

# Oklahoma Center for the Advancement of Science and Technology

## *Financial Statements*

June 30, 2023 and 2022  
(With Independent Auditors' Report Thereon)



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

**FINANCIAL STATEMENTS**

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*Table of Contents*

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	<u>Page</u>
<u>Independent Auditors' Report</u> .....	1
<u>Management's Discussion and Analysis</u> .....	I-1
<u>Basic Financial Statements:</u>	
<i>Government-Wide Financial Statements:</i>	
Statements of Net Position .....	4
Statements of Activities .....	5
<i>Fund Financial Statements:</i>	
Balance Sheets—General Fund .....	7
Statements of Revenues, Expenditures, and Changes in Fund Balance—General Fund .....	9
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance—General Fund to the Statements of Activities .....	10
Notes to Financial Statements.....	11
<u>Supplementary Information Required by Governmental Accounting Standards Board Statements No. 68 and No. 75:</u>	
Schedule of OCAST's Proportionate Share of the Net Pension Liability (Asset)— Oklahoma Public Employees Retirement System (Exhibit I).....	48
Schedule of OCAST's Contributions— Oklahoma Public Employees Retirement System (Exhibit II).....	49
Schedule of OCAST's Proportionate Share of the Net OPEB (Asset) Liability— Oklahoma Public Employees Health Insurance Subsidy Plan (Exhibit III) .....	50
Schedule of OCAST's Contributions— Oklahoma Public Employees Health Insurance Subsidy Plan (Exhibit IV) .....	51
Schedule of OCAST's Changes in Total OPEB Liability and Related Ratios— Implicit Rate Subsidy of Health Insurance Plan OPEB Liability (Exhibit V).....	52
<u>Report Required by Governmental Auditing Standards:</u>	
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 <i>Government Auditing Standards</i> .....	53

## **INDEPENDENT AUDITORS' REPORT**

To the Oklahoma Center for the Advancement of  
Science and Technology

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

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Oklahoma Center for the Advancement of Science and Technology (OCAST), an agency of the State of Oklahoma, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise OCAST'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 OCAST, as of June 30, 2023 and 2022, 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 OCAST 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 OCAST are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the General Fund of the State of Oklahoma that is attributable to the transactions of OCAST. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2023 or 2022, or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

(Continued)

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

### **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 OCAST'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 OCAST'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 OCAST'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)

## **INDEPENDENT AUDITORS' REPORT, 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-7 and the Schedules of OCAST's pension and OPEB information listed in the table of contents be presented to supplement the basic financial statements. Such information 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2024, on our consideration of OCAST's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OCAST's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCAST's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Finley & Cook, PLLC".

Shawnee, Oklahoma  
March 1, 2024

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

The management of the Oklahoma Center for the Advancement of Science and Technology (OCAST) is pleased to provide this annual financial report to the citizens of the State of Oklahoma and other report users to demonstrate its accountability and communicate OCAST’s financial condition and activities as of and for the fiscal years ended June 30, 2023 and 2022. Management of OCAST is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts.

### FINANCIAL HIGHLIGHTS

- In FY 2023, OCAST received state appropriated funding in the amount of \$16,846,542, an increase of \$1,550,000 (10.0%) from the FY 2022 state appropriation of \$15,296,542. In FY 2022, OCAST received state appropriated funding in the amount of \$15,296,542, an increase of \$1,500,000 (10.9%) from the FY 2021 state appropriation of \$13,796,542.
- Over the last 10 years, OCAST’s appropriation has been reduced from \$17,811,449 to \$16,846,542, a decrease of \$946,907, or 5.0%.

<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
\$16,846,542	15,296,542	13,796,542	14,371,398	13,356,927
<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
13,432,626	14,423,407	14,852,779	16,811,295	17,811,449

- From the total FY 2023 appropriation of \$16,846,542, \$2,759,308 was transferred by statute to the Seed Capital Revolving Fund, was equal to the FY 2022 transfer of \$2,759,308. From the total FY 2022 appropriation of \$15,296,542, \$2,759,308 was transferred by statute to the Seed Capital Revolving Fund, which was a decrease of \$275,931 from the FY 2021 transfer of \$3,035,239.
- In order to conserve the funds available to researchers and for commercialization efforts, OCAST has implemented the following budgeting procedures, beginning with FY 2015.
  - In order to preserve the funds originally appropriated for research and commercialization efforts for that purpose, OCAST allocates the appropriation received that year first to the out-years of previous year awards that will be initiated in the current budget year, then allocates the remainder to the first year of the multi-year awards to be initiated in the current budget year.
  - This results in a lower cash balance over the years as the cash previously set aside for out-years is spent down.
  - The Oklahoma Science and Technology Research and Development (OSTRaD) Board of Directors believes that this method better ensures continued levels of funding for research and commercialization efforts. However, this procedure may ultimately result in a negative unassigned fund balance in the governmental fund financial statements.
- As of June 30, 2023 and 2022, the balance of the Technology Business Financing Program Fund was \$752,622 and \$814,185, respectively.
- OCAST general administrative costs remained low at \$683,576 (2.4%) and \$536,081 (3.9%) at June 30, 2023 and 2022, respectively.

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### ***Government-Wide Financial Statements***

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

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

The Statements of Activities present information on OCAST's revenues and expenses, showing how OCAST's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that result in cash flow of previous and future periods. It is important to note that the statements of net position do not report remaining obligations for multiple-year research awards as liabilities because they are not due and payable in the current fiscal year. As stated in Note 1, \$4,322,876 and \$6,153,963 as of June 30, 2023 and 2022, respectively, is obligated in what is termed "out-years" of multi-year research awards. While the amount is not yet contracted for, and accordingly does not fit the accounting definition of a liability, the researchers are relying on the resources as awarded in multi-year awards.

#### ***Fund Financial Statements***

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

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

### ANALYSIS OF GOVERNMENT-WIDE BALANCES

The following table provides OCAST's net position information as of the end of FY 2023 and FY 2022.

	<u>FY 2023</u>	<u>FY 2022</u>	<u>% Change</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 37,533,874	9,492,430	295.41%
Grants receivable	250,000	-	100.00%
Prepaid items	11,809	10,580	11.62%
Net OPEB asset—noncurrent	49,224	65,396	(24.73)%
Net pension asset—noncurrent	-	638,427	100.00%
Lease assets, net—noncurrent	58,759	145,007	(59.48)%
Total assets	<u>37,903,666</u>	<u>10,351,840</u>	266.15%
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pensions	536,346	203,514	163.54%
Deferred amounts related to OPEB	129,008	138,623	(6.94)%
Total deferred outflows of resources	<u>665,354</u>	<u>342,137</u>	94.47%
Total assets and deferred outflows of resources	<u>\$ 38,569,020</u>	<u>10,693,977</u>	260.66%
<b>Liabilities</b>			
Accounts payable	\$ 1,829,076	1,169,575	56.39%
Due to other state agencies	419,142	665,355	(37.00)%
Unearned revenue	22,935,590	-	100.00%
Compensated absences:			
Payable within 1 year	37,364	37,938	(1.51)%
Payable in more than 1 year	87,181	88,523	(1.52)%
Total OPEB liability—noncurrent	49,507	50,376	(1.73)%
Net pension liability—noncurrent	442,108	-	100.00%
Lease liabilities:			
Payable within 1 year	53,340	86,416	(38.28)%
Payable in more than 1 year	5,806	59,146	(90.18)%
Total liabilities	<u>25,859,114</u>	<u>2,157,329</u>	1098.66%
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pensions	20,270	728,016	(97.22)%
Deferred amounts related to OPEB	52,342	69,270	(24.44)%
Total deferred inflows of resources	<u>72,612</u>	<u>797,286</u>	(90.89)%
<b>Net Position</b>			
Restricted for Technology Business Finance Program	752,622	814,185	(7.56)%
Unrestricted	11,884,672	6,925,177	71.62%
Total net position	<u>12,637,294</u>	<u>7,739,362</u>	63.29%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 38,569,020</u>	<u>10,693,977</u>	260.66%



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

### ANALYSIS OF GOVERNMENT-WIDE BALANCES, CONTINUED

OCAST's net position for FY 2023 increased by 63.3% compared to FY 2022, because of an increase in operating grants and state appropriations. OCAST's net position for FY 2022 increased by 28.6% compared to FY 2021, mostly because of an increase in state appropriations.

