

Oklahoma State Regents for Higher Education

Financial Statements

June 30, 2023

(With Independent Auditors' Reports Thereon)

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Coordinating Board of Control
Oklahoma State Regents for Higher Education

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oklahoma State Regents for Higher Education (the "Regents" or "OSRHE"), a component unit 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 the Regents' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Regents, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Regents 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

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, in fiscal year 2023 the Regents adopted new accounting guidance, Statement No. 96 of the Governmental Accounting Standards Board, *Subscription-Based Information Technology Arrangements* (GASB 96). Adoption of GASB 96 resulted in a restatement of the financial statements as of July 1, 2022. Our opinion is 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 the Regents' ability to continue as a going concern for 12 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 the Regents' 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 the Regents' 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.

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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 5 through 13 and the schedule of proportionate share of the net pension liability—Oklahoma Teachers' Retirement System—defined benefit pension plan, the schedule of contributions—Oklahoma Teachers' Retirement System—defined benefit pension plan, the schedule of changes in OSRHE net pension liability and related ratios—OSRHE Supplemental Retirement Plan, the schedule of contributions—OSRHE Supplemental Retirement Plan, the schedule of proportionate share of the net OPEB liability (asset)—Oklahoma Teachers' Retirement System—OPEB plan, the schedule of contributions—Oklahoma Teachers' Retirement System—OPEB plan, the schedule of changes in OSRHE OPEB liability and related ratios—OSRHE OPEB—Retiree Medical Plan, and the schedule of contributions—OSRHE OPEB—Retiree Medical Plan on pages 77 through 88 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regents' basic financial statements. The Cost Center statement of net position and statement of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Cost Center statement of net position and statement of revenues, expenses, and changes in net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. The Cost Center statement of net position and statement of revenues, expenses, and changes in net position have been prepared on the modified accrual basis of accounting as described in the notes to supplemental information. These statements do not recognize pension and other postemployment benefit liabilities. In our opinion, the Cost Center statement of net position and statement of revenues, expenses, and changes in net position are not fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States. However, in our opinion, the Cost Center statement of net position and statement of revenues, expenses, and changes in net position are fairly stated, in all material respects with the basis of accounting described in the notes to supplemental information, in relation to the basic financial statements as a whole.

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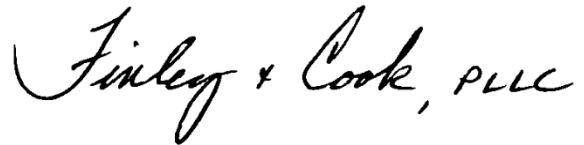
INDEPENDENT AUDITORS' REPORT, CONTINUED

Supplementary Information, Continued

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the Regents' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Regents' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regents' internal control over financial reporting and compliance.

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

Shawnee, Oklahoma
October 31, 2023

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
Management's Discussion and Analysis
For the Year Ended June 30, 2023

This discussion and analysis of the Oklahoma State Regents for Higher Education (the "Regents") financial statements provides an overview of the Regents' financial performance during the year ended June 30, 2023. Since the Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting changes, and current known facts; please read it in conjunction with the Regents' basic financial statements and the footnotes. Comparative analysis of financial data is presented along with an explanation of significant changes.

The Regents determined the federal student loan reserve fund meets the requirements of GASB 34 regarding assets held in a trustee or agency capacity for the benefit of others, and as such, should be presented as a fiduciary fund. The Regents reported the Oklahoma State Regents for Higher Education Supplemental Retirement Plan (OSRHE Supplemental Retirement Plan) and the Oklahoma State Regents for Higher Education Retiree Medical Plan (OSRHE Retiree Medical Plan) as fiduciary funds. The assets of these two plans are held in a trustee or agency capacity for the benefit of others. Also, the Regents determined that under GASB 34, the Regents' Endowment Fund and the William P. Willis Trust Fund are properly classified as permanent funds.

FINANCIAL HIGHLIGHTS

- At June 30, 2023, the Regents' business-type activities net position increased to \$128,377,227 from \$99,840,726 at June 30, 2022.
- Total recognized operating and non-operating revenues in the Regents' business-type activities increased by \$151,620,174, primarily due to increases in State appropriations of \$145,939,817 and \$1,501,480 in other State income.
- Total operating and non-operating expenses in the Regents' business-type activities increased by \$52,021,423, primarily due to an increase of \$50,106,818 in payments to system institutions and an increase of \$1,320,003 in scholarship payments.
- The governmental activities experienced a positive return on investment of \$98,108,205 in fiscal year 2023, compared to a negative return on investment of \$27,063,921 in fiscal year 2022, a difference of \$125,172,126. During Fiscal Year 2023, the Endowment Fund benefitted from the relative outperformance of domestic and international equities and hedge funds. Real assets and private equity experienced moderate growth, while global equity and fixed income portfolios showed lower returns, but were still positive. Overall, the Endowment Trust Fund experienced an 8.9% growth from the previous year.

USING THIS REPORT

This discussion and analysis are intended to serve as an introduction to the Regents' basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. A brief description of the basic financial statements follows.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
Management's Discussion and Analysis
For the Year Ended June 30, 2023

FINANCIAL HIGHLIGHTS, CONTINUED

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements consist of a statement of net position and a statement of activities. The statement of net position presents information on the Regents' assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being reported as net position. Increases or decreases in net position over time may serve as an indicator of whether the financial position of the Regents is improving or deteriorating. The statement of activities presents information on the Regents' activities as a whole to demonstrate the extent of changes in financial position as a result of the year's activities. When revenues exceed expenses, the result is an increase in net position, and when the reverse occurs, the result is a decrease in net position.

The Regents' governmental fund and proprietary funds are included in the government-wide financial statements. The fiduciary fund is not included in the government-wide financial statements.

FUND FINANCIAL STATEMENTS

Fund financial statements are organized in a group of related funds which are considered to be separate accounting entities. The Regents' fund groupings include governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: The Regents' Endowment Trust Fund and the William P. Willis Trust Fund are reported as major governmental funds. The Endowment Trust Fund is a permanent fund established to support the establishment of faculty chairs, professorships, and lectureships at system institutions. The William P. Willis Trust Fund is for the purpose of providing scholarships to low-income, full-time undergraduates attending institutions in the Oklahoma State System of Higher Education.

Governmental Fund Financial Statements – Governmental funds are essentially used to account for the same functions as governmental activities in the Government-Wide Financial Statements.

However, unlike the Government-Wide Financial Statements, the Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources.

They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This is known as using the flow of current financial resources measurement focus approach and the modified accrual basis of accounting. These statements provide a detailed short-term view of the state's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State of Oklahoma (the "State").

Because the focus of governmental funds is narrower than that of the Government-Wide Financial 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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances both provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented immediately following each Governmental Fund Financial Statement.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
Management's Discussion and Analysis
For the Year Ended June 30, 2023

FINANCIAL HIGHLIGHTS, CONTINUED

Proprietary Funds: The Regents' proprietary fund includes operations from the Oklahoma College Assistance Program (OCAP), OneNet, and the Regents' other cost centers.

Proprietary Fund Financial Statements—These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting. Proprietary fund financial statements consist of three reports: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The purpose of the Statement of Net Position is to report the financial position of the fund at a point in time, the report date. The difference between assets and liabilities is a way to measure the Regents' financial health, or financial position. The Statement of Revenues, Expenses, and Changes in Net Position reports information on the Regents' activities as a whole to demonstrate the magnitude of changes in the Regents' financial position as a result of the year's activities. When revenues exceed expenses, the result is an increase in net position, and when the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the Regents' operating results.

The Statement of Cash Flows presents the Regents' flows of cash by defined categories. The primary purpose of the Statement of Cash Flows is to provide information about the Regents' cash receipts and disbursements during the year.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the State government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of these funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting. The OCAP federal student loan reserve fund is reported as a fiduciary fund. This fund is used to account for the assets, liabilities, revenues, and expenses administered on behalf of the federal government. The Regents' Supplemental Retirement Plan and Retiree Medical Plan are reported as fiduciary funds to account for assets held in a trustee or agency capacity for the benefit of agency employees.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
Management's Discussion and Analysis
For the Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE REGENTS' GOVERNMENT-WIDE ACTIVITIES

The following schedules are prepared from the Regents' government-wide financial statements. The statements are presented on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Condensed Statement of Net Position
June 30,

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 128,609,358	166,192,191	162,208,271	131,205,346	290,817,629	297,397,537
Capital assets	-	-	15,610,649	17,384,853	15,610,649	17,384,853
Other noncurrent assets	987,540,752	881,521,654	126,144	2,103,306	987,666,896	883,624,960
Total assets	1,116,150,110	1,047,713,845	177,945,064	150,693,505	1,294,095,174	1,198,407,350
Deferred outflow related to pension and OPEB	-	-	16,686,404	15,169,765	16,686,404	15,169,765
Current liabilities	64,411,954	57,870,317	14,755,455	9,416,033	79,167,409	67,286,350
Noncurrent liabilities	199,990,000	214,380,000	30,764,089	31,069,695	230,754,089	245,449,695
Total liabilities	264,401,954	272,250,317	45,519,544	40,485,728	309,921,498	312,736,045
Deferred inflow related to pension and OPEB	-	-	20,734,697	25,536,816	20,734,697	25,536,816
Net position						
Net investment in capital assets	-	-	6,637,628	7,602,978	6,637,628	7,602,978
Restricted	851,748,156	775,463,528	71,490,003	60,788,993	923,238,159	836,252,521
Unrestricted	-	-	50,249,596	31,448,755	50,249,596	31,448,755
Total net position	\$ 851,748,156	775,463,528	128,377,227	99,840,726	980,125,383	875,304,254

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
Management's Discussion and Analysis
For the Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE REGENTS' GOVERNMENT WIDE ACTIVITIES
(continued)

Condensed Statement of Activities
Years Ended June 30,

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Operating revenues:						
Administrative fees	\$ -	-	404,745	499,647	404,745	499,647
Default aversion fees	-	-	155,734	273,781	155,734	273,781
Default loan collections	-	-	7,660,724	7,677,906	7,660,724	7,677,906
Grants, contracts, and gifts	-	-	12,566,197	10,411,813	12,566,197	10,411,813
OneNet service fee	-	-	23,404,364	23,018,807	23,404,364	23,018,807
Other	-	-	3,772,340	2,759,556	3,772,340	2,759,556
Nonoperating revenues:						
State appropriations	-	-	873,486,237	727,546,420	873,486,237	727,546,420
Other income/revenue	-	-	77,492,879	75,991,399	77,492,879	75,991,399
On-behalf OTRS contributions	-	-	657,016	974,018	657,016	974,018
Other	54	51,928	-	-	54	51,928
Gain on disposal of capital assets	-	-	12,632	-	12,632	-
Gain on investment	98,108,205	-	2,453,459	1,292,806	100,561,664	1,292,806
	98,108,259	51,928	1,002,066,327	850,446,153	1,100,174,586	850,498,081
Operating expenses:						
Personnel and other operating costs	600,660	588,434	35,010,637	35,299,428	35,611,297	35,887,862
Communications	-	-	12,894,150	12,036,935	12,894,150	12,036,935
Scholarships, tuition, and other incentives	-	-	14,368,047	13,048,044	14,368,047	13,048,044
Other	5,218,417	5,560,850	-	-	5,218,417	5,560,850
Nonoperating expenses:						
Payments to public institutions	30,113,443	30,350,875	859,754,547	809,647,729	889,867,990	839,998,604
OCIA on-behalf payments	-	-	29,748,452	29,694,187	29,748,452	29,694,187
Loss on disposal of capital assets	-	-	-	35,470	-	35,470
Loss on investment	-	27,063,921	-	-	-	27,063,921
Interest expense	7,470,957	6,428,495	174,147	166,764	7,645,104	6,595,259
	43,403,477	69,992,575	951,949,980	899,928,557	995,353,457	969,921,132
Net income (loss) before capital appropriations and other revenues	54,704,782	(69,940,647)	50,116,347	(49,482,404)	104,821,129	(119,423,051)
Transfers	21,579,846	21,829,849	(21,579,846)	(21,829,849)	-	-
Change in net assets	76,284,628	(48,110,798)	28,536,501	(71,312,253)	104,821,129	(119,423,051)
Net position, beginning of year	775,463,528	823,574,326	99,840,726	171,152,979	875,304,254	994,727,305
Net position, end of year	\$ 851,748,156	775,463,528	128,377,227	99,840,726	980,125,383	875,304,254

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
Management's Discussion and Analysis
For the Year Ended June 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2023, the Regents' business-type activities recorded a total of \$83,945,367 in capital assets, \$64,650,916 in accumulated depreciation, and \$3,683,802 in accumulated amortization. During the year ended June 30, 2023, the Regents acquired \$1,749,926 in capital assets of building improvements, equipment, lease building/equipment, and subscription-based information technology arrangements (SBITA). These acquisitions were primarily associated with the expansion of OneNet data communication services. The Regents recorded the right-to-use lease and SBITA assets as a result of implementing GASB 87 and GASB 96, respectively.

Capital Assets, Net

	<u>2023</u>	<u>2022</u> (Restated)
Buildings	\$ 9,701,957	9,808,543
Equipment	62,082,194	66,199,073
Motor vehicles	423,643	438,512
Lease building	10,057,361	10,057,361
Lease equipment	677,449	432,212
SBITA	<u>1,002,763</u>	<u>857,000</u>
Total	83,945,367	87,792,701
Less accumulated depreciation	(64,650,916)	(67,251,965)
Less accumulated amortization	<u>(3,683,802)</u>	<u>(2,444,125)</u>
Capital assets, net	<u>\$ 15,610,649</u>	<u>18,096,611</u>

At June 30, 2023, the Regents' business-type activities had long-term liabilities of \$33,527,934. The current portion due within one year was \$2,816,644.

