AA347883L0 | 3,170,461 | 3,207,686 |
| PY 20 | | AA34788V90 | 283,830 | 417,049 |
| FY 20 | | AA33250R70 | 475,403 | 696,982 |
| PY 19 | | AA33250L70 | 109,596 | 265,400 |
| FY 19 | | AA32245H70 | 58,974 | 59,173 |
| | | | 5,907,063 | 6,477,200 |
| WIOA Youth Activities | 17.259* | | | |
| PY 21 | | AA36340E10 | 1,661,153 | 1,871,873 |
| PY 20 | | AA34788VS0 | 3,714,839 | 3,951,923 |
| PY 19 | | AA33250LN0 | 512,262 | 972,689 |
| PY 18 | | AA32245F30 | (1,998) | 5,525 |
| | | | 5,886,256 | 6,802,010 |
| WIOA Dislocated Worker Formula Grants | 17.278* | | | |
| FY 22 | | AA36340LA0 | 1,082,805 | 1,084,679 |
| PY 21 | | AA36340DQ0 | 309,535 | 374,131 |
| FY 21 | | AA347885P0 | 2,423,307 | 2,429,825 |
| PY 20 | | AA34788VQ0 | 168,872 | 316,204 |
| FY 20 | | AA33250R90 | 1,108,094 | 1,417,473 |
| PY 19 | | AA33250L90 | 40,654 | 448,364 |
| FY 19 | | AA32245H90 | - | 5,585 |
| PY 18 | | AA32245G30 | - | 1,954 |
| | | | 5,133,267 | 6,078,215 |
| Total Workforce Innovation Opportunity Act Cluster | | | 16,926,586 | 19,357,425 |

(Continued)

See Independent Auditors' Report.
See accompanying notes to schedule of expenditures of federal awards.

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Grant Number/ Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| **DEPARTMENT OF LABOR PROGRAMS, CONTINUED** | | | | |
| Workforce Dislocated Worker Grants | 17.277 | | | |
| TET 21 | | DW-32553-18-60-A-40 | 779,062 | 785,780 |
| CRDWG 20 | | DW-34825-20-60-A-40 | 27,778 | 60,617 |
| Total Workforce Dislocated Worker Grants | | | 806,840 | 846,397 |
| Workforce Apprenticeship State Funds | 17.285 | | | |
| FY 19 | | AP-35102-20-60-A-40 | - | 29,271 |
| FY 18 | | AP-33504-19-60-A-40 | - | 263,200 |
| WRA 20 | | AP-35091-20-60-A-40 | - | 156,231 |
| Total Workforce Apprenticeship State Funds | | | - | 448,702 |
| **Total Department of Labor Programs** | | | 17,733,426 | 20,652,524 |
| **DEPARTMENT OF COMMERCE PROGRAMS** | | | | |
| Economic Adjustment Assistance | 11.307 | ED22AUS3070005 | - | 282,000 |
| **Total Department of Commerce Programs** | | | - | 282,000 |
| **SMALL BUSINESS ADMINISTRATION PROGRAMS** | | | | |
| State Trade Expansion Program | 59.061 | | | |
| FY 21 | | SBAOITST210031-01-00 | - | 153,422 |
| FY 20 | | SBAHQ20IT0012 | - | 266,097 |
| FY 19 | | SBAHQ19IT0040 | - | 142,252 |
| **Total Small Business Administration Programs** | | | - | 561,771 |
| **TOTAL** | | | $ 60,307,989 | 66,055,157 |

*A major program as determined by the auditors.

See Independent Auditors’ Report.
See accompanying notes to schedule of expenditures of federal awards.