Deferred outflows—pensions had a balance of \$203,514 for FY 2022, and increased by \$332,832, or 163.5%, in FY 2023. Deferred inflows—pensions in FY 2022 had a balance of \$728,016 and decreased by \$707,746, or 97.2%, in FY 2023. The net pension asset FY 2022 balance was \$638,427 and decreased by \$638,427, or 100.0%, in FY 2023. The net pension liability FY 2022 balance was \$0 and increased by \$442,108, or 100.0%, in FY 2023. See Note 4 for additional information.

As a result of implementing GASB Statement 75, OCAST's statements of net position contain four accounts representing other postemployment benefits (OPEB): net OPEB asset, deferred outflows—OPEB, total OPEB liability, and deferred inflows—OPEB. Net OPEB asset in FY 2022 had a balance of \$65,396 and decreased by \$16,172, or 24.7%, in FY 2023. Deferred outflows—OPEB in FY 2022 had a balance of \$138,623 and decreased by \$9,615, or 6.9%, in FY 2023. Total OPEB liability in FY 2022 had a balance of \$50,376 and decreased by \$869, or 1.7%, in FY 2023. Deferred inflows—OPEB in FY 2022 had a balance of \$69,270 and decreased by \$16,928, or 24.4%, in FY 2023.

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

Because OCAST's expenses are greatly impacted by the 3-year R&D grant awards and the variations in cash flow resulting from factors affecting the research projects, OCAST has deliberately accumulated a cash balance in the agency's revolving fund to manage the resulting cash flow fluctuations. In addition to accumulating sufficient cash to cover the multi-year grant awards, the OSTRaD Board has set aside \$500,000 in cash as a cushion against possible future appropriation reductions that would affect OCAST's ability to fully fund award commitments.

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

**ANALYSIS OF GOVERNMENT-WIDE BALANCES, CONTINUED**

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

<u>Program</u>	Current Fiscal Year 2023 Obligations Already <u>Contracted</u>	Future Years of Awards (FY 2024 and <u>FY 2025)</u>	Total Committed to Multi-Year <u>Awards</u>
Health Research	\$ 3,096,320	3,051,241	6,147,561
Applied Research	4,097,371	1,054,527	5,151,898
Intern Partnerships	515,268	217,108	732,376
Plant Science Research	<u>495,596</u>	<u>-</u>	<u>495,596</u>
	<u>\$ 8,204,555</u>	<u>4,322,876</u>	<u>12,527,431</u>

<u>Program</u>	Current Fiscal Year 2022 Obligations Already <u>Contracted</u>	Future Years of Awards (FY 2023 and <u>FY 2024)</u>	Total Committed to Multi-Year <u>Awards</u>
Health Research	\$ 2,572,797	2,739,555	5,312,352
Applied Research	4,409,669	2,544,979	6,954,648
Intern Partnerships	673,149	373,833	1,046,982
Plant Science Research	<u>815,202</u>	<u>495,596</u>	<u>1,310,798</u>
	<u>\$ 8,470,817</u>	<u>6,153,963</u>	<u>14,624,780</u>

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

**ANALYSIS OF GOVERNMENT-WIDE BALANCES, CONTINUED**

The following table reflects OCAST’s changes in net position, from the government-wide financial statement perspective, for fiscal years 2023 and 2022:

	<u>FY 2023</u>	<u>FY 2022</u>	<u>% Change</u>
Program revenues:			
Operating grants and contributions	\$ 16,512,606	353,151	4575.79%
Total program revenues	<u>16,512,606</u>	<u>353,151</u>	4575.79%
General revenues:			
State appropriations	<u>16,846,542</u>	<u>15,296,542</u>	10.13%
Total general revenues	<u>16,846,542</u>	<u>15,296,542</u>	10.13%
 Total revenues	 <u>33,359,148</u>	 <u>15,649,693</u>	 113.16%
Expenses:			
Operational programs	27,559,687	12,713,534	116.77%
Technology information services	217,953	678,662	(67.88)%
Administration	<u>683,576</u>	<u>536,081</u>	27.51%
Total expenses	<u>28,461,216</u>	<u>13,928,277</u>	104.34%
 Change in net position	 4,897,932	 1,721,416	 184.53%
 Net position, beginning of year	 <u>7,739,362</u>	 <u>6,017,946</u>	 29.60%
 Net position, end of year	 <u>\$ 12,637,294</u>	 <u>7,739,362</u>	 63.29%

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

### ANALYSIS OF GOVERNMENTAL FUND BALANCES—GENERAL FUND

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

The amount of FY 2023 State appropriations increased by \$1,550,000, or 10.1%, compared to FY 2022. The amount of FY 2023 total revenues and other financing sources increased by \$16,159,455, or 4,575.8%, compared to FY 2022, for the most part related to an increase of federal and state operating grants in FY 2023 of \$16,340,884. The FY 2023 total expenses increased by \$14,535,939, or 104.3%, compared to FY 2022.

The amount of FY 2022 State appropriations increased by \$1,500,000, or 10.9%, compared to FY 2021. The amount of FY 2022 total revenues and other financing sources increased by \$248,406, or 237.2%, compared to FY 2021, for the most part related to an increase of TBFP repayments in FY 2022 of \$248,324. The FY 2022 total expenses increased by \$785,468, or 5.9%, compared to FY 2021.

### CONTACTING OCAST

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

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

**STATEMENTS OF NET POSITION**

<i>June 30,</i>	<i>2023</i>	<i>2022</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 37,533,874	9,492,430
Grants receivable	250,000	-
Prepaid items	11,809	10,580
Net OPEB asset—noncurrent	49,224	65,396
Net pension asset—noncurrent	-	638,427
Lease assets, net—noncurrent	58,759	145,007
Total assets	<u>37,903,666</u>	<u>10,351,840</u>
<b>Deferred Outflows of Resources</b>		
Deferred amounts related to pensions	536,346	203,514
Deferred amounts related to OPEB	129,008	138,623
Total deferred outflows of resources	<u>665,354</u>	<u>342,137</u>
Total assets and deferred outflows of resources	<u>\$ 38,569,020</u>	<u>10,693,977</u>
<b>Liabilities</b>		
Accounts payable	\$ 1,829,076	1,169,575
Due to other state agencies	419,142	665,355
Unearned revenue	22,935,590	-
Compensated absences:		
Payable within 1 year	37,364	37,938
Payable in more than 1 year	87,181	88,523
Total OPEB liability—noncurrent	49,507	50,376
Net pension liability—noncurrent	442,108	-
Lease liabilities:		
Payable within 1 year	53,340	86,416
Payable in more than 1 year	5,806	59,146
Total liabilities	<u>25,859,114</u>	<u>2,157,329</u>
<b>Deferred Inflows of Resources</b>		
Deferred amounts related to pensions	20,270	728,016
Deferred amounts related to OPEB	52,342	69,270
Total deferred inflows of resources	<u>72,612</u>	<u>797,286</u>
<b>Net Position</b>		
Restricted for Technology Business Finance Program	752,622	814,185
Unrestricted	11,884,672	6,925,177
Total net position	<u>12,637,294</u>	<u>7,739,362</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 38,569,020</u>	<u>10,693,977</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