Long-Term Liabilities

	<u>2023</u>	<u>2022</u> (Restated)
Compensated absences	\$ 1,913,602	1,759,785
Net pension and OPEB liabilities	22,318,902	21,849,891
Master equipment leases payable	919,250	1,533,750
Unamortized bond premium	74,800	127,600
Lease liabilities	7,745,403	8,348,870
SBITA	<u>555,977</u>	<u>652,157</u>
Subtotal long-term liabilities	33,527,934	34,272,053
Less: Due within one year	<u>(2,816,644)</u>	<u>(2,603,001)</u>
Total long-term liabilities	<u>\$ 30,711,290</u>	<u>31,669,052</u>

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
Management's Discussion and Analysis
For the Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE REGENTS' PERMANENT FUND

The following schedules were prepared from the Regents' Permanent Fund basic financial statements. The statements are presented on a modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenses are recorded when a liability is incurred. During the year ended June 30, 2023, total expense decreased by \$25,759,098 compared to June 30, 2022, as result of investment gains of \$98,108,205 in fiscal year 2023. The decrease of transfers in was mainly due to the fiscal year 2022 OCIA Bond receipt of \$161,640,000.

Regents' Permanent Fund

	<u>2023</u>	<u>2022</u>
Cash and investments	\$ 1,115,122,586	1,042,793,613
Receivables	<u>1,027,524</u>	<u>4,920,232</u>
Total assets	1,116,150,110	1,047,713,845
Total liabilities	<u>50,021,954</u>	<u>43,915,317</u>
Total fund balance	<u>\$ 1,066,128,156</u>	<u>1,003,798,528</u>

Changes in Fund Balances

	<u>2023</u>	<u>2022</u>
Return on investment	\$ 98,108,205	-
Other revenue	<u>54</u>	<u>51,928</u>
Total revenues	<u>98,108,259</u>	<u>51,928</u>
Contractual and other	5,819,077	6,149,284
Lease payments	21,425,957	19,553,495
Investment loss	-	27,063,921
Distributions to institutions	<u>30,113,443</u>	<u>30,350,875</u>
Total expenditures	<u>57,358,477</u>	<u>83,117,575</u>
Transfers in	<u>21,579,846</u>	<u>183,469,849</u>
Total other financing sources	<u>21,579,846</u>	<u>183,469,849</u>
Change in permanent fund balances	<u>\$ 62,329,628</u>	<u>100,404,202</u>

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
Management's Discussion and Analysis
For the Year Ended June 30, 2023

FINANCIAL ANALYSIS OF OCAP FIDUCIARY FUND ACTIVITIES

The following tables were prepared from OCAP's Fiduciary Fund financial statements. The statements are presented on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred and assets are capitalized and depreciated. During the year ended June 30, 2023, total additions increased by \$17,379,244 from \$32,211,771 to \$49,591,015. Deductions increased by \$11,146,208 from \$42,165,790 to \$53,311,998. The additions increase was primarily due to a large increase in federal reinsurance and more funding. The increase in deductions was primarily due to a large amount of purchases of defaulted loans and increased lost revenue transfers. Each of these were a result of the COVID-19 National Emergency and the related Federal Student Aid guidance providing repayment moratoriums for student loan borrowers.

FINANCIAL ANALYSIS OF THE OCAP FIDUCIARY FUND ACTIVITIES

Fiduciary Net Position

	Year Ended June 30,	
	2023	2022
Other assets	\$ 4,001,735	7,367,938
Total assets	4,001,735	7,367,938
Current liabilities	2,079,557	1,724,777
Total liabilities	2,079,557	1,724,777
Restricted net position	1,922,178	5,643,161
Total net position	\$ 1,922,178	5,643,161

Changes in Fiduciary Net Position

	2023	2022
Federal reinsurance	\$ 43,609,316	30,967,843
Loan collections	542,931	955,395
Other additions	5,438,768	288,533
Total additions	49,591,015	32,211,771
Purchase of defaulted loans	45,169,770	29,181,205
Loan collections due to USDE	265,917	7,416,906
Federal reinsurance due to USDE	455,056	-
Other deductions	7,421,255	5,567,679
Total deductions	53,311,998	42,165,790
Change in fiduciary net position	\$ (3,720,983)	(9,954,019)

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
Management's Discussion and Analysis
For the Year Ended June 30, 2023

ECONOMIC FACTORS AND THE REGENTS' FUTURE

The economic position of the Regents is closely tied to that of the State of Oklahoma. During the 2023 legislative session, the Oklahoma Legislature appropriated \$873,405,811 to the Regents for fiscal year 2023, an increase of \$60,585,989 compared to the fiscal year 2022 appropriations of \$812,819,822. This represented a 7.45% increase from fiscal year 2022. Approximately, 10.77% of the revenue dedicated to appropriations for fiscal year 2023 came from gross production tax revenues.

CONTACTING THE REGENTS' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Regents' finances and to show the Regents' accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Oklahoma State Regents for Higher Education, P.O. Box 108850, Oklahoma City, Oklahoma 73101-8850.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ -	83,075,492	83,075,492
Receivables:			
Accounts receivable	-	8,054,668	8,054,668
Interest	-	127,431	127,431
Other assets	-	1,154,707	1,154,707
Restricted assets:			
Cash and cash equivalents	127,581,834	66,001,439	193,583,273
Receivables:			
Accounts receivable	750,422	1,962,842	2,713,264
Due from Federal Fund	-	1,604,885	1,604,885
Administrative and cost allowance	-	97,795	97,795
Interest	277,102	129,012	406,114
Total current assets	<u>128,609,358</u>	<u>162,208,271</u>	<u>290,817,629</u>
Noncurrent assets:			
Investments	987,540,752	-	987,540,752
Net OPEB asset—OTRS	-	126,144	126,144
Lease assets, net	-	7,498,351	7,498,351
SBITA assets, net	-	555,420	555,420
Capital assets, net	-	7,556,878	7,556,878
Total noncurrent assets	<u>987,540,752</u>	<u>15,736,793</u>	<u>1,003,277,545</u>
Total assets	<u>1,116,150,110</u>	<u>177,945,064</u>	<u>1,294,095,174</u>
Deferred Outflows of Resources:			
Deferred outflow related to pension—OTRS	-	5,011,577	5,011,577
Deferred outflow related to OPEB—OTRS	-	108,339	108,339
Deferred outflow related to pension—SRA	-	4,110,565	4,110,565
Deferred outflow related to OPEB— retiree medical	-	7,455,923	7,455,923
Deferred outflows of resources	<u>-</u>	<u>16,686,404</u>	<u>16,686,404</u>

(Continued)

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF NET POSITION, CONTINUED

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	-	10,071,110	10,071,110
Compensated absences	-	741,860	741,860
Master lease payable	-	548,871	548,871
Master equipment leases payable	-	645,083	645,083
Lease liabilities	-	975,886	975,886
SBITA liabilities	-	234,226	234,226
Undistributed state appropriations	-	89,725	89,725
Liabilities payable from restricted assets:			
Accounts payable and accrued expenses	154,106	1,192,180	1,346,286
Compensated absences	-	166,789	166,789
OCIA lease payable	14,390,000	-	14,390,000
Deposits held in trust for State System	3,186,125	-	3,186,125
Undistributed interest on deposits held in trust	46,681,723	-	46,681,723
Undistributed state appropriations	-	89,725	89,725
Total current liabilities	64,411,954	14,755,455	79,167,409
Noncurrent liabilities:			
Compensated absences	-	924,881	924,881
Master equipment leases payable	199,990,000	274,167	200,264,167
Unamortized bond premium	-	74,800	74,800
Lease liabilities	-	6,769,517	6,769,517
SBITA liabilities	-	321,751	321,751
Noncurrent liabilities payable from restricted assets:			
Compensated absences	-	80,071	80,071
Net OPEB liability—retiree medical	-	2,387,201	2,387,201
Net pension liability—OTRS	-	18,287,639	18,287,639
Net pension liability—SRA	-	1,644,062	1,644,062
Total noncurrent liabilities	199,990,000	30,764,089	230,754,089
Total liabilities	264,401,954	45,519,544	309,921,498

(Continued)

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF NET POSITION, CONTINUED

June 30, 2023

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources:			
Deferred inflow related to pension—OTRS	-	8,025,963	8,025,963
Deferred inflow related to pension—SRA	-	2,708,770	2,708,770
Deferred inflow related to OPEB—retiree medical	-	9,956,769	9,956,769
Deferred inflow related to OPEB—OTRS	-	43,195	43,195
Deferred inflows of resources	-	20,734,697	20,734,697
Net Position			
Net investment in capital assets	-	6,637,628	6,637,628
Restricted:			
Educational grants and scholarships	-	32,635,118	32,635,118
Oklahoma College Assistance Program	-	35,523,379	35,523,379
Endowment—nonexpendable	851,748,156	-	851,748,156
Capital projects	-	3,331,506	3,331,506
Unrestricted	-	50,249,596	50,249,596
Total net position	\$ 851,748,156	128,377,227	980,125,383

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Operating revenues:			
Administrative fees	\$ -	404,745	404,745
Default aversion fees	-	155,734	155,734
Default loan collections	-	7,660,724	7,660,724
Federal grants and contracts	-	12,566,197	12,566,197
OneNet service fees	-	23,404,364	23,404,364
Other	-	3,772,340	3,772,340
Total operating revenues	<u>-</u>	<u>47,964,104</u>	<u>47,964,104</u>
Operating expenses:			
Compensation	-	16,836,252	16,836,252
Contractual services	600,660	6,815,187	7,415,847
Communications	-	12,894,150	12,894,150
Scholarships, tuition, and other incentives	-	14,368,047	14,368,047
Supplies and materials	-	555,771	555,771
Other	5,218,417	6,633,183	11,851,600
Depreciation and amortization	-	4,170,244	4,170,244
Total operating expenses	<u>5,819,077</u>	<u>62,272,834</u>	<u>68,091,911</u>
Operating loss	<u>(5,819,077)</u>	<u>(14,308,730)</u>	<u>(20,127,807)</u>
Non-operating revenues (expenses):			
State appropriations	-	873,486,237	873,486,237
Other state income	-	77,492,879	77,492,879
Payments to State System institutions	(30,113,443)	(859,754,547)	(889,867,990)
OCIA on-behalf payments	-	(29,748,452)	(29,748,452)
On-behalf Teachers' Retirement			
System contributions	-	657,016	657,016
Net gain on investments	98,108,205	2,453,459	100,561,664
Gain on disposal of capital assets	-	12,632	12,632
Other revenue	54	-	54
Interest expense	(7,470,957)	(174,147)	(7,645,104)
Total non-operating revenues (expenses)	<u>60,523,859</u>	<u>64,425,077</u>	<u>124,948,936</u>
Income before transfers	<u>54,704,782</u>	<u>50,116,347</u>	<u>104,821,129</u>

(Continued)

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Transfers—appropriations to permanent endowment	<u>21,579,846</u>	<u>(21,579,846)</u>	<u>-</u>
Changes in net position	76,284,628	28,536,501	104,821,129
Net position, beginning of year	<u>775,463,528</u>	<u>99,840,726</u>	<u>875,304,254</u>
Net position, end of year	<u>\$ 851,748,156</u>	<u>128,377,227</u>	<u>980,125,383</u>

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

BALANCE SHEET—GOVERNMENTAL FUNDS

June 30, 2023

	Endowment Fund	William P. Willis Trust Fund	Total Governmental Funds
Assets			
Restricted assets:			
Cash and cash equivalents	\$ 126,809,154	772,680	127,581,834
Investments	987,540,752	-	987,540,752
Other receivables	750,422	-	750,422
Interest receivables	<u>277,102</u>	<u>-</u>	<u>277,102</u>
 Total assets	 <u>\$ 1,115,377,430</u>	 <u>772,680</u>	 <u>1,116,150,110</u>
 Liabilities and Fund Balance			
Liabilities:			
Deposits held in trust for State System	\$ 3,186,125	-	3,186,125
Accounts payable	154,106	-	154,106
Undistributed interest on deposits held in trust	<u>46,681,723</u>	<u>-</u>	<u>46,681,723</u>
Total liabilities	<u>50,021,954</u>	<u>-</u>	<u>50,021,954</u>
 Fund balance:			
Nonexpendable	<u>1,065,355,476</u>	<u>772,680</u>	<u>1,066,128,156</u>
Total fund balance	<u>1,065,355,476</u>	<u>772,680</u>	<u>1,066,128,156</u>
 Total liabilities and fund balance	 <u>\$ 1,115,377,430</u>	 <u>772,680</u>	 <u>1,116,150,110</u>

**Reconciliation of the Balance Sheet—
Governmental Funds to the Statement of
Net Position**

Total fund balance—governmental fund	\$ 1,066,128,156
Amounts reported for governmental activities in the statement:	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(214,380,000)</u>
 Net assets of governmental activities	 <u>\$ 851,748,156</u>

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE—GOVERNMENTAL FUNDS

Year Ended June 30, 2023

	Endowment Fund	William P. Willis Trust Fund	Total Governmental Funds
Revenues:			
Investment income	\$ 98,094,645	13,560	98,108,205
Other	54	-	54
Total revenues	<u>98,094,699</u>	<u>13,560</u>	<u>98,108,259</u>
Expenditures:			
Contractual services	600,660	-	600,660
Payment to State System institutions	30,055,643	57,800	30,113,443
Other	5,218,417	-	5,218,417
Principal retirement	13,955,000	-	13,955,000
Interest and other financing	7,470,957	-	7,470,957
Total expenditures	<u>57,300,677</u>	<u>57,800</u>	<u>57,358,477</u>
Excess (deficit) of revenues over expenditures	<u>40,794,022</u>	<u>(44,240)</u>	<u>40,749,782</u>
Other financing sources:			
Transfers in—appropriation	<u>21,529,849</u>	<u>49,997</u>	<u>21,579,846</u>
Net changes in fund balance	<u>62,323,871</u>	<u>5,757</u>	<u>62,329,628</u>
Fund balance, beginning of year	<u>1,003,031,605</u>	<u>766,923</u>	<u>1,003,798,528</u>
Fund balance, end of year	<u>\$ 1,065,355,476</u>	<u>772,680</u>	<u>1,066,128,156</u>