## (1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of ODOC under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of ODOC, it is not intended to and does not present the financial position or changes in financial position of ODOC.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB's Uniform Guidance (2 CFR Part 200, Subpart E), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

## (3) RECONCILIATION OF REVENUES TO EXPENDITURES OF FEDERAL AWARDS

The following reconciliation reports the revenues utilized for the expenditures shown on the Schedule as of June 30, 2022:

| | |
|---|---|
| Federal grant revenues | $ 64,030,280 |
| Federal grant revenues carried over from prior periods | 290,115 |
| Program income | 1,542,024 |
| Interest | 192,738 |
| Expenditures of federal awards | $ 66,055,157 |

## (4) EXPENDITURES AND SUBGRANTEES

For the year ended June 30, 2022, subgrantees of ODOC expended $60,307,989, or 91.30%, of federal expenditures.

The Schedule's expenditures of federal awards totaled $66,055,157. The amount of federal expenditures used to determine major programs was $66,055,157.

## (5) INDIRECT COST RATE

ODOC has a fixed indirect cost rate (a percentage of direct salaries and wages, including applicable fringe benefits) approved by the U.S. Department of Labor for use in charging indirect costs. ODOC's indirect cost rate for the year ended June 30, 2022, was 19.75%.

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***

State of Oklahoma
Department of Commerce

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 State of Oklahoma Department of Commerce (ODOC), which is a part of the State of Oklahoma financial reporting entity, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise of ODOC's basic financial statements, and have issued our report thereon dated October 31, 2022. Our report includes an explanatory paragraph to emphasize the fact that the financial statements include only that portion of the State of Oklahoma that is attributable to transactions of ODOC. Our report also includes an explanatory paragraph disclaiming an opinion on required supplementary information.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ODOC'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 ODOC's internal control. Accordingly, we do not express an opinion on the effectiveness of ODOC'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 ODOC's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(Continued)



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**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**

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ODOC'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 ODOC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ODOC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 31, 2022

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

State of Oklahoma
Department of Commerce

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the State of Oklahoma Department of Commerce's (ODOC), which is a part of the State of Oklahoma financial reporting entity, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ODOC's major federal programs for the year ended June 30, 2022. ODOC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, ODOC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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

(Continued)



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### ***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ODOC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of ODOC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ODOC's internal control over compliance. Accordingly, no such opinion is expressed.

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

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

**Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Finley + Cook, PLLC

Shawnee, Oklahoma
October 31, 2022

## SECTION I—SUMMARY OF AUDITORS' RESULTS

### Financial Statements

| | |
|---|---|
| Type of auditors' report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States: | **Unmodified** |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | ☐ **Yes** ☑ **No** |
| Significant deficiency(ies) identified? | ☐ **Yes** ☑**None Reported** |
| Noncompliance material to financial statements noted? | ☐ **Yes** ☑ **No** |

### Federal Awards

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | ☐ **Yes** ☑ **No** |
| Significant deficiency(ies) identified? | ☐ **Yes** ☑ **None Reported** |
| Type of auditors' report issued on compliance for the major federal programs: | **Unmodified** |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | ☐**Yes** ☑ **No** |

## SECTION I—SUMMARY OF AUDITORS' RESULTS, CONTINUED

### Federal Awards, Continued

Identification of major federal programs:

| Federal Assistance Listing Number | Name of Federal Program or Cluster |
|---|---|
| | ***Department of Housing and Urban Development*** |
| | CDBG Cluster: |
| 14.228 | Community Development Block Grants |
| 14.269 | Community Development Block Grant Disaster Recovery |
| 14.231 | Emergency Solutions Grant Program |
| | ***Department of Labor*** |
| | Workforce Innovation Opportunity Act Cluster: |
| 17.258 | WIOA Adult Programs |
| 17.259 | WIOA Youth Activities |
| 17.278 | WIOA Dislocated Worker Formula Grants |
| | ***Department of Health and Human Services*** |
| 93.569 | Community Services Block Grant |

Dollar threshold used to distinguish between type A and type B programs: **$1,981,655**

Auditee qualified as low-risk auditee? ☑ **Yes** ☐ **No**

## SECTION II—FINANCIAL STATEMENT FINDINGS

None noted.

## SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

*Year Ended June 30, 2022*

There were no findings or questioned costs noted in the June 30, 2021, audit report.