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

**STATEMENTS OF ACTIVITIES**

*Year Ended June 30, 2023*

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Administration	\$ (683,576)	-	10,000	(673,576)
Total governmental activities	<u>(683,576)</u>	<u>-</u>	<u>10,000</u>	<u>(673,576)</u>
Operational programs:				
Health Research	(1,864,664)	-	-	(1,864,664)
Health Fellowship	(204,577)	-	-	(204,577)
Applied Research	(2,452,656)	-	-	(2,452,656)
Applied Research—R&D	(824,479)	-	-	(824,479)
Intern Partnerships	(520,154)	-	1,526	(518,628)
Plant Science	(532,780)	-	-	(532,780)
Tulsa Metro Accelerator	(500,000)	-	500,000	-
OKC Accelerator	(1,000,000)	-	1,000,000	-
Rural Oklahoma Accelerator	(75,000)	-	75,000	-
Inventors Assistance	(435,711)	-	-	(435,711)
Small Business Research	(155,506)	-	-	(155,506)
Industrial Extension System	(1,800,000)	-	-	(1,800,000)
Technology Commercialization	(1,290,334)	-	-	(1,290,334)
Technology Business				
Finance Program	(216,295)	-	165,196	(51,099)
Seed Capital	-	-	-	-
SSBCI Investments	(14,415,884)	-	14,415,884	-
SSBCI Loans	(100,000)	-	100,000	-
Program Services	(815,408)	-	-	(815,408)
Programs—MIS	(111,239)	-	-	(111,239)
Fab Lab Tulsa	(245,000)	-	245,000	-
Technology Information Services	(217,953)	-	-	(217,953)
Total operational programs	<u>(27,777,640)</u>	<u>-</u>	<u>16,502,606</u>	<u>(11,275,034)</u>
Total OCAST expenses	<u>\$ (28,461,216)</u>	<u>-</u>	<u>16,512,606</u>	<u>(11,948,610)</u>
General revenues—state appropriations				<u>16,846,542</u>
Total general revenues				<u>16,846,542</u>
Changes in net position				4,897,932
Net position, beginning of year				<u>7,739,362</u>
Net position, end of year				<u>\$ 12,637,294</u>

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

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

**STATEMENTS OF ACTIVITIES, CONTINUED**

*Year Ended June 30, 2022*

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues</u>
Governmental activities:				
Administration	\$ (536,081)	-	-	(536,081)
Total governmental activities	<u>(536,081)</u>	-	-	<u>(536,081)</u>
Operational programs:				
Health Research	(2,229,890)	-	-	(2,229,890)
Health Fellowship	(132,194)	-	-	(132,194)
Applied Research	(1,659,081)	-	-	(1,659,081)
Applied Research—R&D	(517,019)	-	-	(517,019)
Intern Partnerships	(407,530)	-	796	(406,734)
Plant Science	(528,896)	-	-	(528,896)
Inventors Assistance	(419,995)	-	-	(419,995)
Small Business Research	(282,000)	-	-	(282,000)
Industrial Extension System	(1,184,000)	-	-	(1,184,000)
Technology Commercialization	(1,395,353)	-	-	(1,395,353)
Technology Business				
Finance Program	(349,982)	-	352,355	2,373
Seed Capital	(2,759,308)	-	-	(2,759,308)
Program Services	(758,950)	-	-	(758,950)
Programs—MIS	(89,336)	-	-	(89,336)
Technology Information Services	(678,662)	-	-	(678,662)
Total operational programs	<u>(13,392,196)</u>	-	<u>353,151</u>	<u>(13,039,045)</u>
Total OCAST expenses	<u>\$ (13,928,277)</u>	<u>-</u>	<u>353,151</u>	<u>(13,575,126)</u>
General revenues—state appropriations				<u>15,296,542</u>
Total general revenues				<u>15,296,542</u>
Changes in net position				1,721,416
Net position, beginning of year				<u>6,017,946</u>
Net position, end of year				<u>\$ 7,739,362</u>

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

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

**BALANCE SHEETS—GENERAL FUND**

<i>June 30,</i>	<i>2023</i>	<i>2022</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 37,533,874	9,492,430
Grants receivable	250,000	-
Prepaid items	<u>11,809</u>	<u>10,580</u>
 Total assets	 <u>\$ 37,795,683</u>	 <u>9,503,010</u>
<b>Liabilities and Fund Balance</b>		
Accounts payable	\$ 1,829,076	1,169,575
Due to other state agencies	419,142	665,355
Unearned revenue	<u>22,935,590</u>	<u>-</u>
Total liabilities	<u>25,183,808</u>	<u>1,834,930</u>
 Nonspendable	 11,809	 10,580
Restricted	752,622	814,185
Committed	<u>11,847,444</u>	<u>6,843,315</u>
Total fund balance	<u>12,611,875</u>	<u>7,668,080</u>
 Total liabilities and fund balance	 <u>\$ 37,795,683</u>	 <u>9,503,010</u>

(Continued)

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



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

**BALANCE SHEETS—GENERAL FUND, CONTINUED**

<i>June 30,</i>	<i>2023</i>	<i>2022</i>
<b>Reconciliation of Fund Balance to Net Position</b>		
Total fund balance from above	\$ 12,611,875	7,668,080
Amounts reported in the statements of net position are different because they are not financial resources and therefore are not reported in the governmental fund financial statements:		
Lease assets, net	58,759	145,007
Net OPEB asset	49,224	65,396
Net pension asset	-	638,427
Deferred outflows related to the pension	536,346	203,514
Deferred outflows related to OPEB	129,008	138,623
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund financial statements:		
Compensated absences	(124,545)	(126,461)
Lease liability	(59,146)	(145,562)
Total OPEB liability	(49,507)	(50,376)
Net pension liability	(442,108)	-
Deferred inflows related to the pension	(20,270)	(728,016)
Deferred inflows related to OPEB	(52,342)	(69,270)
Net position, per statements of net position	<u>\$ 12,637,294</u>	<u>7,739,362</u>

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

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

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

<i>Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
Revenues:		
Operating grants and contributions	\$ 16,512,606	353,151
Total revenues	<u>16,512,606</u>	<u>353,151</u>
Expenditures:		
Administration/MIS	662,569	647,089
Operational programs:		
Health Research	1,864,664	2,229,890
Health Fellowship	204,577	132,194
Applied Research	2,452,656	1,659,081
Applied Research—R&D	824,479	517,019
Intern Partnerships	520,154	407,530
Plant Science	532,780	528,896
Tulsa Metro Accelerator	500,000	-
OKC Accelerator	1,000,000	-
Rural Oklahoma Accelerator	75,000	-
Inventors Assistance	435,711	419,995
Small Business Research	155,506	282,000
Industrial Extension System	1,800,000	1,184,000
Technology Commercialization	1,290,334	1,395,353
Technology Business Finance Program	216,295	349,982
Seed Capital	-	2,759,308
SSBCI Investments	14,415,884	-
SSBCI Loans	100,000	-
Program Services	797,456	853,229
Programs—MIS	111,239	89,336
Fab Lab Tulsa	245,000	-
Technology information services	<u>211,049</u>	<u>714,923</u>
Total expenditures	<u>28,415,353</u>	<u>14,169,825</u>
Deficiency of revenues over expenditures	(11,902,747)	(13,816,674)
Other funding sources:		
State appropriations	<u>16,846,542</u>	<u>15,296,542</u>
Total other funding sources	<u>16,846,542</u>	<u>15,296,542</u>
Net changes in fund balance	4,943,795	1,479,868
Fund, beginning of year	<u>7,668,080</u>	<u>6,188,212</u>
Fund balance, end of year	<u>\$ 12,611,875</u>	<u>7,668,080</u>

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

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

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

<i>Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
Net change in fund balance—General Fund	\$ 4,943,795	1,479,868
<p>Amounts reported for governmental activities in the statements of activities are different because:</p> <p>Governmental funds report lease payments as expenditures while government-wide activities report amortization expense to allocate those expenditures over the lives of the lease assets:</p>		
Amortization expense	(86,248)	(84,644)
<p>Some expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund financial statements:</p>		
Accrued compensated absences	1,917	37,748
Deferred outflows and inflows related to the net pension asset/liability	(39,957)	202,213
Deferred outflows and inflows related to the OPEB asset/liability	(7,991)	1,780
Payments on lease liabilities	86,416	84,451
Changes in net position, per the statements of activities	\$ 4,897,932	1,721,416

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

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

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

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

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

**Financial Reporting Entity**

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

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

During the years ended June 30, 2023 and 2022, OCAST operated the following programs primarily funded through appropriations from the State of Oklahoma:

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

See Independent Auditors' Report.