(Continued)

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE—GOVERNMENTAL FUNDS, CONTINUED**

Year Ended June 30, 2023

**Reconciliation of the Statement of
Revenues, Expenditures, and Changes in
Fund Balance—Governmental Funds to
the Statement of Activities**

Net changes in fund balance—total governmental funds	\$ 62,329,628
Amounts reported for governmental activities in the statement of activities are different because:	
Capital lease principal payments expensed in fund financial statements are treated as a reduction of outstanding debt in government-wide statements	<u>13,955,000</u>
Changes in net assets of governmental activities	<u>\$ 76,284,628</u>

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF CASH FLOWS—PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents

Year Ended June 30, 2023

Cash flows from operating activities:

Receipts for collections	\$ 7,704,912
Receipts from administrative fees	404,745
Receipts from federal government	11,589,293
Receipts for OneNet services	21,994,397
Receipts from other sources	2,777,391
Receipts for default aversion fee	155,734
Payments to suppliers	(24,637,700)
Payments to employees	(18,935,476)
Payments for scholarships and fellowships	(11,300,584)
Net cash used in operating activities	<u>(10,247,288)</u>

Cash flows from noncapital financing activities:

Transfers to other funds	(21,579,846)
Receipt of state appropriations	873,585,259
Receipt of other state income	77,492,879
Payments for assistance grants	(29,748,452)
Payments to public institutions	(859,754,547)
Net cash provided by noncapital financing activities	<u>39,995,293</u>

Cash flows from capital and related financing activities:

Acquisition of capital and intangible assets	(4,172,101)
Interest paid on leases	(174,146)
Net cash used in capital and related financing activities	<u>(4,346,247)</u>

Cash flows from investing activities:

Interest received	<u>2,300,901</u>
Net cash provided by investing activities	<u>2,300,901</u>

Net increase in cash and cash equivalents

27,702,659

Cash and cash equivalents at beginning of year

121,374,272

Cash and cash equivalents at end of year

\$ 149,076,931

(Continued)

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF CASH FLOWS—PROPRIETARY FUND, CONTINUED

Increase (Decrease) in Cash and Cash Equivalents

Year Ended June 30, 2023

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (14,308,730)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	4,170,244
On-behalf contributions to Teachers' Retirement System	657,016
Changes in operating assets and liabilities:	
Accounts receivable	(2,203,567)
Due from Federal Fund	24,447
Other assets	144,778
Net OPEB asset	1,937,698
Deferred outflow related to pension	(1,516,639)
Accounts payable and accrued expenses	5,026,757
Compensated absences	153,816
Net pension liability	469,011
Deferred inflow related to pension	<u>(4,802,119)</u>
Total adjustments	<u>4,061,442</u>
Net cash used in operating activities	<u>\$ (10,247,288)</u>
Reconciliation of cash and cash equivalents to the statement of net assets:	
Current assets:	
Cash and cash equivalents	\$ 83,075,492
Restricted cash and cash equivalents	<u>66,001,439</u>
Total cash and cash equivalents	<u>\$ 149,076,931</u>
Supplemental non-cash activity:	
Capital assets acquired through debt	<u>\$ 614,500</u>

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF FIDUCIARY NET POSITION—FIDUCIARY FUND—
OTHER POSTEMPLOYMENT BENEFIT PLAN

June 30, 2023

Assets	
Cash and cash equivalents	\$ 131,489
Investments	<u>21,515,686</u>
Total assets	<u>\$ 21,647,175</u>
Net Position	
Held in trust for other postemployment benefit plan	<u>\$ 21,647,175</u>
Total net position	<u>\$ 21,647,175</u>

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT CHANGES IN FIDUCIARY NET POSITION—FIDUCIARY FUND—
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year Ended June 30, 2023

Additions:	
Employer contribution	\$ 646,877
Investment income:	
Net appreciation in fair value of investments	1,844,482
Interest and dividends	452,929
Investment expense	<u>(2,819)</u>
Net investment income	<u>2,294,592</u>
Total additions	<u>2,941,469</u>
Deductions:	
Distributions to members	<u>509,843</u>
Total deductions	<u>509,843</u>
Changes in net position	<u>2,431,626</u>
Net position, beginning of year	<u>19,215,549</u>
Net position, end of year	<u>\$ 21,647,175</u>

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF FIDUCIARY NET POSITION—FIDUCIARY FUND—
SUPPLEMENTAL RETIREMENT PLAN

June 30, 2023

Assets	
Investments	\$ <u>12,145,972</u>
Total assets	\$ <u><u>12,145,972</u></u>
Net Position	
Held in trust for other supplemental retirement plan	\$ <u>12,145,972</u>
Total net position	\$ <u><u>12,145,972</u></u>

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

**STATEMENT CHANGES IN FIDUCIARY NET POSITION—FIDUCIARY FUND—
SUPPLEMENTAL RETIREMENT PLAN**

Year Ended June 30, 2023

Additions:

Investment income	\$ 1,456,596
Employer contributions	<u>195,405</u>
Total additions	<u>1,652,001</u>

Deductions:

Distributions to members	<u>1,161,085</u>
Total deductions	<u>1,161,085</u>

Changes in net position	<u>490,916</u>
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Net position, beginning of year	<u>11,655,056</u>
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Net position, end of year	<u>\$ 12,145,972</u>
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See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF FIDUCIARY NET POSITION—FIDUCIARY FUND—
FEDERAL FUND

June 30, 2023

Assets	
Current assets:	
Cash	\$ 2,263,830
Receivables:	
Loan collections	151,231
Other:	
Interest	9,762
MRR funding / Internal Revenue Service reimbursements	1,576,912
Total current assets	<u>4,001,735</u>
Total assets	<u>\$ 4,001,735</u>
Liabilities	
Current liabilities:	
Payable between funds	\$ 1,604,917
Federal reinsurance due to USDE	455,056
Default loan collections due to USDE	19,584
Total current liabilities	<u>2,079,557</u>
Total liabilities	<u>\$ 2,079,557</u>
Net Position	
Held in trust for federal government	<u>\$ 1,922,178</u>
Total net position	<u>\$ 1,922,178</u>

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT CHANGES IN FIDUCIARY NET POSITION—FIDUCIARY FUND—
FEDERAL FUND

Year Ended June 30, 2023

Additions:	
Federal reinsurance	\$ 43,609,316
Loan collections	542,931
Default aversion fees	406,330
Interest income	69,030
Other additions	<u>4,963,408</u>
Total additions	<u>49,591,015</u>
Deductions:	
Purchase of defaulted loans	45,169,770
Default loan collections due to USDE	265,917
Federal reinsurance due to USDE	455,056
Default aversion fees	155,734
Other deductions	<u>7,265,521</u>
Total deductions	<u>53,311,998</u>
Changes in net position	<u>(3,720,983)</u>
Net position, beginning of year	<u>5,643,161</u>
Net position, end of year	<u><u>\$ 1,922,178</u></u>

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(1) NATURE OF OPERATIONS

The Oklahoma State Regents for Higher Education (the “Regents” or “OSRHE”) is a component unit included in the financial statements of the State of Oklahoma (the “State”). The Regents was created by Article XIII-A of the Oklahoma State Constitution in 1941. The Regents serves as the coordinating board of control for The Oklahoma State System of Higher Education (“State System”) and in this capacity has responsibilities which include the following:

- To prescribe standards of higher education applicable to each constituent institution;
- To determine the functions and courses of study at each of the constituent institutions and ensure that such functions and courses of study conform to the standards prescribed;
- To grant degrees and other forms of academic recognition for completion of the prescribed courses of study in constituent institutions;
- To recommend to the State Legislature budget allocations for each constituent institution;
- To recommend to the State Legislature proposed fees for educational courses at constituent institutions; and,
- To allocate funds, through official resolutions of the Regents, to each constituent institution based on its needs and functions from lump-sum appropriations made by the State Legislature to the Regents.

The Regents sponsors a variety of programs, some of which are as follows:

- *Educational Programs* are established to make higher education available to those persons who cannot otherwise attend an institution of higher education. The funds for these programs are provided from State resources.
- *Student Assistance Programs* are established to aid students in higher education through the use of scholarships, grants, guaranteed loans, and contract programs. These programs are funded from both State and federal resources.
- *Complete College American Initiative*, Complete College America (CCA) is a comprehensive and ambitious higher education initiative undertaken by the State. The goal is to increase the number of degrees and certificates earned in Oklahoma by 67% by 2023 to meet our state's workforce needs and keep Oklahoma competitive in a global economy.
- *The Endowment Trust Fund Program* involves state-appropriated and privately donated funds for the creation of an endowment program to support the establishment of faculty chairs, professorships, and lectureships at system institutions.
- *Other Assistance Programs* involve providing certain 2-year colleges, regional, and research universities with financial assistance. These programs are funded by State resources.

See Independent Auditors’ Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **NATURE OF OPERATIONS, CONTINUED**

The Regents also operates Oklahoma’s telecommunication and information network, known as OneNet. OneNet electronically links public schools, vocational-technical schools, colleges and universities, courts, libraries, and local, county, state, tribal, and federal government agencies across the State. This network is funded from State resources and user fees.

(2) **CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT**

The Regents adopted the requirements of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA or GASB 96), effective July 1, 2022. Adoption of GASB 96 resulted in a restatement of the financial statements as of July 1, 2022.

The effects of the restatement to the financial statements as of July 1, 2022, were as follows:

	<u>SBITA Assets, Net</u>	<u>SBITA Liabilities, Current</u>	<u>SBITA Liabilities, Noncurrent</u>
As previously reported	\$ -	-	-
Effects of changes	<u>654,323</u>	<u>198,758</u>	<u>455,565</u>
As restated	<u>\$ 654,323</u>	<u>198,758</u>	<u>455,565</u>

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

These financial statements are prepared as required by generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

Reporting Entity

The accompanying financial statements include only the accounts for operations and activities directly supervised by the Regents, including its principal offices and core operations, OneNet, and the Oklahoma College Assistance Program (OCAP), all located in Oklahoma City.

See Independent Auditors’ Report.

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

Basis of Presentation

The Regents follows GASB Statement No. 34, “*Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*” (GASB 34), and related pronouncements in the preparation of its financial statements. Under the provisions of the standard, the Regents is considered a special-purpose government engaged in governmental and business-type activities and is thereby required to provide both government-wide statements and fund financial statements, along with required supplementary information (RSI) that includes management’s discussion and analysis (MD&A). The financial statement presentation required by GASB 34 and as modified by GASB Statements No. 63 and 65 provides a comprehensive, entity-wide perspective of the Regents’ assets, liabilities, deferred flows, net position, revenues, expenses, changes in net position, and cash flows. The Regents’ fiduciary funds include the OCAP Federal Fund, the supplemental retirement plan, and other post-employment benefit plans.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Regents as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 Regents reports the following major governmental funds:

Endowment Trust Fund—a permanent fund created to support the establishment of faculty chairs, professorships, and lectureships at State System institutions.

William P. Willis Trust Fund—a permanent fund established for the purpose of providing scholarships to low-income, full-time undergraduates attending institutions in the State System institutions.

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

Basis of Presentation, Continued

Fund Financial Statements, Continued

The Regents reports the following major proprietary fund:

Proprietary Fund—An enterprise fund established to facilitate general operations of the Regents, including oversight of constituent institutions, allocation of funding, operation of the OneNet statewide network, operations of OCAP which provides default aversion assistance to lenders for delinquent loans and collection process on defaulted loans, and a variety of other agency cost center operations.

The Regents reports the following fiduciary funds:

OCAP Federal Fund—A private-purpose trust fund used to account for assets, liabilities, revenues, and expenses administered on behalf of the federal government.

OSRHE Supplemental Retirement Plan—The purpose of this plan is to provide retirement benefits for the eligible employees who become participants in the plan, and to distribute the funds accumulated in the trust, in accordance with the plan, to the participants and their respective surviving spouse.

OSRHE Retiree Medical Plan—The purpose of this plan is to provide certain medical care benefits, as defined in the Code section 213, to participants in the plan who are eligible retired employees and, to the extent permitted by the terms of the plan, their respective eligible spouse and dependents.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when a liability is incurred, except for long-term debt principal and interest and accrued compensated absences, which are recorded to the extent they have matured. Proceeds of general long-term debt and capital leases are reported as other financing sources.

See Independent Auditors' Report.

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

Restricted Assets

Certain assets of the Regents are classified as restricted assets because their use is completely restricted by grant agreements or donor-imposed stipulations. Management has adopted the policy to spend restricted funds before the use of unrestricted resources when grant requirements have been met.

Use of Estimates in the Preparation of Financial Statements

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 at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Estimation of the accrued pension obligation and the other postemployment benefits obligation involves the use of actuarial assumptions, including selection of a discount rate, projected salary increases, and projected annuity increases. Actual results could differ from those estimates.

Investments

Investments are under control of the State Treasurer, the Teachers' Insurance Annuity Association-College Retirement Equities Fund (TIAA-CREF), and other various outside investment managers and are recorded at fair value based on reports provided by independent sources as of June 30, 2023. The net change in fair value of investments is recorded as net gain on investments on the statement of activities and as investment income on the statement of revenues, expenses, and changes in fund balance and includes the unrealized and realized gains and losses on investments.

Receivables

Receivables consist primarily of funds that are due to the Regents in relation to the operation of the academic programs, OCAP, and OneNet. Major items include conference fees, federal reinsurance on defaulted claims, administrative allowances from the U.S. Department of Education (USDE), and charges by OneNet for internet and other telecommunication services.

Capital Assets

Capital assets consisting of buildings, equipment, and motor vehicles are recorded at cost (when purchased by the Regents), or at estimated fair value at date of acquisition (when acquired other than by purchase) less accumulated depreciation. Capital assets are defined as long-lived (more than 3 years) assets with initial costs equal to or greater than \$500 for data/telecommunications equipment and software, or greater than \$2,500 for all other long-lived assets.

See Independent Auditors' Report.

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

Capital Assets, Continued

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

Buildings	39 years
Equipment	3–5 years
Motor vehicles	5 years

Expenses that increase values, change capacities, or extend useful lives are capitalized. Routine maintenance, repairs, and renewals are charged to operations. Upon disposition, the cost and related accumulated depreciation are removed from the statement of net position and the resulting gain or loss is reflected in the statement of activities in the period in which the asset is disposed.

Lease Commitments

The Regents has recorded Lease Assets, the right-to-use lease assets as a result of implementing GASB 87. Lease Asset is initially measured at an amount equal to the initial measurement of the related Lease Liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into services. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Subscription-Based Information Technology Arrangements (SBITAs)

The Regents have recorded SBITA right-to-use assets and corresponding liabilities as a result of implementing GASB 96. The SBITA asset is an intangible asset and is initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendors before commencement of the subscription term and capitalized implementation costs. The subscription liability is measured at the present value of the subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges, which may be implicit, or the State's incremental borrowing rate. The right-to-use assets are amortized on the straight-line basis over the term of the SBITA.

Compensated Absences

Full-time employees earn vacation at the rate of 10 hours per month for the first four years of employment, 12 hours per month during the fifth year to the ninth year, 13.33 hours per month during the tenth year to the nineteenth year, and 16.66 hours per month, thereafter. A maximum of 480 hours of vacation may be accrued. The obligation and the expenditure incurred during the year are recorded as a liability and an expense, respectively, as the benefits accrue to employees.

See Independent Auditors' Report.

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

Income Taxes

The income of the Regents, a political subdivision of the State, is excluded from federal income tax under Section 115(1) of the Internal Revenue Code.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Regents considers all highly liquid investments with an original maturity of 3 months or less to be cash equivalents.

Subsequent Events

The Regents has evaluated subsequent events through October 31, 2023, the date the financial statements were available to be issued.

(4) **DEPOSITS AND INVESTMENTS**

Deposits

Custodial Credit Risk is the risk that in the event of the failure of a counter party, the Regents will be unable to recover the value of its investments. Deposits are exposed to custodial risk if they are uninsured and uncollateralized. The Regents deposits its funds with the Office of the State Treasurer (OST) and those funds are pooled with funds of other State agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the State's name. By Oklahoma Statute, the State Treasurer is required to ensure that all State funds are either insured by the Federal Deposit Insurance Corporation (FDIC) insurance, collateralized by securities held by the Federal Reserve Bank, or invested in United States government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. Some deposits with the OST are placed in the OST's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all State funds and agencies that are considered part of the State and invests them in (a) U.S. Treasury securities; (b) U.S. agency securities; (c) money market mutual funds; and (d) investments related to tri-party repurchase agreements and other various investments, as allowed by law.

At June 30, 2023, the carrying amount of the Regents' deposits with OST was \$278,922,596. Of the funds on deposit with OST, \$256,479,297 was invested in *OK INVEST*.

(4) DEPOSITS AND INVESTMENTS, CONTINUED

Deposits, Continued

Agencies that are considered to be part of the State’s reporting entity in the State’s Annual Comprehensive Annual Financial Report and who have funds deposited with the OST may participate in *OK INVEST*. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day-to-day *OK INVEST* management, with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies’ daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements and diversification percentages, and specify the types and maturities of allowable investments.

The State Treasurer, at his discretion, may further limit or restrict such investments on a day-to-day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity, as well as in U.S. government securities, with a maturity of up to 10 years. Accordingly, *OK INVEST* maintains a variable net asset value that may fluctuate with changes in the market. *OK INVEST* maintains an overall weighted average maturity of less than 2 years. The main risks of investing in *OK INVEST* are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher.

Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer’s Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC, or any other government agency.

Investments

As of June 30, 2023, the Regents held the following investments by fund type as measured by fair value:

Investment by Fund Type as Measured at Fair Value

Governmental fund— <i>William P. Willis Trust Fund</i>	\$	772,680
Governmental fund— <i>Endowment Trust Fund</i>		1,114,349,906
Fiduciary fund— <i>OSRHE Supplemental Retirement Plan</i>		12,145,972
Fiduciary fund— <i>OSRHE Retiree Medical Plan</i>		21,647,175

See Independent Auditors’ Report.

(4) **DEPOSITS AND INVESTMENTS, CONTINUED**

Investments, Continued

Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) as follows:

Level 1—Unadjusted quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3—Valuations derived from valuation techniques in which significant inputs are unobservable.

Governmental Activities—William P. Willis Trust Fund

The Regents is designated as a Trustee of the William P. Willis Trust Fund [70 O.S., § 2292], which is used to establish and maintain the William P. Willis Scholarship Program for the purpose of providing scholarships to low-income, full-time undergraduates attending institutions within the State System. As of June 30, 2023, this fund's investments of \$772,680 as measured by fair value were held in the OST's internal investment pool *OK INVEST*.

Governmental Activities—Endowment Trust Fund

In accordance with 70 O.S. § 3951, the Regents is designated as a Trustee of the Oklahoma State Regents' Endowment Trust Fund (the "Fund"), a permanent fund used to establish and maintain in perpetuity endowed chairs and professorships at State System institutions, and for any other related activities approved by the Regents to improve the quality of higher education instruction.

The Fund principal consists of monies the Oklahoma Legislature appropriates or transfers to the Regents for the Fund, the proceeds of any obligations issued pursuant to 70 O.S. § 4019, and any monies or assets contributed to the Fund from any other source, public or private. The principal held in the Fund is allocated to established individual public institutions of higher education endowment accounts within the Fund.

The Regents retains a qualified investment consultant to provide advice in selecting investment managers with whom to invest monies of the Fund. An *investment* is a security or other asset that is held primarily for the purpose of income or profit and has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

See Independent Auditors' Report.

(4) DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

Governmental Activities—Endowment Trust Fund, Continued

The investment goal of the Fund is to invest its assets in a manner that will achieve a *total rate of return* sufficient to maintain support of endowed chairs and professorships at State System institutions. To achieve this goal, some investment risk must be taken. In accordance with 70 O.S. § 3954, the Regents minimizes such risk through diversification of Fund investments among various financial instruments and asset categories, and uses multiple investment strategies and investment managers. Key decisions in this regard are made by the Fund's investment committee, subject to the Regent's approval, which has oversight responsibility for the Fund's investment program. The committee identifies appropriate asset categories for investments, determines the allocation of assets to each category, and approves the investment strategies employed. In making their investment decisions, the Regents exercises the judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but with regard to the permanent disposition of their funds, considering the probable safety of their capital as well as the probable income to be derived.

Investment manager and consultant fees are paid from the investment proceeds, and the net investment return is allocated to each of the respectively designated accounts constituting the principal of the Fund. Expenses incurred by the Regents in the administration of the Fund and the endowment program are paid from monies appropriated for its general operating budget. Total fees were approximately one percent (1.04%) of the Fund's investment portfolio as of June 30, 2023.

At the end of each fiscal year, the Regents approves distributions from the Fund to individual public institutions of higher education with established endowment accounts. The distribution rate approximates four and one-half percent (4.50%) of the Fund investments' fair values based on a 3-year moving average. *Fair value* is defined as the price that the fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between independent market participants in the principal market at the measurement date. Any amount not designated for institution distribution becomes part of the principal of the Fund.

As of June 30, 2023, the Fund held investments of \$1,114,349,906 as measured by fair value: Of this amount, \$987,540,752 was invested with various fund managers and the remaining \$126,809,154 was deposited in the OST's internal investment pool, *OK INVEST*.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

Governmental Activities—Endowment Trust Fund, Continued

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023	Amounts Measured at Fair Value			
Investments by Fair Value Level:				
<i>Governmental Activities</i>				
<u>Endowment Trust Fund</u>				
Investments at fair value level:				
Cash and cash equivalents:				
Cash and cash equivalents	\$ 3,595,434	3,595,434	-	-
Fixed income securities:				
Bond funds	55,038,942	55,038,942	-	-
Equity securities:				
Domestic equity	282,554,938	282,554,938	-	-
International equity	76,679,212	76,679,212	-	-
Total investments at fair value	<u>417,868,526</u>	<u>417,868,526</u>	<u>-</u>	<u>-</u>
Investments measured at net asset value (NAV):				
Equity	94,265,109			
Real assets	89,064,215			
Private equity funds	278,155,111			
Hedge funds	108,187,791			
Total investments measured at NAV	<u>569,672,226</u>			
Internal investment pool—OK INVEST	<u>126,809,154</u>			
Total investments at fair value	<u>\$ 1,114,349,906</u>			

See Independent Auditors' Report.

(4) DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

Governmental Activities—Endowment Trust Fund, Continued

The Fund also holds investments of \$569,672,226 in limited partnerships, limited liability companies, and investment trusts that are measured at the net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital. Because NAV is communicated to the Fund and not publicly available, NAV is being used as a practical expedient for fair value. NAV is established by applying the investee's calculated NAV (or its equivalent) to the Fund's proportionate share of the investee's net assets. This method of determining fair value is permitted by GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), if the NAV per share (or its equivalent) of the investment is calculated as of the government's measurement date in a manner generally consistent with Financial Accounting Standards Board (FASB) Topic No. 946, "Financial Services—Investment Companies." The Regents has determined that the NAV per share (or its equivalent) provided by the investees is determined in that manner.

The Fund's Investment Committee, the Regents' staff, and the Investment Consultant evaluate the investment values provided to the Fund based on a number of factors, which include: acquiring an understanding of the investee's underlying investments, strategy, positions, and valuation methodologies; obtaining audited financial statements, third-party valuation reports, and investment administrator transparency reports; and comparing information provided by the fund administrator or Investment Management to other available information such as sector data and indexes. The following table summarizes the Fund's investments of \$569,672,226 measured at fair value based on the NAV as of June 30, 2023.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

Governmental Activities—Endowment Trust Fund, Continued

<u>June 30, 2023</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<i>Governmental Activities Endowment Trust Fund</i>				
Investments measured at NAV:				
Equity:				
International equity ⁽¹⁾	\$ 47,188,793	-	Monthly	6 days
Global equity ⁽²⁾	47,076,316	-	Quarterly	60 days
Total equity	<u>94,265,109</u>	<u>-</u>		
Real assets:				
Illiquid—real estate ⁽³⁾	55,991,922	50,712,923	Illiquid	N/A
Illiquid—natural resources ⁽⁴⁾	20,898,255	2,154,170	Illiquid	N/A
Illiquid—infrastructure ⁽⁵⁾	12,174,038	3,717,810	Illiquid	N/A
Total real assets	<u>89,064,215</u>	<u>56,584,903</u>		
Private equity funds:				
Venture capital ⁽⁶⁾	55,841,335	29,615,233	Illiquid	N/A
Special situations ⁽⁷⁾	37,959,031	43,018,461	Illiquid	N/A
Buyout ⁽⁸⁾	116,876,960	28,398,635	Illiquid	N/A
Debt/Oppportunistic fixed income ⁽⁹⁾	67,477,785	18,515,925	Quarterly / Illiquid	5 days / N/A
Total private equity funds	<u>278,155,111</u>	<u>119,548,254</u>		
Hedge funds:				
Long/Short equity ⁽¹⁰⁾	18,942,853	-	1 year	45 days
Event-driven ⁽¹¹⁾	11,313,242	-	Quarterly	60 days
Global macro ⁽¹²⁾	11,212	-	Quarterly	45 days
Long/Short credit ⁽¹³⁾	14,794,247	-	1 - 2 years	45 - 90 days
Multi-strategy ⁽¹⁴⁾	63,126,237	-	Quarterly - 6 mos	60 - 65 days
Total hedge funds	<u>108,187,791</u>	<u>-</u>		
Total investments measured at NAV	<u>\$ 569,672,226</u>			
Total governmental activities investments at fair value	<u>\$ 987,540,752</u>			

See Independent Auditors' Report.

(4) DEPOSITS AND INVESTMENTS, CONTINUED**Investments, Continued*****Governmental Activities—Endowment Trust Fund, Continued***

- (1) *International Equity.* This strategy includes investment trust interests in a single fund whose objective is capital appreciation through investing in a diversified portfolio consisting primarily of large and/or small cap equity securities of issuers that are located outside the U.S., or which derive a significant portion of their business or profits outside of the U.S. The major investment categories include common stock, preferred stock, and mutual funds which are valued based on quoted prices from the applicable primary market exchange.
- (2) *Global Equity.* This investment strategy is composed of six (6) limited liability company interests that buy and hold publicly traded equity securities of companies within the United States and throughout the world. Equity securities are valued based on quoted prices from the applicable primary market exchange.
- (3) *Real Assets—Illiquid Real Estate.* This type includes limited partnership interests in eighteen (18) funds that invest in real estate, real estate-related assets, and interests in entities that own or operate real property, either directly or through one or more entities holding equity and/or debt interests in real estate. The valuation techniques used to measure the fair value of investments in real estate will vary depending on the type of investment. Due to the fact that a quoted market exchange generally does not exist, investments in real estate are generally valued using a discounted projected cash flow methodology using estimates which are considered Level 3 inputs, including (1) the amount of expected future cash flows, (2) the timing of receipt of those cash flows, and (3) the discount rate. These investments can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 10 years. Commitments of \$50,712,923 remain unfunded.
- (4) *Real Assets—Illiquid Natural Resources.* This type includes limited partnership interests in eight (8) funds that invest in the energy industry including: oil, natural gas, midstream, oil field services, coal, power and renewable/alternative energy. Generally, fair market value reports are prepared for each fund's portfolio investments annually which usually occur at December 31. This information together with engineering economics based on third-party reserve reports are used to calculate discount rates for reserves and other cash flows. Where appropriate, market comparisons and transaction comparisons are used to value certain assets. These investments can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 7 years. Commitments of \$2,154,170 remain unfunded.
- (5) *Real Assets—Illiquid Infrastructure.* This type includes limited partnership interests in four (4) funds that invest primarily in the domestic independent midstream oil and gas sector. Funds are invested in privately negotiated equity and equity-related investments. Generally, there is no readily available market for such investments and, as such, it might take longer to liquidate these positions than would be the case for investments in publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices on these sales could be less than those originally paid. It is expected that the underlying assets of the funds will be liquidated over the next 3 to 9 years. Commitments of \$3,717,810 remain unfunded.