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

**Financial Reporting Entity, Continued**

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

Through Senate Bill 1082, \$15 million was allocated to fund and implement the Oklahoma Accelerator Program, which is designed to leverage private capital with the objective of stimulating growth of early-state startup companies throughout the State of Oklahoma by connecting them with global entrepreneurial ecosystems to drive business talent and investment opportunities. The \$15 million was initially allocated to the Oklahoma Department of Commerce, which contracted with OCAST to carry out the program. During the year ended June 30, 2023, the State of Oklahoma moved the allocation of funds directly to OCAST. The full \$15 million has been advanced to OCAST as of June 30, 2023, with approximately \$13.4 million of the advanced funds reflected as unearned revenue in the accompanying financial statements.

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

In addition to the above programs funded by the State of Oklahoma, OCAST has the following federally funded programs:

***State Small Business Credit Initiative***

During the year ended June 30, 2022, OCAST was approved to receive approximately \$82 million of funds in relation to the State Small Business Credit Initiative (SSBCI) Program that was part of the American Rescue Plan Act (ARPA) of 2021, with the funds provided by the United States Department of Treasury (the "Treasury Department"). The purpose of the SSBCI Program is to provide access to capital for startups and small businesses in Oklahoma. The Treasury Department's guidelines for the program provide certain mandatory and minimum requirements, including:

- \$16.6 million of the total \$82 million must be dedicated to businesses owned by socially and economically disadvantaged individuals, as defined in the Treasury Department Guidelines.
- \$4.1 million of the total \$82 million must be dedicated to very small businesses, as defined in the Treasury Department Guidelines.
- Administrative costs are limited to a maximum of 5% of total funds.

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial Reporting Entity, Continued

*State Small Business Credit Initiative, Continued*

OCAST developed two separate programs to utilize the SSBCI Program funds, as follows:

Oklahoma Venture Capital Investment (OVCI) Program

Approximately \$49 million of the total \$82 million of SSBCI Program funds were allocated to this program. During the year ended June 30, 2023, OCAST selected four Oklahoma-based venture capital firms which it has contracted with to assist in administering the OVCI Program. OCAST does not make direct investments as part of the OVCI Program. OCAST provides SSBCI Program funds to the four venture capital firms, which in turn invest in individual small businesses that have operations in Oklahoma. The venture capital firms are required to obtain 1:1 matching for all SSBCI Program funds invested by OCAST in the OVCI Program. As part of its contract with the four venture capital firms, OCAST is considered a limited partner with each firm. Any profits or return of capital that OCAST receives in the future as a limited partner will be recycled within the OVCI Program. During the year ended June 30, 2023, OCAST distributed a total of \$14,415,885 among the four venture capital firms. The following is a summary of the amounts distributed and remaining commitments to the four venture capital firms as of and for the year ended June 30, 2023:

<b>Venture Capital Firm</b>	<b>Total Commitment</b>	<b>Funded by OCAST Through June 30, 2023</b>	<b>Remaining Commitment</b>
FortySix Venture Capital LLC	\$ 7,000,000	2,146,525	4,853,475
Cortado Ventures Fund II SSBCI LP	20,000,000	6,136,842	13,863,158
Boyd Street Ventures, LLC	10,000,000	3,066,259	6,933,741
Oklahoma Life Science Fund SSBCI LLC	10,000,000	3,066,259	6,933,741

The amount, if any, that will ultimately be distributed to OCAST as investment income or invested capital cannot be reasonably estimated. As such, OCAST has chosen not to reflect any investment assets in the accompanying financial statements for its limited partnership interests as of June 30, 2023.

See Independent Auditors' Report.

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

**Financial Reporting Entity, Continued**

***State Small Business Credit Initiative, Continued***

**Oklahoma Business Lending Partnership (OBLP) Program**

Approximately \$32 million of the total \$82 million of SSBCI Program funds were allocated to this program. During the year ended June 30, 2023, OCAST selected and contracted with TEDC Creative Capital (TEDC) to assist in administering the OBLP Program. OCAST does not make direct loans as part of the OBLP Program. OCAST provides SSBCI Program funds to TEDC, which in turn funds loans to individual small businesses that have operations in Oklahoma. TEDC is required to obtain 1:1 matching for all SSBCI Program funds invested by OCAST in the OBLP Program. During the year ended June 30, 2023, the Treasury Department advanced \$9,610,590 to OCAST for the OBLP Program, of which \$100,000 was invested with TEDC. The remaining \$9,510,590 is reflected as unearned income in the accompanying financial statements.

***Statewide Recovery Funds***

During the year ended June 30, 2022, OCAST was approved to receive funds in relation to the Statewide Recovery Funds as part of House Bill 1018. These funds were awarded to the State of Oklahoma as part of ARPA, with the funds provided by the Treasury Department. Under House Bill 1018, approximately \$75 million was allocated to various projects that were approved by the State of Oklahoma's Joint Committee on Pandemic Relief Funding. A description of the projects is as follows:

- \$20 million to support the business incubator, STEM education in a disadvantaged district, and accelerators through the Fires Innovation Science & Technology Accelerator (FISTA) and Lawton Innovation District.
- \$8.4 million to purchase equipment, design programs, and develop a training area to assist in reskilling and upskilling Oklahomans to participate in the pharmaceuticals biologics industry. This will be done through the Oklahoma Biopharmaceutical Workforce Training (Innovation District) and OKC Innovation District Bio Workforce Project.
- \$20 million for the development of an Oklahoma Aviation Academy to provide Oklahoma students with training opportunities in the aeronautics industry.
- \$12 million for the development of a cyber focused workforce pipeline in Oklahoma. This will be done through the Oklahoma Cyber Innovations Institute and the University of Tulsa Cyber Innovation Institute.

(Continued)

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

**Financial Reporting Entity, Continued**

***Statewide Recovery Funds, Continued***

- \$5 million to aid in the recovery of the Tulsa region and to address significant small business, workforce, and economic issues that arose from the COVID-19 pandemic. This will be done through 36 Degrees North.
- \$250,000 to provide equipment, training, and other resources to Fab Lab Enhancements Tulsa for the reskilling and upskilling of the workforce to participate in industrial digitalization.
- \$8.1 million for the development of a Manufacturing Skills Academy to provide for the upskilling or reskilling of workers for the manufacturing industry in Oklahoma.
- \$1 million to provide technical assistance support to various other entrepreneurial programs administered by OCAST or its designees.
- \$500,000 to provide assistance with infrastructure costs, salaries and benefits for two staff, and other support in relation to the first all-inclusive entrepreneurship center located in downtown Oklahoma City operated by The Verge.

OCAST is limited to a maximum of 2% of the total Statewide Recovery Funds for administrative costs.

As of June 30, 2023, OCAST had incurred \$250,000 of expenses in relation to the Statewide Recovery Funds, which is reflected in the accompanying financial statements. No funds had been advanced to OCAST from the Statewide Recovery Funds as of June 30, 2023.