(Continued)

See Independent Auditors' Report.

(4) DEPOSITS AND INVESTMENTS, CONTINUED**Investments, Continued*****Governmental Activities—Endowment Trust Fund, Continued***

- (6) *Private Equity Funds—Venture Capital.* This type includes limited partnership interests in thirteen (13) funds that seek capital appreciation by making, managing, supervising, and disposing of private equity and related securities, principally in venture capital and growth private equity funds. The methods used to estimate the fair value of private investments include the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods. The fair value of an investment is the point within the range that each of the investment funds' General Partner believes is most representative of fair value. These investments can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of these funds will be liquidated over the next 1 to 9 years. Commitments of \$29,615,233 remain unfunded.
- (7) *Private Equity Funds—Special Situations.* This type includes limited partnership interests in twelve (12) funds that invest primarily in the securities of entities that, or are owned by persons that, are undergoing, are considered likely to undergo, or have undergone (i) reorganization under the federal bankruptcy law or similar laws in other countries or (ii) other extraordinary transactions, such as debt restructurings, reorganizations, and liquidations outside of bankruptcy. Fund investments may also include other instruments that the General Partner believes are undervalued, focusing primarily on debt and equity securities in special event-driven situations (e.g., non-distressed investments). The fair values of non-publicly traded private equity investments are determined by using a market approach or income approach. A market approach utilizes valuations of comparable public companies or transactions in order to establish the enterprise value of the portfolio company. This approach takes into account a specific financial measure (such as EBITDA, adjusted EBITDA, free cash flow, net operating income, net income, book value, or net asset value) believed to be most relevant for the given company. Consideration may also be given to such factors as acquisition price of the security, historical and projected operational and financial results for the portfolio company, the strengths and weaknesses of the portfolio company relative to its comparable companies, industry trends, general economic and market conditions, and other factors deemed relevant. The income approach is typically a discounted cash flow method that incorporates expected timing and level of cash flows. It incorporates assumptions in determining growth rates, income and expense projections, discount rates, capital structure, terminal values, and other factors. The applicability and weight assigned to market and income approaches are determined based on the availability of reliable projections and comparable companies and transactions. The funds can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of these funds will be liquidated over the next 1 to 10 years. Commitments of \$43,018,461 remain unfunded.

(Continued)

(4) DEPOSITS AND INVESTMENTS, CONTINUED**Investments, Continued*****Governmental Activities—Endowment Trust Fund, Continued***

- ⁽⁸⁾ *Private Equity Funds—Buyout.* This type includes limited partnership interests in eighteen (18) funds that seek capital appreciation by acquiring, holding, and disposing of primarily equity and equity-related securities in companies. The fair values of non-publicly traded private equity investments are determined by using a market approach or income approach. A market approach utilizes valuations of comparable public companies or transactions and generally seeks to establish the enterprise value of the portfolio company using a market multiple approach. This approach takes into account a specific financial measure (such as EBITDA, adjusted EBITDA, free cash flow, net operating income, net income, book value, or net asset value) believed to be most relevant for the given company. Consideration may also be given to such factors as acquisition price of the security, historical and projected operational and financial results for the portfolio company, the strengths and weaknesses of the portfolio company relative to its comparable companies, industry trends, general economic and market conditions, and other factors deemed relevant. The income approach is typically a discounted cash flow method that incorporates expected timing and level of cash flows. It incorporates assumptions in determining growth rates, income and expense projections, discount rates, capital structure, terminal values, and other factors. The applicability and weight assigned to market and income approaches are determined based on the availability of reliable projections and comparable companies and transactions. These investments can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of these funds will be liquidated over the next 1 to 10 years. Commitments of \$28,398,635 remain unfunded.
- ⁽⁹⁾ *Private Equity Funds—Debt/Oppportunistic Fixed Income.* This type includes eight (8) limited partnership interests that focus on credit investing and direct lending, mainly through middle market loans to U.S. based private equity sponsored companies and senior secured debt obligations. The determination of the current fair value of each portfolio loan or other investment is based on several inputs, including, among other factors, scheduled payments and comparable market yields. These investments can never be redeemed with the investee; rather distributions from each fund are received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 3 to 10 years. Commitments of \$18,515,925 remain unfunded.
- ⁽¹⁰⁾ *Hedge Funds—Long/Short Equity.* This investment strategy includes limited partnership interests in a single hedge fund that invests both long and short in equity securities of global companies that operate in a wide range of industries. The methods used to estimate the fair value of hedge funds includes the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods.

(Continued)

(4) DEPOSITS AND INVESTMENTS, CONTINUED**Investments, Continued*****Governmental Activities—Endowment Trust Fund, Continued***

- ⁽¹¹⁾ *Hedge Funds—Event-Driven.* This investment type includes limited partnership interests in two (2) hedge funds that invest in companies through distressed credit and event-driven strategies. The methods used to estimate the fair value of hedge funds include the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods. The fair value of an investment is the point within the range that each of the investment funds' General Partner believes is most representative of fair value.
- ⁽¹²⁾ *Hedge Funds – Global Macro.* This investment strategy includes limited partnership interests in a single hedge fund that analyzes macroeconomic trends in order to arrive at an investment strategy that includes taking positions on the fixed-income, currency, and equity markets through either direct investments or futures and other derivative products. The methods used to estimate the fair value of hedge funds include the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods. The fair value of an investment is the point within the range that each of the investment funds' General Partner believes is most representative of fair value.
- ⁽¹³⁾ *Hedge Funds—Long/Short Credit.* This investment is composed of limited partnership interests in three (3) hedge funds that utilize both hedged and directional investment strategies primarily in the leveraged issuer, distressed debt, and reorganized equity markets. The methods used to estimate the fair value of hedge funds include the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods. The fair value of an investment is the point within the range that each of the investment funds' General Partner believes is most representative of fair value. One fund has instituted a 25% investor-level gate, and if elected, full redemptions would be filled over four quarterly periods. These investments represent 5.31% of the Fund's total hedge fund portfolio.
- ⁽¹⁴⁾ *Hedge Funds—Multi-Strategy.* This investment strategy includes limited partnership interests in four (4) hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The methods used to estimate the fair value of hedge funds include the market approach and the income approach, each of which involve a significant degree of judgment. The indications of value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of value indicated by the methods. The fair value of an investment is the point within the range that each of the investment funds' General Partners believes is most representative of fair value.

The pooled Endowment Trust balance as of June 30, 2023, was \$1,114,349,906, which includes investments, cash deposited with the OST, and other investment receivables. A portion of these assets are held on behalf of Langston University in the amount of \$45,267,674. These funds have also been presented as an asset in the separate financial statements of Langston University.

See Independent Auditors' Report.

(4) **DEPOSITS AND INVESTMENTS, CONTINUED**

Investments, Continued

Fiduciary Fund—OSRHE Supplemental Retirement Plan

The purpose of the OSRHE Supplemental Retirement Plan Trust is to provide retirement benefits for the eligible employees and to distribute the funds accumulated in the trust, in accordance with the plan, to the participants and their designated beneficiaries. The following inputs were used to determine the fair value level of the OSRHE Supplemental Retirement Plan at June 30, 2023.

	Amounts Measured at <u>Fair Value</u>	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
<u>June 30, 2023</u>				
<u>Investments by Fair Value Level:</u>				
<i>Fiduciary Activities</i>				
<i>OSRHE Supplemental Retirement Plan</i>				
Investments at fair value level:				
Equity	\$ 8,931,752	8,931,752	-	-
Fixed income/debt	<u>3,214,220</u>	<u>3,214,220</u>	-	-
Total investments at fair value	<u>12,145,972</u>	<u>12,145,972</u>	-	-
Total OSRHE Supplemental Retirement Plan investments at fair value	<u>\$ 12,145,972</u>	<u>12,145,972</u>	<u>-</u>	<u>-</u>

See Independent Auditors' Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

Fiduciary Fund—OSRHE Retiree Medical Plan (OPEB Plan)

The OSRHE Retiree Medical Plan provides funding for payment of eligible Regents retirees’ group health insurance, including dental and vision, less any amount paid by the Oklahoma Teachers’ Retirement System (OTRS) for that purpose, through the month in which the retiree attains age 65 and becomes eligible for Medicare. If the retiree receives Medicare benefits, the Regents will continue to pay on behalf of the retiree the Medicare supplemental insurance cost, less any amount paid by OTRS for that purpose, for the remaining life of the retiree.

The following inputs were used to determine the fair value of the OSRHE Retiree Medical Plan’s investments at June 30, 2023.

		Fair Value Measurements at		
		Reporting Date Using		
	Amounts	Quoted Prices	Significant	Significant
	Measured at	in Active	Other	Unobservable
	Fair Value	Markets for	Observable	Inputs
		Identical	Inputs	Inputs
		Assets	(Level 2)	(Level 3)
		(Level 1)		
<u>June 30, 2023</u>				
<u>Investments by Fair Value Level:</u>				
<i>Fiduciary Activities</i>				
<i>OSRHE Retiree Medical Plan</i>				
Investments at fair value level:				
Cash/Cash equivalents	\$ 131,489	131,489	-	-
Equity	13,065,581	13,065,581	-	-
Fixed income/debt	8,450,105	8,450,105	-	-
Total investments at fair value	<u>21,647,175</u>	<u>21,647,175</u>	-	-
Total OSRHE Retiree Medical Plan investments at fair value	<u>\$ 21,647,175</u>	<u>21,647,175</u>	-	-

See Independent Auditors’ Report.

(4) **DEPOSITS AND INVESTMENTS, CONTINUED**

Investments, Continued

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments can be highly sensitive to changes in interest rates due to their terms or characteristics. Duration is a measure of the weighted-average time to receive the discounted present values of all the cash flows (including both principal and interest). Weighted-Average Life is a measure of the time to receive the principal payments (not including interest, and not discounting). Weighted-average maturity is an average of the maturity dates of multiple loans, not an average of principal repayments.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk is measured by the credit quality ratings of investments in debt securities as described by the nationally recognized statistical rating organizations (rating agencies).

The following table summarizes the Regent’s investments in fixed income/debt securities subject to interest rate risk and credit risk as of June 30, 2023.

Fixed Income/Debt Securities <u>Investment Type</u>	<u>Fair Value</u>	Average Credit Quality/ <u>Rating</u>	Effective Duration <u>(Years)</u>	Average Life <u>(Years)</u>	Average Maturity <u>(Years)</u>
<i>Governmental Activities</i>					
Endowment Trust Fund:					
Bond Market Index Fund	\$ 27,319,356	AAA	6.41	N/A	8.80
Total Return Bond Fund	27,719,586	AAA	6.25	N/A	7.54
Special Purpose Vehicles	28,568,095	BB	1.50	8.50	6.30
<i>Fiduciary-Type Activities</i>					
OSRHE Supplemental Retirement Plan:					
Multi-Strategy Fund	3,214,220	AA-	6.32	N/A	9.66
<i>Fiduciary-Type Activities</i>					
OSRHE Retiree Medical Plan:					
Multi-Strategy Fund	8,450,105	A	6.15	N/A	9.97
Money Market Fund	131,489	Not Rated	N/A	N/A	< 1 year

See Independent Auditors’ Report.

(4) **DEPOSITS AND INVESTMENTS, CONTINUED**

Investments, Continued

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer, not including investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

The international equity manager will invest primarily in non-dollar denominated equity securities. The managers are required to operate under certain restrictions including: regional constraints, diversification requirements, and percentage of U.S. securities as dictated by the terms of the commingled or mutual funds in which they are invested.

The international fixed income manager may enter into forward currency exchange contracts, agreements to exchange one currency for another at a future date, in order to manage risk arising from exposure to changing currency fluctuations; buy or sell futures and options contracts relating to foreign currencies; purchase securities indexed to foreign currencies, contingent upon their being within those countries comprising the Salomon Non-U.S. Bond Index or denominated in the U.S. dollar; and hedge portfolio securities from time to time by shifting investment exposure from one currency to another, contingent upon the currencies being within those countries comprising the Salomon Non-U.S. Bond Index.

Asset Allocation

Endowment Trust Fund

The Endowment Trust Fund's investing activities are managed under the custody of investment managers. Each investment manager is evaluated against the appropriate comparative benchmark to ensure investing is performed in accordance with internal investment policies. Endowment Trust Funds may be invested in Domestic Equity, International Equity, Private Equity, Domestic/Global Fixed Income, International Fixed Income, Hedge Funds, Domestic Inflation Protected Fixed Assets, and REITS/Real Estate. The overall level of risk in the investment portfolio will be primarily mitigated by attention to asset allocation.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

Asset Allocation, Continued

Endowment Trust Fund, Continued

The focus is on overall portfolio risk, not risk related to specific asset classes. Asset allocation guidelines approved by the Regents for the Endowment Trust Fund are as follows:

REGENTS ENDOWMENT TRUST FUND

Target Policy Asset Allocation and Allowable Percentage Ranges

Asset Class	Target Allocation	Minimum Target Allocation	Maximum Target Allocation
Growth assets:			
Domestic equity	28%	12%	45%
International equity	13%	5%	25%
Global equity	5%	0%	10%
Growth fixed income	6%	0%	10%
Private equity	<u>20%</u>	0%	25%
Total growth assets	<u>72%</u>		
Risk reduction assets:			
Domestic/Fixed income	8%	5%	30%
International/Fixed income	0%	0%	10%
Absolute return (hedge funds)	10%	0%	20%
Cash	<u>2%</u>	0%	15%
Total risk reduction assets	<u>20%</u>		
Inflation protected assets:			
Domestic inflation protected, fixed	0%	0%	10%
REITS/Real estate assets	<u>8%</u>	0%	15%
Total inflation protected assets	<u>8%</u>		

See Independent Auditors' Report.

(4) DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

Asset Allocation, Continued

William P. Willis Trust Fund

The principal of the fund, defined as the total legislative appropriations, may be treated as quasi-endowment funds and invested in up to sixty percent (60%) equity and equity-like investments. The remainder of the principal should be held in fixed income investments and cash.

Retirement Funds

The Retirement Fund's investing activities are managed under the custody of investment managers. The long-term horizon of these funds permits exposure to volatility associated with equity investments. Equity and equity like investments should comprise no more than seventy percent (70%) of the portfolio.

Investment of All Other Funds

All other funds' investing activities, managed under the custody of investment managers, shall be restricted to fixed income investments.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) CAPITAL ASSETS/LEASE AND SBITA COMMITMENTS

The Regents adopted GASB 96 with a date of initial application of July 1, 2022, using the retrospective approach. The related SBITAs are discussed in the Long-Term SBITAs subsection of the Long-Term Liabilities in Note 8.

A summary of the changes in capital assets, lease assets, and SBITA assets is as follows for the year ended June 30, 2023:

	Restated Balance July 1, 2022	Additions	Retirements	Balance at June 30, 2023
<i>Business-Type Activities</i>				
Capital assets:				
Buildings	\$ 9,808,543	7,337	(113,923)	9,701,957
Equipment	66,246,611	1,218,334	(5,382,751)	62,082,194
Motor vehicles	438,512	90,137	(105,006)	423,643
Lease building	10,057,361	-	-	10,057,361
Lease equipment	432,212	288,355	(43,118)	677,449
SBITAs	857,000	145,763	-	1,002,763
Total capital assets	<u>87,840,239</u>	<u>1,749,926</u>	<u>(5,644,798)</u>	<u>83,945,367</u>
Accumulated depreciation:				
Buildings	(7,253,747)	(114,090)	113,923	(7,253,914)
Equipment	(59,664,679)	(2,830,276)	5,434,945	(57,060,010)
Motor vehicles	(438,512)	(4,507)	106,027	(336,992)
Total accumulated depreciation	<u>(67,356,938)</u>	<u>(2,948,873)</u>	<u>5,654,895</u>	<u>(64,650,916)</u>
Accumulated amortization:				
Lease building	(2,060,114)	(914,997)	-	(2,975,111)
Lease equipment	(181,334)	(114,508)	34,494	(261,348)
SBITAs	(202,677)	(244,666)	-	(447,343)
Total accumulated amortization	<u>(2,444,125)</u>	<u>(1,274,171)</u>	<u>34,494</u>	<u>(3,683,802)</u>
Capital assets, net	<u>\$ 18,039,176</u>	<u>(2,473,118)</u>	<u>44,591</u>	<u>15,610,649</u>

See Independent Auditors' Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) **CAPITAL ASSETS/LEASE AND SBITA COMMITMENTS, CONTINUED**

	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2023</u>
<i>Fiduciary Fund</i>				
Capital assets:				
Equipment	\$ 249,304	-	(5,777)	243,527
Total capital assets	<u>249,304</u>	<u>-</u>	<u>(5,777)</u>	<u>243,527</u>
Accumulated depreciation:				
Equipment	(249,304)	-	5,777	(243,527)
Total accumulated depreciation	<u>(249,304)</u>	<u>-</u>	<u>5,777</u>	<u>(243,527)</u>
Capital assets, net	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(6) **EMPLOYEE RETIREMENT BENEFITS**

Personnel of the Regents are covered by various retirement plans. The plans available to Regents' personnel include the Oklahoma Teachers' Retirement System, which is a State public employees' retirement system and provides pension and other postemployment benefits, the Regents' Supplemental Retirement Plan, and the Regents' Retiree Medical Plan.

Oklahoma Teachers' Retirement System

Plan Description

As the employer, the Regents participates in the Oklahoma Teachers' Retirement Plan. The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Teachers' Retirement System (OTRS). Title 70 O. S. Sec. 17-105 defines retirement requirements. The Regents also participates in a medical supplemental plan—a cost-sharing multiple-employer defined benefit OPEB plan administered by OTRS. Title 74 O.S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. The financial reports for OTRS are available to the public at www.ok.gov/TRS.

See Independent Auditors' Report.

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Pension Benefit Provisions

Members become 100% vested in retirement benefits earned to date after 5 years (joined the OTRS prior to November 1, 2017) or 7 years (joined the OTRS on or after November 1, 2017) of creditable service. OTRS provides retirement, disability, and death benefits to members of the plan.

- Eligibility for distribution

Normal retirement:

1. Member before July 1, 1992—age 62 or when the member's age and years of service total 80 points.
2. Member after July 1, 1992, and before November 1, 2011—age 62 or when the member's age and years of service total 90 points.
3. Member on or after November 1, 2011—age 65 or when the member's age is at least 60 and years of creditable service total at least 90 points.

Reduced benefits are available for clients who have not reached full retirement eligibility under regular retirement. Reduction factors vary depending on age and date of membership when joining the OTRS.

- Final compensation for members who joined the OTRS prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. Final compensation for members joining the OTRS after June 30, 1992, is defined as the average of the highest five consecutive years of credited service.
- Upon the death of a retired member, the OTRS will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the Regents, OTRS members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code.

See Independent Auditors' Report.

(6) **EMPLOYEE RETIREMENT BENEFITS, CONTINUED**

Oklahoma Teachers' Retirement System, Continued

Health Insurance Benefit Provisions

OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, provided the member has 10 years of Oklahoma service prior to retirement.

Pension Funding Policy

Contribution requirements of the plan are at an established rate determined by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7.00% of their annual pay. Participating employers are required to contribute 9.50% of the employees' annual pay and an additional 7.90% for any employees' salaries covered by federal funds. The Regents pays both employer and employee contributions. OTRS' allocation of employer contributions to the pension plan from the Regents totaled \$1,208,969 as of June 30, 2023. The State also made on-behalf contributions to OTRS, of which \$657,016 was recognized by the Regents as of June 30, 2023; these on-behalf payments did not meet the criteria of special funding situation.

Health Insurance Funding Policy

Employer and employee OPEB contributions are made based upon OTRS' plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70, employers and employees contribute a single amount based on a single contribution rate as described above under the pension funding policy; from this amount, OTRS allocates a portion of the contributions to the supplemental health insurance program. FY23 cost of the subsidy averaged 0.12% of normal cost, as determined by an actuarial valuation on June 30, 2022. OTRS' allocation of employer contributions to the OPEB plan from the Regents totaled \$17,556 for FY23.

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

At June 30, 2023, the Regents reported a liability of \$18,287,639 for its proportionate share of the net pension liability and \$126,144 for its proportionate share of the net OPEB assets. The amounts were measured as of June 30, 2022, and the total liability used to calculate these amounts was determined by an actuarial valuation as of June 30, 2022. The Regents' proportion of these amounts was based on the Regents' contributions received by the plans relative to the total contributions received by the plans for all participating employers as of June 30, 2022. Based upon this information, the Regents' pension plan proportionate share of OTRS was 0.2227652% and the OPEB plan proportionate share of OTRS was 0.28838555%.

See Independent Auditors' Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Pension/OPEB Liabilities (Assets), Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB, Continued

For the year ended June 30, 2023, the Regents recognized pension expense of \$40,204 on OTRS–Pension Plan. At June 30, 2023, the Regents 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>
<i>OTRS —Defined Benefit Pension Plan</i>		
Net differences between projected and actual plan investment earnings	\$ 1,740,987	-
Net differences between expected and actual experience	585,852	228,759
Changes in assumptions	1,233,898	-
Changes in proportion	-	7,797,204
Regents' contributions subsequent to the measurement date	<u>1,450,840</u>	<u>-</u>
	<u>\$ 5,011,577</u>	<u>8,025,963</u>

The \$1,450,840 reported as deferred outflows reflected above will be recognized as a reduction of the net pension liability in the next period. The amortization of other deferred outflows and inflows related to the pension plan at June 30, 2023, was as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>OTRS —Defined Benefit Pension Plan</i>		
Years Ending June 30:		
2024	\$ 1,187,825	2,681,555
2025	1,071,959	2,660,338
2026	686,144	2,660,338
2027	612,427	23,732
2028	<u>2,382</u>	<u>-</u>
	<u>\$ 3,560,737</u>	<u>8,025,963</u>

See Independent Auditors' Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Pension/OPEB Liabilities (Assets), Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB, Continued

For the year ended June 30, 2023 the Regents recognized pension expense of \$5,173 on OTRS—OPEB Plan. At June 30, 2023, the Regents reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>OTRS —OPEB Plan</i>		
Net differences between projected and actual plan investment earnings	\$ 52,743	-
Net differences between expected and actual experience	-	41,991
Changes in assumptions	38,040	-
Changes in proportion	-	1,204
Regents' contributions subsequent to the measurement date	<u>17,556</u>	<u>-</u>
	<u>\$ 108,339</u>	<u>43,195</u>

The \$17,556 reported as deferred outflows above will be recognized as an increase of the net OPEB asset in the next period. The amortization of the OPEB deferred outflows and inflows at June 30, 2023, was as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>OTRS —OPEB Plan</i>		
Years Ending June 30:		
2024	\$ 27,966	15,037
2025	25,739	13,992
2026	20,056	13,161
2027	17,022	710
2028	-	261
Thereafter	<u>-</u>	<u>34</u>
	<u>\$ 90,783</u>	<u>43,195</u>

See Independent Auditors' Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Pension/OPEB Liabilities (Assets), Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB, Continued

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38.30%	4.90%
International equity	16.70%	5.50%
Fixed income	22.00%	1.30%
Real estate	10.00%	3.50%
Private equity	8.00%	7.60%
Private debt	<u>5.00%</u>	4.60%
	<u>100.00%</u>	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the net pension liability and the net OPEB asset of the OTRS' employers calculated using the discount rate of 7.00%, as well as what the employers' liability or 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:

	1.00% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1.00% Increase <u>(8.00%)</u>
<i>OTRS —Defined Benefit Pension Plan</i>			
Employer's net pension liability	\$ <u>25,747,105</u>	<u>18,287,639</u>	<u>12,153,438</u>
<i>OTRS —OPEB Plan</i>			
Employer's net OPEB (asset) liability	\$ <u>5,256</u>	<u>(126,144)</u>	<u>(237,412)</u>

See Independent Auditors' Report.

(6) **EMPLOYEE RETIREMENT BENEFITS, CONTINUED**

Oklahoma Teachers' Retirement System, Continued

Actuarial Assumptions

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

- Actuarial Cost Method—Entry Age Normal
- Inflation—2.25%
- Salary Increases—Composed of 2.25% wage inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return—7.00%
- Retirement Age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the 5-year experience study for the period ending June 30, 2019.
- Mortality Rates after Retirement—Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.
- Mortality Rates for Active Members—Pub-2010 Teachers Active Employee Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.

Defined Benefit Pension Plan and OPEB Plan Fiduciary Net Position

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

(6) **EMPLOYEE RETIREMENT BENEFITS, CONTINUED**

Oklahoma State Regents for Higher Education Supplemental Retirement Plan

Plan Description

The Supplemental Retirement Plan (SRA) was established by the Regents to provide supplemental retirement benefits to employees who: (a) were hired prior to March 12, 1999, (b) have been a member of the OTRS for a minimum of 10 years, and (c) have been a full-time permanent employee for at least 10 years. The primary components of the SRA consist of (1) the calculation of the guaranteed retirement benefit, and (2) the calculation of the sources that will fund the guaranteed retirement benefit: OTRS, Social Security, TIAA-CREF Annuity and, if necessary, the Regents' SRA. Specific calculation methods can be found in the Plan on file with the Regents. The SRA does not issue a stand-alone financial report nor is it included in the financial report of another entity. The benefits payable under this plan are supplemental to the benefits that the participants receive under OTRS, TIAA-CREF, and Social Security. The authority to amend the SRA's benefit provisions rests with the Regents.

Funding Policy

Contribution requirements of the Regents are established and may be amended by the Regents. All contributions are made by the Regents. Eligible employees are not required to make contributions to the plan. Benefits are funded under a "pay as you go" funding method; however, expenses are recorded as benefits accumulate. Contributions required to fund the cost of pension and other benefits provided by the plan shall be made solely by the Regents.

The Regents shall contribute to the plan from time to time such sums as are required by the actuary to pay benefits from the plan, in accordance with actuarial practices acceptable to the Internal Revenue Service. Actual payment of a contribution may be made at any time permitted by law and regulations. Contributions by the participant are neither permitted nor required under this plan. All payments made and increments thereon pursuant to this plan shall be held and disbursed in accordance with the provisions of the plan. No person shall have any interest in, or right to, any part of the funds so held in the plan, except as expressly provided in the plan.

Covered Employees

As of the measurement date, there were 19 active employees and 67 inactive employees (or their beneficiaries) currently receiving benefits, totaling 86 plan participants.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma State Regents for Higher Education Supplemental Retirement Plan, Continued

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

At June 30, 2023, the Regents reported a net pension liability of \$1,644,062. The net pension liability was determined by an actuarial valuation using June 30, 2022, as the measurement date.