**Basis of Presentation**

***Government-Wide Financial Statements***

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

See Independent Auditors' Report.



NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

**Basis of Presentation, Continued**

***Fund Financial Statements***

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

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

- State Appropriations—Funds provided by annual appropriations from the State Legislature, less any appropriations lapsing in the current fiscal year.
- Program revenues for the years ended June 30, 2023 and 2022, include gains of \$64,240 and \$212,500, respectively, and principal repayments from TBFP clients totaling \$100,956 and \$139,855, respectively.

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

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

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

See Independent Auditors' Report.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus accounts for near-term (current) inflows, outflows, and balances of spendable financial resources, and focuses on the short run. This measurement focus is intended to determine if there are sufficient current financial resources available to pay for goods and services. In general, only current assets and liabilities are included in the governmental fund financial statements. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, OCAST considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due. The amount of accumulated annual leave unpaid at June 30, 2023 and 2022, has been reported only in the government-wide statements.

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

***Cash***

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

***Capital Assets***

The Office of Management and Enterprise Services (OMES) in accordance with Oklahoma Statutes, Title 74 § 110.1, has primary responsibility to maintain control of all property and equipment owned by the State of Oklahoma. OMES has delegated to each of the various state agencies the responsibility to maintain the accounting records for property and equipment purchased and used by each agency. Capital assets are defined as assets that have a cost in excess of \$25,000 at the date of acquisition and have an expected useful life of 5 or more years. OCAST had no assets meeting this definition as of June 30, 2023 or 2022.

***Grants Receivable***

OCAST has grants receivable of \$250,000 due from the State of Oklahoma in relation to the ARPA funds awarded to OCAST as part of the Statewide Recovery Fund's Fab Lab Tulsa project as of June 30, 2023.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

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

***Leases***

OCAST is a party as lessee for various noncancellable long-term leases of office space and equipment. OCAST determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified office space, or equipment in exchange for consideration. Leases result in the recognition of lease assets and lease liabilities on the statements of net position. Lease assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. OCAST has elected not to record leases with an initial term of 12 months or less on the statements of net position.

***Deferred Outflows/Inflows of Resources***

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

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

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

***Unearned Revenue***

OCAST has unearned revenue of \$22,935,590 at June 30, 2023, representing funds advanced to OCAST for which the related qualifying expenditures had not been incurred. The following is a breakdown of the programs for which the advanced funds relate to:

SSBCI	\$	9,510,590
ODOC Accelerator		<u>13,425,000</u>
	\$	<u><u>22,935,590</u></u>

See Independent Auditors' Report.

OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

***Compensated Absences***

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

	July 1, <u>2022</u>	<u>Additions</u>	<u>Deductions</u>	June 30, <u>2023</u>	Amount Due Within <u>1 Year</u>
Compensated absences	\$ <u>126,461</u>	<u>68,210</u>	<u>(70,126)</u>	<u>124,545</u>	<u>37,364</u>

  

	July 1, <u>2021</u>	<u>Additions</u>	<u>Deductions</u>	June 30, <u>2022</u>	Amount Due Within <u>1 Year</u>
Compensated absences	\$ <u>164,209</u>	<u>77,815</u>	<u>(115,563)</u>	<u>126,461</u>	<u>37,938</u>

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

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

As of June 30, 2023, OCAST had encumbered FY 2023 awards contracts not classified as accounts payable in the amount of \$6,555,085 and out-year commitments for multi-year contracts which had not yet been contracted in the amount of \$4,322,876. As of June 30, 2022, OCAST had encumbered FY 2022 awards contracts not classified as accounts payable in the amount of \$4,633,044 and out-year commitments for multi-year contracts which had not yet been contracted in the amount of \$6,153,963.

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

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

***Net Position***

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

- *Net investment in capital assets* consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or commercial paper, and leases that are attributable to the acquisition, construction, or improvement of those assets. OCAST had no net position in this category at June 30, 2023 or 2022.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. A liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. The assets are considered restricted when the constraints are placed on the use of those assets either by external entities, such as creditors (debt covenants), grantors, contributors, and laws or regulations of other governments; or by constitutional provisions or enabling legislation of the state.
- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

***Fund Equity***

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

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

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

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

See Independent Auditors’ Report.

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

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

***Fund Equity, Continued***

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

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

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

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

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

**Pension and OPEB Plans**

***Pension Plans***

OCAST participates in two pension plans. The first is a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS or the "System"). This plan applies only to state employees who were employed by OCAST before November 1, 2015, or had prior participation in this defined benefit plan. OCAST made contributions to the defined benefit pension plan of approximately \$72,000 for the year ended June 30, 2023.

The second is a tax-qualified defined contribution retirement plan named Pathfinder, which is also administered by OPERS. In a defined contribution plan, no specific benefit is promised to a plan participant. This plan applies only to employees who first became employed by OCAST on or after November 1, 2015, and have no prior participation in the defined benefit plan. OCAST made contributions to Pathfinder of approximately \$72,000 for the year ended June 30, 2023.

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

***OPEB Plans***

OCAST participates in two OPEB plans. The first is a cost-sharing, multiple-employer health insurance subsidy plan (HISP) administered by OPERS held in an irrevocable trust. The net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by OPERS. OCAST made contributions to the plan of approximately \$5,400 for the year ended June 30, 2023.

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

**Income Taxes**

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

**Use of Estimates**

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

**Recent Accounting Pronouncements**

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

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. OCAST adopted GASB 94 effective July 1, 2022, for the June 30, 2023, reporting year. Adoption of GASB 94 did not have a significant impact on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. OCAST adopted GASB 96 effective July 1, 2022, for the June 30, 2023, reporting year. Adoption of GASB 96 did not have a significant impact on the financial statements.

See Independent Auditors' Report.



NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

**Recent Accounting Pronouncements, Continued**

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. OCAST adopted the sections that were effective immediately for the June 30, 2022, reporting year. The remaining sections will be adopted by OCAST for either the June 30, 2023, or June 30, 2024, reporting year, as required by GASB 99. OCAST does not expect GASB 99 to have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100). GASB 100 prescribes 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. OCAST will adopt GASB 100 on July 1, 2023, for the June 30, 2024, reporting year. OCAST 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 employee's 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. OCAST will adopt GASB 101 on July 1, 2024, for the June 30, 2025, reporting year. OCAST has not determined the impact of GASB 101 on the financial statements.

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

OCAST's management has evaluated subsequent events through March 1, 2024, the date which the financial statements were available to be issued. See Note 8 for a discussion of subsequent events.

OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) LEASES

OCAST is involved in various leases for office space and equipment.

Lease assets at June 30, 2023 and 2022, and the changes for the fiscal years then ended were as follows:

	Balance at <u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2023</u>
Lease assets:				
Office space	\$ 278,332	-	-	278,332
Equipment	<u>29,844</u>	-	-	<u>29,844</u>
Total lease assets	308,176	-	-	308,176
Accumulated amortization	<u>(163,169)</u>	<u>(86,248)</u>	-	<u>(249,417)</u>
Lease assets, net	<u>\$ 145,007</u>	<u>(86,248)</u>	-	<u>58,759</u>
	Balance at <u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2022</u>
Lease assets:				
Office space	\$ 278,332	-	-	278,332
Equipment	<u>5,882</u>	<u>23,962</u>	-	<u>29,844</u>
Total lease assets	284,214	23,962	-	308,176
Accumulated amortization	<u>(78,525)</u>	<u>(84,644)</u>	-	<u>(163,169)</u>
Lease assets, net	<u>\$ 205,689</u>	<u>(60,682)</u>	-	<u>145,007</u>

Lease liabilities at June 30, 2023 and 2022, and changes for the fiscal years then ended were as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due Within <u>1 Year</u>
<u>2023</u>					
Lease liabilities	<u>\$ 145,562</u>	<u>-</u>	<u>(86,416)</u>	<u>59,146</u>	<u>53,340</u>
<u>2022</u>					
Lease liabilities	<u>\$ 206,051</u>	<u>23,400</u>	<u>(83,889)</u>	<u>145,562</u>	<u>86,416</u>

See Independent Auditors' Report.