For the year ended June 30, 2023, the Regents recognized pension benefit of \$869,726. At June 30, 2023, the Regents 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>
<i>Supplemental Retirement Plan</i>		
Differences between expected and actual experience	\$ -	233,812
Differences between projected and actual plan investment earnings	3,472,904	2,452,602
Changes in assumptions	442,256	22,356
Regents' contributions subsequent to the measurement date	<u>195,405</u>	<u>-</u>
	<u>\$ 4,110,565</u>	<u>2,708,770</u>

The \$195,405 reported as deferred outflows above will be recognized as a reduction of the net pension liability in the next period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Supplemental Retirement Plan</i>	
Annual Amortization of Deferred Outflows (Inflows)	
Years Ending June 30:	
2024	\$ 418,928
2025	90,167
2026	68,520
2027	7,811
2028	<u>620,964</u>
	<u>\$ 1,206,390</u>

See Independent Auditors' Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Oklahoma State Regents for Higher Education Supplemental Retirement Plan, Continued

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

The components of the net pension liability at June 30, 2023, were as follows:

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balance, beginning of year	\$ 13,296,490	14,993,013	(1,696,523)
Changes for the year:			
Service cost	40,420	-	40,420
Interest cost	762,457	-	762,457
Changes in assumptions	442,256	-	442,256
Differences between expected and actual experience	(145,116)	-	(145,116)
Benefit payments	(1,097,389)	(1,097,389)	-
Employer contribution	-	(2,240,568)	2,240,568
Net changes	<u>2,628</u>	<u>(3,337,957)</u>	<u>3,340,585</u>
Balance, end of year	<u>\$ 13,299,118</u>	<u>11,655,056</u>	<u>1,644,062</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following shows how the net pension liability would be affected by changes to the blended discount rate. A blended discount rate of 6.00% was used. Results are shown assuming a 1% reduction in the blended discount rate (to 5.00%) and a 1% increase in the blended discount rate (to 7.00%).

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
<i>Supplemental Retirement Plan</i>			
Employer's net pension liability (asset)	\$ <u>2,974,891</u>	<u>1,644,062</u>	<u>515,628</u>

See Independent Auditors' Report.

(6) **EMPLOYEE RETIREMENT BENEFITS, CONTINUED**

Oklahoma State Regents for Higher Education Supplemental Retirement Plan, Continued

Actuarial Assumptions

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

- Actuarial Cost Method—Individual Entry Age Normal Cost Method
- Long-Term Rate of Return on Plan Assets—6.00%
- Salary Increase Rate—2.50%
- Single Blended Discount Rate—5.96%
- Retirement Age—Earlier of: (a) attainment of age 62 and completion of 10 years of OTRS service, or (b) when age plus OTRS service total at least 80 (90 for members joining OTRS after June 30, 1992).
- Mortality—Pub-2010 Public Retirement Plans General Teachers Above-Median Mortality (PubT-2010A) projected with scale MP-2021

Pre-Retirement: Pub-2010A generational table for non-annuitants projected with scale MP-2021

Post-Retirement: Pub-2010A generational table for annuitants projected with scale MP-2021

Other Postemployment Benefits (OPEB)—Retiree Medical Plan

Plan Description

As authorized by Title 70, Section 3205, of the Oklahoma State Statutes, the Regents covers the cost of health and dental insurance for any employee retiring after March 12, 1999, who has been a full-time employee for not less than ten (10) years immediately preceding the date of retirement and has been a member of the OTRS during that time and elected to receive a monthly life annuity under the provisions of OTRS regulations immediately upon retirement, less any amount paid by OTRS for that purpose through the month in which the retiree reaches age 65 and becomes eligible for Medicare. If the retiree receives Medicare benefits, the Regents will continue to pay on behalf of the retiree the Medicare supplemental insurance costs, less any amount paid by OTRS for that purpose, for the remaining life of the employee.

See Independent Auditors' Report.

(6) **EMPLOYEE RETIREMENT BENEFITS, CONTINUED**

Other Postemployment Benefits (OPEB)—Retiree Medical Plan

Funding Policy

Contribution requirements of the Regents are established and may be amended by the State Board of Regents. All contributions are made by the Regents. Benefits are funded under a “pay as you go” funding method; however, expenses are recorded as benefits accumulate. The annual contribution for 2023 was determined as part of an actuarial valuation on June 30, 2023, using the entry age normal as a level percentage of payroll method.

The actuarial assumptions included (a) discount rate of 4.79% per year compounded annually, (b) retirement at the earlier of (1) attainment of age 62 or attained age if greater, and completion of 10 years of OTRS service, or (2) when age plus OTRS service total at least 80 (90 for members joining OTRS after June 30, 1992), and (c) medical, dental, and vision rates increasing 4.50%–7.00% annually.

Covered Employees

As of the measurement date, there were 168 active employees and 112 inactive employees (or their beneficiaries) currently receiving benefits, totaling 280 plan participants.

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

At June 30, 2023, the Regents reported a net OPEB liability of \$2,387,201. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Projections include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods used are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Other Postemployment Benefits (OPEB)—Retiree Medical Plan, Continued

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

For the year ended June 30, 2023, the Regents recognized pension benefit of \$120,006. The Regents reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>OPEB—Retiree Medical Plan</i>		
Differences between expected and actual experience	\$ -	1,007,716
Changes in assumptions	5,330,712	5,926,941
Differences between projected and actual earnings on pension plan investments	<u>2,125,211</u>	<u>3,022,112</u>
	<u>\$ 7,455,923</u>	<u>9,956,769</u>

The balance on June 30, 2023, of the deferred outflows/(inflows) of resources will be recognized in pension expense (benefit) in the future fiscal years as noted below:

<i>OPEB—Retiree Medical Plan</i>	
Deferred Outflows (Inflows)	
Years Ending June 30:	
2024	\$ 244,748
2025	(271,873)
2026	(270,625)
2027	(3,247,975)
2028	583,354
Thereafter	<u>461,525</u>
	<u>\$ (2,500,846)</u>

See Independent Auditors’ Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) EMPLOYEE RETIREMENT BENEFITS, CONTINUED

Other Postemployment Benefits (OPEB)—Retiree Medical Plan, Continued

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

The components of the OPEB liability at June 30, 2023, were as follows:

	Increase (Decrease) Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, beginning of year	\$ 26,332,324	19,215,549	7,116,775
Changes for the year:			
Service cost	596,582	-	596,582
Interest cost	1,244,669	-	1,244,669
Changes in assumptions	(3,444,039)	-	(3,444,039)
Differences between expected and actual experience	(695,160)	1,559,753	(2,254,913)
Benefit payments	-	(695,160)	695,160
Employer contribution	-	646,877	(646,877)
Net investment income	-	950,803	(950,803)
Administrative expenses	-	(30,647)	30,647
Net changes	<u>(2,297,948)</u>	<u>2,431,626</u>	<u>(4,729,574)</u>
Balance, end of year	<u>\$ 24,034,376</u>	<u>21,647,175</u>	<u>2,387,201</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate—The following shows how the net OPEB liability (asset) would be affected by changes to the blended discount rate. A blended discount rate of 4.79% was used. Results are shown assuming a 1.00% reduction in the blended discount rate (to 3.79%) and a 1.00% increase in the blended discount rate (to 5.79%).

	1.00% Decrease (3.79%)	Current Discount Rate (4.79%)	1.00% Increase (5.79%)
Employer's net OPEB liability (asset)	\$ 6,839,785	2,387,201	(1,126,965)

See Independent Auditors' Report.

(6) **EMPLOYEE RETIREMENT BENEFITS, CONTINUED**

Other Postemployment Benefits (OPEB)—Retiree Medical Plan, Continued

Actuarial Assumptions

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

- Actuarial Cost Method—Entry Age Normal as a Level Percentage of Payroll
- Salary Increases—Average salary increase used for the Entry Age Normal actuarial cost method is assumed to be 3.00%
- Discount Rate—4.79%
- Mortality—Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre- and post-retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2021

(7) **TRANSFERS TO SYSTEM INSTITUTIONS**

Transfers to system institutions consist principally of funds for educational and general operations, capital improvements, and technical and other educational programs. Such transfers are made for designated purposes subsequent to official resolutions of the Regents.

(8) **LONG-TERM LIABILITIES**

Master Equipment Lease—Series 2019B

In November 2019, the Regents entered into a 5-year capital lease agreement with the Oklahoma Development Finance Authority as a beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Master Lease Revenue Bonds, Series 2019B. The amount of \$3,016,000 is held in trust for the Regents for the purchase of data processing and fiber optic telecommunications equipment.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) LONG-TERM LIABILITIES, CONTINUED

Master Equipment Lease—Series 2019B, Continued

The following is a schedule of annual future minimum payments as of June 30, 2023:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>
2024	\$ 645,083	45,963
2025	<u>274,167</u>	<u>13,708</u>
	<u>\$ 919,250</u>	<u>59,671</u>

OCIA Bonds—Endowed Chairs Funding Program—Series 2010

The Oklahoma Capitol Improvement Authority (the “Authority”) issued a \$132,075,000 aggregate original principal amount of its bonds, designated as Oklahoma Capitol Improvement Authority, Oklahoma Regents for Higher Education Endowed Chairs Funding and Refunding Program Bonds, Federally Taxable Series 2010.

The Series 2010 Bonds, dated as of the date of delivery, were issued pursuant to a Resolution adopted by the Authority on September 29, 2004, as supplemented by a 2010 Supplemental Resolution adopted by the Authority on April 21, 2010, and collectively with the Original Resolution. Under the Resolution, the State Treasurer serves as Paying Agent and Registrar for the Series 2010 Bonds.

The proceeds from the sale of the Series 2010 Bonds will be issued (i) to fund a portion of the State matching contribution to the Regents’ Endowment Trust Fund established pursuant to Title 70, Oklahoma Statutes 2001, Sections 3951 *et seq.*, (ii) to advance refund a \$28,670,000 principal amount of the Series 2006 Bonds maturing July 1, 2011–2016, inclusive, and (iii) to pay costs of issuance of the Series 2010 Bonds.

The Series 2010 Bonds are payable solely from payments to be received by the Authority from the Regents pursuant to the terms of an Amended Agreement for Use of Bond Proceeds dated July 1, 2010. The payments under the Agreement are payable from monies budgeted and appropriated by the Oklahoma State Legislature and allocated by the Regents to such payments.

See Independent Auditors’ Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) LONG-TERM LIABILITIES, CONTINUED

OCIA Bonds—Endowed Chairs Funding Program—Series 2010, Continued

The following is a schedule of annual future minimum payments as of June 30, 2023:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>
2024	\$ 7,910,000	3,767,187
2025	8,320,000	3,372,051
2026	8,745,000	2,956,563
2027	9,230,000	2,498,273
2028	9,755,000	1,994,075
2029–2030	<u>21,175,000</u>	<u>2,665,592</u>
	<u>\$ 65,135,000</u>	<u>17,253,741</u>

OCIA Bonds—Endowed Chairs Funding Program—Series 2021A

The Oklahoma Capitol Improvement Authority (the “Authority”) issued a \$161,640,000 aggregate original principal amount of its bonds, designated as Oklahoma Capitol Improvement Authority Oklahoma State Regents for Higher Education Endowed Chairs Funding Program Bonds, Federally Taxable Series 2021A (the “Series 2021A Bonds”). The Series 2021A Bonds, dated as of the date of delivery, are being issued pursuant to a Resolution adopted by the Authority on September 8, 2021.

The proceeds from the sale of the Series 2021A Bonds will be used to (i) provide funding for the matching share of the State of Oklahoma pertaining to private gifts to create endowed chairs, professorships, lectureships, and positions for artists in residence at various institutions in the State System, and (ii) pay the costs of issuance of the Series 2021A bonds.

The Series 2021A Bonds are secured by and payable solely from payments to be received by the Authority from the Regents pursuant to the terms of an Amended Agreement for Use of Bond Proceeds dated November 1, 2021, between the Authority and the Regents with respect to the Endowed Chairs Funding Program financed with the Series 2021A Bonds. The payments under the Agreement are payable from legally available funds from any source for such purpose including but not limited to moneys budgeted and appropriated by the Oklahoma State Legislature and allocated by the Regents to such payments.

See Independent Auditors’ Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) LONG-TERM LIABILITIES, CONTINUED

OCIA Bonds—Endowed Chairs Funding Program—Series 2021A, Continued

The following is a schedule of annual future minimum payments as of June 30, 2023:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>
2024	\$ 6,480,000	3,517,542
2025	6,555,000	3,443,612
2026	6,645,000	3,350,892
2027	6,755,000	2,241,018
2028	6,885,000	3,114,852
2029–2033	36,655,000	13,332,048
2034–2038	41,505,000	9,480,892
2039–2042	<u>37,765,000</u>	<u>2,230,024</u>
	<u>\$ 149,245,000</u>	<u>40,710,880</u>

Long-Term Lease Obligations

The following lease agreements qualify as other than short-term leases under GASB 87, and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. For implementation of GASB 87, the State has decided to use the Internal Revenue Service’s Applicable Federal Rate for mid-term debt; the applicable rate for lease agreements without stated discount rates is 3.56%.

Building Leases

The Regents leases buildings for its office space, storage, rack, power space, and data center. The lease term for office space typically runs for a period of 10 years, and other leased space is 4 to 6 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Approximately \$68,285 of lease payments in FY23 were for common area utilities, janitorial services, and power, which are non-lease components and not included in lease liability. Utility cost for rack space is included in the lease liability since it is not separable.

See Independent Auditors’ Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) LONG-TERM LIABILITIES, CONTINUED

Long-Term Lease Obligations, Continued

Other Leases

The Regents leases equipment and dark fiber cable with lease terms of 3 to 6 years. Since it is not practicable for the Regents to separate equipment maintenance costs, they are included in the lease liability.

The following is a schedule of annual future minimum payments on the leases as of June 30, 2023:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 975,886	80,842	1,056,728
2025	904,477	69,540	974,017
2026	960,650	58,506	1,019,156
2027	913,594	47,319	960,913
2028	922,872	36,520	959,392
2029–2033	<u>3,067,924</u>	<u>52,244</u>	<u>3,120,168</u>
	<u>\$ 7,745,403</u>	<u>344,971</u>	<u>8,090,374</u>

Long-Term Subscription-Based Information Technology Arrangement Liability

The following SBITAs qualify as other than short-term obligations under GASB 96, and therefore, have been recorded at the present value of the future subscription payments expected to be made during the subscription term as of the date of their inception. For implementation of GASB 96, the State has decided to use the Internal Revenue Service’s Applicable Federal Rate for mid-term debt. The applicable rate for FY23 SBITAs without stated discount rates is 3.56%.