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

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) LEASES, CONTINUED**

The following is a summary of principal and interest requirements to maturity for the lease liabilities as of June 30, 2023:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 53,340	165	53,505
2025	3,706	37	3,743
2026	<u>2,100</u>	<u>11</u>	<u>2,111</u>
	<u>\$ 59,146</u>	<u>213</u>	<u>59,359</u>

**(3) RISK MANAGEMENT**

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

**(4) PENSION PLAN PARTICIPATION**

**Plan Description**

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

**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).

See Independent Auditors’ Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(4) PENSION PLAN PARTICIPATION, CONTINUED

Benefits Provided, Continued

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

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

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

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

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

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.

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(4) PENSION PLAN PARTICIPATION, CONTINUED

Benefits Provided, Continued

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

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

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

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

Contributions

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

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

For 2023, 2022, and 2021, *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.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) PENSION PLAN PARTICIPATION, CONTINUED

**Pension Liability/(Asset), Pension Expense/(Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2023 and 2022, OCAST reported a liability and an (asset) of \$442,108 and \$(638,427), respectively, for its proportionate share of the net pension liability (asset). For 2023, the net pension liability was measured as of June 30, 2022, and the OPERS net pension liability of \$840,564,814 used to calculate the OCAST net pension liability was determined by an actuarial valuation as of July 1, 2022. For 2022, the net pension (asset) was measured as of June 30, 2021, and the OPERS net pension (asset) of \$(1,342,160,731) used to calculate the OCAST net pension liability was determined by an actuarial valuation as of July 1, 2021. OCAST's proportion of the net pension (asset) liability was based on OCAST's contributions received by OPERS for all participating employers for the years ended June 30, 2022 and 2021. Based upon this information, OCAST's proportion for June 30, 2022 and 2021, was .05259658% and 0.04756712%, respectively.

For the years ended June 30, 2023 and 2022, OCAST recognized pension expense (benefit) of \$101,730 and (\$61,043), respectively. At June 30, 2023 and 2022, OCAST reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2023</u>		
Differences between expected and actual experience	\$ -	20,270
Net difference between projected and actual earnings on pension plan investments	464,049	-
Changes in assumptions	-	-
Changes in proportionate share	540	-
OCAST contributions subsequent to the measurement date	<u>71,757</u>	<u>-</u>
	<u>\$ 536,346</u>	<u>20,270</u>

See Independent Auditors' Report.

OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) PENSION PLAN PARTICIPATION, CONTINUED

Pension Liability/(Asset), Pension Expense/(Benefit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2022</u>		
Differences between expected and actual experience	\$ -	16,053
Net difference between projected and actual earnings on pension plan investments	-	711,963
Changes in assumptions	47,043	-
Changes in proportionate share	82	-
OCAST contributions subsequent to the measurement date	<u>156,389</u>	<u>-</u>
	<u>\$ 203,514</u>	<u>728,016</u>

Reported deferred outflows of resources of \$71,757 at June 30, 2023, related to pensions resulting from the OCAST contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions as of June 30, 2023, will be recognized in pension (benefit) or expense as follows:

Years Ending June 30:	
2024	\$ 192,652
2025	192,112
2026	<u>59,555</u>
	<u>\$ 444,319</u>

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(4) PENSION PLAN PARTICIPATION, CONTINUED

Actuarial Methods and Assumptions

The total pension liability as of June 30, 2022 and 2021, was determined based on an actuarial valuation prepared as of July 1, 2022 and 2021, respectively, using the following actuarial assumptions:

Investment return:	6.50% for 2022 and 2021, compounded annually, net of investment expense and including inflation.
Salary increases:	3.25% to 9.25% for 2022 and 2021, including inflation.
Mortality rates:	For 2022 and 2021 Calculations—Active participants and nondisabled pensioners: Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are unadjusted, and female rates are set forward two years.
Annual post-retirement benefit increases:	None
Assumed inflation rate:	2.50% for 2022 and 2021
Payroll growth:	3.25% for 2022 and 2021
Actuarial cost method:	Entry age
Selection period for the termination of employment assumptions:	10 years

The actuarial assumptions used in the July 1, 2022 and 2021, valuations are based on the results of an actuarial experience study which covered the 3-year period ending June 30, 2019, with the experience study report dated May 13, 2020.

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.

See Independent Auditors' Report.



OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

**Actuarial Methods and Assumptions, Continued**

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. large cap equity	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	<u>3.5%</u>	0.3%
	<b><u>100.0%</u></b>	

**Discount Rate**

The discount rate used to measure the total pension liability was 6.50% for both 2022 and 2021. 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 (Asset) to Changes in the Discount Rate**

The following presents the net pension liability (asset) of OCAST as of both June 30, 2023 and 2022, calculated using the discount rate of 6.50%, as well as what OCAST's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease <u>(5.50%)</u>	Current Discount <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
<u>2023</u>			
Net pension liability (asset)	\$ <u>1,083,610</u>	<u>442,108</u>	<u>(100,416)</u>
<u>2022</u>			
Net pension (asset)	\$ <u>(59,270)</u>	<u>(638,427)</u>	<u>(1,127,952)</u>

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

**Pension Plan Fiduciary Net Position**

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

(5) **OTHER POSTEMPLOYMENT BENEFITS**

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

**Description**

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

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

The IRSHIP provides members with postretirement medical benefits until age 65 if the retiree and spouse pay the full active premium. 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 OCAST on a "pay as you go" basis. OCAST's contributions for the years ended June 30, 2023 and 2022, were approximately \$4,300 and \$3,700, respectively.

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

At June 30, 2023, OCAST reported a liability of \$49,507 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of July 1, 2022. The total OPEB liability used was determined by an actuarial valuation as of June 30, 2022. At June 30, 2022, OCAST reported a liability of \$50,376 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of July 1, 2021. The total OPEB liability used was determined by an actuarial valuation as of June 30, 2021. OCAST's proportion of the total OPEB liability was based on OCAST's active employees of the plan relative to the total participation of the substantive plan as of June 30, 2022 and 2021. Based upon this information, OCAST's proportion for June 30, 2023 and 2022, was .03896000% and 0.03579380%, respectively.

See Independent Auditors' Report.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

*IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN, CONTINUED*

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

Changes in assumptions reflect a change in the discount rate from 2.16% in 2021 to 3.54% in 2022, resulting in recognition of a deferred outflow of resources. Changes in assumptions reflect a change in the discount rate from 2.21% in 2020 to 2.16% in 2021, resulting in recognition of a deferred inflow of resources.

For the years ended June 30, 2023 and 2022, OCAST recognized OPEB expense of \$3,730 and \$2,932, respectively. At June 30, 2023 and 2022, OCAST reported deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2023</u>		
Differences between expected and actual experience	\$ -	267
Changes in assumptions	2,527	4,763
Changes in proportions and differences between agency contributions and proportionate share of contributions	6,764	1,747
OCAST contributions subsequent to the measurement date	<u>4,313</u>	<u>-</u>
	<u>\$ 13,604</u>	<u>6,777</u>
<u>2022</u>		
Differences between expected and actual experience	\$ -	311
Changes in assumptions	2,939	1,635
Changes in proportions and differences between agency contributions and proportionate share of contributions	4,869	2,851
OCAST contributions subsequent to the measurement date	<u>3,708</u>	<u>-</u>
	<u>\$ 11,516</u>	<u>4,797</u>

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

*IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN, CONTINUED*

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

Reported deferred outflows of resources of \$4,313 related to OPEB resulting from OCAST’s contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2024. The amortization of deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability as of June 30, 2023, will be recognized in OPEB expense as follows:

Years Ending June 30:		
2024	\$	852
2025		889
2026		1,327
2027		177
2028		(443)
Thereafter		<u>(288)</u>
	\$	<u><u>2,514</u></u>

**Actuarial Methods and Assumptions**

The total IRSHIP OPEB liability was determined based on actuarial valuations prepared using a July 1, 2022 and 2021, measurement date using the following actuarial assumptions:

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

For 2022 and 2021—Pub-2010 Public Retirement Plans General Mortality Table weighted by headcount projected by MP-2021 as of July 1, 2021.

See Independent Auditors’ Report.

(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

*IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN, 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 2023 and 2022 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 2023 and 2022.
- Discount rate—Based on the Bond Buyer GO 20-Bond Municipal Bond Index.

At both July 1, 2022 and 2021, OCAST had 14 active participants in the plan.

The June 30, 2023, valuation is based on a measured date of July 1, 2022, with a measurement period of July 1, 2021, to July 1, 2022. The June 30, 2022, valuation is based on a measured date of July 1, 2021, with a measurement period of July 1, 2020, to July 1, 2021.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

*IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN, CONTINUED*

Changes in the Total OPEB Liability

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 50,376	44,143
Changes for the year:		
Service cost	2,397	2,224
Interest expense	1,193	1,132
Actual experience	(168)	(179)
Changes in assumptions	(1,125)	(736)
Other	870	7,569
Benefits paid	(4,036)	(3,777)
Net changes	<u>(869)</u>	<u>6,233</u>
Balance at end of year	<u>\$ 49,507</u>	<u>50,376</u>

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

The following presents the total IRSHIP OPEB liability of OCAST calculated using the discount rate of 3.54% and 2.16% for 2023 and 2022, respectively, as well as what OCAST's total IRSHIP OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease <u>(2.54%)</u>	Current Discount Rate <u>(3.54%)</u>	1% Increase <u>(4.54%)</u>
<u>2023</u>			
Employer's total OPEB liability	<u>\$ 52,933</u>	<u>49,507</u>	<u>46,298</u>
	1% Decrease <u>(1.16%)</u>	Current Discount Rate <u>(2.16%)</u>	1% Increase <u>(3.16%)</u>
<u>2022</u>			
Employer's total OPEB liability	<u>\$ 53,799</u>	<u>50,376</u>	<u>47,135</u>

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

*IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN, CONTINUED*

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

The following presents the total IRSHIP OPEB liability at June 30, 2023 and 2022, calculated using the healthcare trend rate of 6.10% decreasing to 4.80% for 2023 and 2022, as well as what the liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease in Healthcare Trend Rate (5.10% decreasing to <u>3.80%</u> )	Current Healthcare Trend Rate (6.10% decreasing to <u>4.80%</u> )	1% Increase in Healthcare Trend Rate (7.10% decreasing to <u>5.80%</u> )
<u>2023</u>			
Total OPEB liability	\$ <u>44,677</u>	<u>49,507</u>	<u>55,168</u>
	1% Decrease in Healthcare Trend Rate (5.10% decreasing to <u>3.80%</u> )	Current Healthcare Trend Rate (6.10% decreasing to <u>4.80%</u> )	1% Increase in Healthcare Trend Rate (7.10% decreasing to <u>5.80%</u> )
<u>2022</u>			
Total OPEB liability	\$ <u>45,636</u>	<u>50,376</u>	<u>55,942</u>

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

[oklahoma.gov/content/dam/ok/en/omes/documents/ImplicitRateSubsidy2023.pdf](https://oklahoma.gov/content/dam/ok/en/omes/documents/ImplicitRateSubsidy2023.pdf)

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

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

**Plan Description**

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

**Benefits Provided**

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

**Contributions**

The contribution rates for each member category of OPERS are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contribution to OPERS 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 Internal Revenue Service (IRS) limitations on compensation. Only employers contribute to the HISP. For both 2023 and 2022, *state agency employers* contributed 16.5% on all salary.

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

At June 30, 2023, OCAST reported an asset of \$49,224 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the OPERS net OPEB asset used to calculate the OCAST net OPEB asset was determined by an actuarial valuation as of July 1, 2022. At June 30, 2022, OCAST reported an asset of \$65,396 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the OPERS net OPEB asset used to calculate the OCAST net OPEB asset was determined by an actuarial valuation as of July 1, 2021. OCAST’s proportion of the net OPEB asset was based on OCAST’s contributions received by the HISP relative to the total contributions received by the HISP for all participating employers as of June 30, 2022 and 2021. Based upon this information, OCAST’s proportion at June 30, 2023 and 2022, was .05259658% and 0.04756712%, respectively.

See Independent Auditors’ Report.



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

(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

*HEALTH INSURANCE SUBSIDY PLAN (OPERS), CONTINUED*

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

For the years ended June 30, 2023 and 2022, OCAST recognized OPEB expense of \$18,321 and \$7,558, respectively. At June 30, 2023 and 2022, OCAST reported deferred outflows of resources and deferred inflows of resources related to the HISP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2023</u>		
Differences between expected and actual experience	\$ -	24,593
Changes in assumptions	4,156	-
Net difference between projected and actual earnings on HISP investments	18,631	-
Changes in proportion and differences between agency contributions and proportionate share of contributions	87,216	20,972
OCAST contributions subsequent to the measurement date	<u>5,401</u>	<u>-</u>
	<u>\$ 115,404</u>	<u>45,565</u>
<u>2022</u>		
Differences between expected and actual experience	\$ -	21,199
Changes in assumptions	5,814	-
Net difference between projected and actual earnings on HISP investments	-	18,621
Changes in proportion and differences between agency contributions and proportionate share of contributions	109,522	24,653
OCAST contributions subsequent to the measurement date	<u>11,771</u>	<u>-</u>
	<u>\$ 127,107</u>	<u>64,473</u>

See Independent Auditors' Report.

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

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(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

*HEALTH INSURANCE SUBSIDY PLAN (OPERS), CONTINUED*

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

Reported deferred outflows of resources of \$5,401 related to OPEB resulting from OCAST's contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2024. The amortization of deferred outflows of resources and deferred inflows of resources related to the HISP OPEB asset as of June 30, 2023, will be recognized in OPEB expense as follows:

Years Ending June 30:	
2024	\$ 15,556
2025	15,556
2026	16,650
2027	19,985
2028	(247)
Thereafter	<u>(3,062)</u>
	<u>\$ 64,438</u>

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

*HEALTH INSURANCE SUBSIDY PLAN (OPERS), CONTINUED*

Actuarial Methods and Assumptions

The total OPEB liability was determined on an actuarial valuation prepared as of July 1, 2022 and 2021, using the following actuarial assumptions:

Investment return:	6.50% for 2022 and 2021, compounded annually, net of investment expense and including inflation.
Salary increases:	3.25% to 9.25% for 2022 and 2021, including inflation.
Mortality rates:	For 2022 and 2021 Calculations—Active participants and nondisabled pensioners: Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are unadjusted, and female rates are set forward two years.
Annual post-retirement benefit increases:	None
Assumed inflation rate:	2.50% for 2022 and 2021
Payroll growth:	3.25% for 2022 and 2021
Actuarial cost method:	Entry age
Selection period for the termination of employment assumptions:	10 years

The actuarial assumptions used in the July 1, 2022 and 2021, valuations are based on the results of an actuarial experience study which covered the 3-year period ending June 30, 2019, with the experience study report dated May 13, 2020.

See Independent Auditors' Report.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(5) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

*HEALTH INSURANCE SUBSIDY PLAN (OPERS), CONTINUED*

Actuarial Methods and Assumptions, Continued

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

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. large cap equity	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	<u>3.5%</u>	0.3%
	<u><b>100.0%</b></u>	

Discount Rate

A discount rate used to measure the total OPEB liability was 6.50% for both 2022 and 2021. 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.

See Independent Auditors' Report.

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**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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

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

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

The following presents OCAST’s proportionate share of the net OPEB asset using the discount rate of 6.50% for both 2023 and 2022, as well as what OCAST’s proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate as of June 30:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
<u>2023</u>			
Employer's net OPEB asset	\$ 31,774	49,224	64,176
<u>2022</u>			
Employer's net OPEB asset	\$ 49,174	65,396	79,301

**OPEB Plan Fiduciary Net Position**

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

**(6) 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.

See Independent Auditors’ Report.

(6) **OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN,  
DEFERRED SAVINGS INCENTIVE PLAN, AND  
DEFINED CONTRIBUTION PLAN, CONTINUED**

**Deferred Compensation Plan, Continued**

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.

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, 2023 and 2022. OCAST believes that it has no liabilities with respect to the Plan.

(6) **OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN,  
DEFERRED SAVINGS INCENTIVE PLAN, AND  
DEFINED CONTRIBUTION PLAN, CONTINUED**

**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.

**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.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(6) **OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN,  
DEFERRED SAVINGS INCENTIVE PLAN, AND  
DEFINED CONTRIBUTION PLAN, CONTINUED**

**Defined Contribution Plan, Continued**

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.

(7) **INTERAGENCY SERVICE AGREEMENT**

OCAST entered into an agreement with OMES to obtain all information technology and telecommunication services. The total amount of payments per this agreement for the years ended June 30, 2023 and 2022, was approximately \$61,000 and \$33,000, respectively.

(8) **SUBSEQUENT EVENTS**

In September 2023, OCAST was awarded approximately \$2 million by the Treasury Department for the SSBCI Technical Assistance Partnership Program.

Management anticipates receiving the second tranche of the SSBCI funding from the Treasury Department during April 2024.

In February 2024, OCAST finalized the renewal of its lease agreement for office and parking space in Oklahoma City. The new agreement covers the period from February 2024 to January 2025, and provides OCAST with the option to renew the lease for two additional one-year periods.



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

OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
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SCHEDULE OF OCAST'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Oklahoma Public Employees Retirement System

Last 9 Fiscal Years\*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
OCAST's proportion of the net pension liability (asset)	0.05259658%	0.04756712%	0.04746147%	0.05411586%	0.05485322%	0.06169120%	0.06336585%	0.06657395%	0.06118200%
OCAST's proportionate share of the net pension liability (asset)	\$ 442,108	(638,427)	423,434	72,076	106,987	333,542	603,125	239,456	112,308
OCAST's covered payroll	1,057,118	958,378	963,473	1,000,127	982,875	1,007,194	1,068,494	1,116,472	1,072,734
OCAST's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.82%	(66.62)%	43.95%	7.21%	10.89%	33.12%	56.45%	21.45%	10.47%
OPERS' fiduciary net position as a percentage of the total pension liability	92.24%	112.51%	91.59%	98.63%	97.96%	94.28%	89.48%	96.00%	97.90%

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

Only the last 9 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report

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

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 71,757	156,389	145,714	144,001	142,867	141,732	165,947	187,400	194,184	171,029
Contributions in relation to the contractually required contributions	<u>71,757</u>	<u>156,389</u>	<u>145,714</u>	<u>144,001</u>	<u>142,867</u>	<u>141,732</u>	<u>165,948</u>	<u>187,831</u>	<u>194,184</u>	<u>171,029</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(431)</u>	<u>-</u>	<u>-</u>
OCAST's covered payroll	\$ 965,366	1,057,118	958,378	963,473	1,000,127	982,875	1,007,194	1,068,494	1,116,472	1,072,734
Contributions as a percentage of covered payroll	7.43%	14.79%	15.20%	14.95%	14.28%	14.42%	16.48%	17.58%	17.39%	15.94%

See Independent Auditors' Report.

OKLAHOMA CENTER FOR THE ADVANCEMENT OF  
SCIENCE AND TECHNOLOGY

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

Last 6 Fiscal Years\*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
OCAST's proportion of the net OPEB (asset) liability	0.05259658%	0.04756712%	0.04746147%	0.05411586%	0.05485322%	0.06169120%
OCAST's proportionate share of the net OPEB (asset) liability	\$ (49,224)	\$ (65,396)	(222,514)	(21,156)	(7,099)	7,066
OCAST's covered payroll	1,057,118	958,378	963,473	1,000,127	982,875	1,007,194
OCAST's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(4.66)%	(6.82)%	(23.09)%	(2.12)%	(0.72)%	0.70%
OPERS' fiduciary net position as a percentage of the total OPEB liability	130.01%	142.87%	114.27%	112.11%	103.94%	96.50%

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

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

See Independent Auditors' Report.

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

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

**Last 6 Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 5,401	11,771	10,968	10,839	10,551	10,466
Contributions in relation to the contractually required contributions	<u>5,401</u>	<u>11,771</u>	<u>10,968</u>	<u>10,839</u>	<u>10,551</u>	<u>10,466</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OCAST's covered payroll	965,366	1,057,118	958,378	963,473	1,000,127	982,875
Contributions as a percentage of covered payroll	0.56%	1.11%	1.14%	1.12%	1.05%	1.06%

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

See Independent Auditors' Report.

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

**SCHEDULE OF OCAST'S CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

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

**Last 6 Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning of year	\$ 50,376	44,143	43,172	45,845	46,627	49,670
Changes for the year:						
Service cost	2,397	2,224	1,525	1,692	1,627	1,859
Interest	1,193	1,132	1,437	1,840	1,664	1,413
Actual experience	(168)	(179)	(150)	(131)	(85)	-
Changes in assumptions	(1,125)	(736)	(836)	(1,442)	(541)	(2,325)
Other	870	7,569	2,333	(812)	5	-
Benefit paid	<u>(4,036)</u>	<u>(3,777)</u>	<u>(3,338)</u>	<u>(3,820)</u>	<u>(3,452)</u>	<u>(3,990)</u>
Net change in net IRSHIP OPEB liability	<u>(869)</u>	<u>6,233</u>	<u>971</u>	<u>(2,673)</u>	<u>(782)</u>	<u>(3,043)</u>
Total IRSHIP OPEB liability—ending	<u>\$ 49,507</u>	<u>50,376</u>	<u>44,143</u>	<u>43,172</u>	<u>45,845</u>	<u>46,627</u>
Covered-employee payroll	\$ 1,057,118	958,378	963,473	1,000,127	982,875	1,007,194
Total IRSHIP OPEB liability as a percentage of covered-employee payroll	4.68%	5.26%	4.58%	4.32%	4.66%	4.63%

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

The discount rate used for 2023 was 3.54%.

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 3.51%.

The discount rate used for 2019 was 3.87%.

The discount rate used for 2018 was 3.58%.

See Independent Auditors' Report.

**REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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

To the Oklahoma Center for the Advancement of  
Science and Technology

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Oklahoma Center for the Advancement of Science and Technology (OCAST), an agency of the State of Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise OCAST's basic financial statements, and have issued our report thereon dated March 1, 2024. Our report includes an explanatory paragraph disclaiming an opinion on management's discussion and analysis and required supplementary information. Our report also includes an explanatory paragraph to emphasize the fact that the financial statements of OCAST are intended to present the financial position and changes in financial position of only that portion of the State of Oklahoma that is attributable to transactions of OCAST. In addition, our report includes an explanatory paragraph disclaiming an opinion on required supplementary information.

**Report on Internal Control Over Financial Reporting**

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

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

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)



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

**Purpose of This Report**

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

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma  
March 1, 2024