The Regents have 12 SBITAs with terms from 2 to 5 years. Eleven of these SBITAs are software, ranging from Microsoft Office products, including MS Teams, to software used by OneNet, Oklahoma’s telecommunication and information network. The remaining SBITA is for registration of internet IP addresses to OneNet, the cost of which is recovered through OneNet user fees.

See Independent Auditors’ Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(8) LONG-TERM LIABILITIES, CONTINUED

Long-Term Subscription-Based Information Technology Arrangement Liability, Continued

The following is a schedule of annual future minimum payments for the SBITA as of June 30, 2023:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 234,226	8,259	242,485
2025	169,236	4,852	174,088
2026	136,021	2,067	138,088
2027	9,553	515	10,068
2028	6,941	247	7,188
	<u>\$ 555,977</u>	<u>15,940</u>	<u>571,917</u>

Long-term liability activity was as follows for the year ended June 30, 2023:

	<u>Balance at July 1, 2022 (Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2023</u>	<u>Due Within 1 year</u>
<i>Business-type activities</i>					
Compensated absences	\$ 1,759,785	1,062,466	(908,649)	1,913,602	908,649
Net pension liability—OTRS	14,733,116	3,554,523	-	18,287,639	-
Net OPEB liability—Retiree Medical	7,116,775	-	(4,729,574)	2,387,201	-
Net pension liability—Supplemental	-	1,644,062	-	1,644,062	-
Master equipment leases payable	1,533,750	-	(614,500)	919,250	645,083
Unamortized bond premium	127,600	-	(52,800)	74,800	52,800
Lease liabilities	8,348,870	288,355	(891,822)	7,745,403	975,886
SBITA	654,323	146,220	(244,566)	555,977	234,226
<i>Business-type activities total</i>	<u>\$ 34,274,219</u>	<u>6,695,626</u>	<u>(7,441,911)</u>	<u>33,527,934</u>	<u>2,816,644</u>
<i>Governmental activities</i>					
OCIA lease payable	\$ 228,335,000	-	(13,955,000)	214,380,000	14,390,000
<i>Governmental activities total</i>	<u>\$ 228,335,000</u>	<u>-</u>	<u>(13,955,000)</u>	<u>214,380,000</u>	<u>14,390,000</u>

See Independent Auditors' Report.

(9) RISK MANAGEMENT

The Regents is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Regents pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, property loss, and general liability insurance coverage. The Regents purchases commercial employee life insurance. The Regents, as a State agency, participates in the Oklahoma State and Education Employee's Group Insurance Board (the "Board"), a public entity risk pool. The Regents pays an annual premium to the Board for its employee health insurance coverage. The Board is self-insured and self-sustaining through member premiums. The Regents carries insurance with the State Insurance Fund for other risks of loss, including workers' compensation and employee accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past 3 fiscal years.

(10) COMMITMENTS AND CONTINGENCIES

The Regents has received certain federal and state grants that are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Regents' management believes that disallowances, if any, would not be material.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic and recommended containment and mitigation measures. Since then, extraordinary actions have been taken by federal, state, and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19. These actions include travel bans, quarantines, "stay-at home" orders, and similar mandates for many individuals to substantially restrict daily activities and for many organizations to curtail or cease normal operations. The full impact of the COVID-19 pandemic will depend on future developments, such as the ultimate duration and scope of the outbreak, its impact on tribal citizens and customers, the rate at which economic conditions and operations return to pre-COVID-19 levels, and the risk of a recession in key geographic markets due to the effects of the pandemic. The ultimate impact cannot be determined; however, funding from federal awards is generally assured and is not expected to be adversely affected.

(11) NEW PRONOUNCEMENTS

New Accounting Statements Adopted

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

See Independent Auditors' Report.

(11) **NEW PRONOUNCEMENTS, CONTINUED**

New Accounting Statements Adopted, Continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 defines and provides financial reporting requirements for Public-Private or Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA). A PPP is an arrangement between a government (transferor) and an operator (governmental or non-governmental) to provide public services by conveying the right to control or use a nonfinancial or infrastructure asset for a period of time in an exchange-like transaction. An APA is a similar arrangement where the operator may also be compensated for services that include designing, constructing, financing, and maintaining a nonfinancial asset for a period of time. The Regents adopted GASB 94 on July 1, 2022, for the June 30, 2023, reporting year, which 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 accounting and financial reporting guidance for the governmental end users of subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes right-to-use assets and corresponding liabilities, and provides capitalization criteria and the note disclosures required for SBITAs. The Regents adopted GASB 96 on July 1, 2022, for the June 30, 2023, reporting year, which resulted in a financial statement restatement of both the SBITA assets and the SBITA liabilities of \$654,323 as of July 1, 2022.

New Accounting Statements Issued Not Yet Adopted

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. The Regents adopted the sections that were effective for the June 30, 2023, reporting year, which did not have a significant impact on the financial statements. The remaining sections will be adopted by the Regents for the June 30, 2024, reporting year, as required by GASB 99. The Regents does not expect the future section of 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. The Regents will adopt GASB 100 on July 1, 2023, for the June 30, 2024, reporting year. The Regents does not expect GASB 100 to significantly impact the financial statements.

See Independent Auditors' Report.

(11) NEW PRONOUNCEMENTS, CONTINUED

New Accounting Statements Issued Not Yet Adopted, Continued

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. The Regents will adopt GASB 101 on July 1, 2024, for the June 30, 2025, reporting year. The Regents has not determined the impact of GASB 101 on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF THE PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY

Oklahoma Teachers' Retirement System—Defined Benefit Pension Plan

Last 9 Fiscal Years

<u>As of plan year-end of June 30,</u>	<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>
OSRHE's percentage of the net pension liability	0.22227652%	0.28838555%	0.29976997%	0.30878580%	0.33575179%	0.36576708%	0.38266503%	0.3883751%	0.4660000%
OSRHE's proportionate share of the net pension liability	\$ 18,287,639	14,733,116	28,448,868	20,435,443	20,293,214	24,218,595	31,935,538	23,585,081	25,068,901
OSRHE's covered-employee payroll	12,780,365	11,662,200	10,851,927	11,735,920	11,366,508	11,368,743	11,945,582	12,630,188	12,691,019
OSRHE's proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.09%	126.33%	262.15%	174.13%	178.54%	213.03%	267.34%	186.74%	197.53%
Plan fiduciary net position as a percentage of the total pension liability	70.05%	80.80%	63.47%	71.56%	72.74%	69.32%	62.24%	70.31%	72.43%

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

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF CONTRIBUTIONS
 Oklahoma Teachers' Retirement System—Defined Benefit Pension Plan

Last 9 Fiscal Years

As of plan year-end of June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,450,839	1,413,646	1,415,974	1,538,617	1,444,346	1,435,360	1,526,867	1,620,231	1,892,016
Contributions in relation to the contractually required contributions	1,450,839	1,413,646	1,415,974	1,538,617	1,444,346	1,435,360	1,526,867	1,620,231	1,892,016
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
OSRHE's covered-employee payroll	\$ 12,780,365	11,662,200	10,851,927	11,735,920	11,366,508	11,368,743	11,945,582	12,630,188	12,691,019
Contributions as a percentage of covered payroll	11.35%	12.12%	13.05%	13.11%	12.71%	12.63%	12.78%	12.83%	14.91%

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

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF CHANGES IN OSRHE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

OSRHE Supplemental Retirement Plan

Last 9 Fiscal Years

As of plan year-end of June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	\$ 40,420	47,274	52,624	53,248	54,945	67,401	80,760	79,527	71,268
Interest cost	762,457	806,628	788,426	846,590	791,601	793,068	774,935	877,209	913,757
Changes in benefit terms	-	-	-	-	-	-	-	-	309,899
Experience (gain)/loss	(145,116)	(532,175)	342,306	(187,555)	153,678	(16,519)	190,784	(1,332,369)	16,570
Changes in assumptions	442,256	(134,139)	(336,316)	(20,807)	971,445	14,070	(21,053)	626,712	(753,553)
Benefit payments	<u>(1,097,389)</u>	<u>(1,086,850)</u>	<u>(1,046,513)</u>	<u>(1,028,390)</u>	<u>(932,674)</u>	<u>(813,097)</u>	<u>(773,797)</u>	<u>(754,715)</u>	<u>-</u>
Net change in total pension liability	2,628	(899,262)	(199,473)	(336,914)	1,038,995	44,923	251,629	(503,636)	557,941
Total pension liability—beginning	<u>13,296,490</u>	<u>14,195,752</u>	<u>14,395,225</u>	<u>14,732,139</u>	<u>13,693,144</u>	<u>13,648,221</u>	<u>13,396,592</u>	<u>13,900,228</u>	<u>13,342,287</u>
Total pension liability—ending (a)	<u>\$ 13,299,118</u>	<u>13,296,490</u>	<u>14,195,752</u>	<u>14,395,225</u>	<u>14,732,139</u>	<u>13,693,144</u>	<u>13,648,221</u>	<u>13,396,592</u>	<u>13,900,228</u>

(Continued)

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF CHANGES IN OSRHE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

OSRHE Supplemental Retirement Plan, Continued

Last 9 Fiscal Years

As of plan year-end of June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Plan fiduciary net position									
Contributions—employer	\$ -	240,561	175,000	142,079	763,584	513,741	1,291,647	-	13,076,131
Net investment income (loss)	(2,240,568)	3,759,604	415,944	627,300	33,808	94,436	630,259	132,505	286,003
Benefit payments	(1,097,389)	(1,086,850)	(1,046,513)	(1,028,390)	(932,674)	(813,097)	(773,797)	(754,715)	(753,553)
Net change in plan fiduciary net position	(3,337,957)	2,913,315	(455,569)	(259,011)	(135,282)	(204,920)	1,148,109	(622,210)	12,608,581
Plan fiduciary net position—beginning	14,993,013	12,079,698	12,535,267	12,794,278	12,929,560	13,134,480	11,986,371	12,608,581	-
Plan fiduciary net position—ending (b)	<u>\$ 11,655,056</u>	<u>14,993,013</u>	<u>12,079,698</u>	<u>12,535,267</u>	<u>12,794,278</u>	<u>12,929,560</u>	<u>13,134,480</u>	<u>11,986,371</u>	<u>12,608,581</u>
OSRHE's net pension liability (asset) (a) - (b)	<u>\$ 1,644,062</u>	<u>(1,696,523)</u>	<u>2,116,054</u>	<u>1,859,958</u>	<u>1,937,861</u>	<u>763,584</u>	<u>513,741</u>	<u>1,410,221</u>	<u>1,291,647</u>
Plan fiduciary net position as a percentage of the total pension liability	87.6%	112.8%	85.1%	87.1%	86.8%	94.4%	96.2%	89.5%	90.7%
Covered-employee payroll	\$ 2,235,177	2,424,275	2,704,245	3,137,034	3,385,085	4,391,867	5,232,408	5,645,441	5,660,742
OSRHE net pension liability/(asset) as a percentage of covered-employee payroll	73.6%	(70.0)%	78.2%	59.3%	57.2%	17.4%	9.8%	25.0%	22.8%

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

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF CONTRIBUTIONS
OSRHE Supplemental Retirement Plan

Last 9 Fiscal Years

As of plan year-end of June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ -	240,561	175,000	142,079	763,584	513,741	1,291,647	-	13,076,131
Contributions in relation to the actuarially determined contribution	-	240,561	175,000	142,079	763,584	513,741	1,291,647	-	13,076,131
Contribution (excess) deficiency	\$ -	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ 2,235,177	2,424,275	2,704,245	3,137,034	3,385,085	4,391,867	5,232,408	5,645,441	5,660,742
Contributions as a percentage of covered-employee payroll	0.00%	9.92%	6.47%	4.53%	22.56%	11.70%	24.69%	0.00%	231.00%

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

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

Oklahoma Teachers' Retirement System—OPEB Plan

Last 6 Fiscal Years

<u>As of plan year-end of June 30,</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
OSRHE's percentage of the net pension liability (asset)	0.28838555%	0.28838555%	0.29976997%	0.30878580%	0.33575179%	0.36576708%
OSRHE's proportionate share of the net pension liability (asset)	\$ (126,144)	(367,319)	(29,697)	(190,930)	(216,981)	(163,110)
OSRHE's covered-employee payroll	12,780,365	11,662,200	10,851,927	11,735,920	11,366,508	11,368,743
OSRHE's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	(0.9870)%	(3.1497)%	(0.2737)%	(1.6269)%	(1.9090)%	(1.4347)%
Plan fiduciary net position as a percentage of the total pension liability	110.31%	129.91%	102.30%	115.07%	115.41%	110.40%

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

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF CONTRIBUTIONS

Oklahoma Teachers' Retirement System—OPEB Plan

Last 6 Fiscal Years

<u>As of plan year-end of June 30,</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 17,556	17,556	2,742	2,710	9,779	23,823
Contributions in relation to the contractually required contributions	<u>17,556</u>	<u>17,556</u>	<u>2,742</u>	<u>2,710</u>	<u>9,779</u>	<u>23,823</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OSRHE's covered-employee payroll	\$ 12,780,365	11,662,200	10,851,927	11,735,920	11,366,508	11,368,743
Contributions as a percentage of covered payroll	0.14%	0.15%	0.03%	0.02%	0.09%	0.21%

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

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF CHANGES IN OSRHE OPEB LIABILITY AND RELATED RATIOS

OSRHE OPEB—Retiree Medical Plan

Last 7 Fiscal Years

<u>As of plan year-end of June 30,</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability							
Service cost	\$ 596,582	642,607	480,423	790,373	821,102	809,411	945,053
Interest	1,244,669	879,086	829,100	846,110	911,024	929,313	766,195
Changes in assumptions	(3,444,039)	3,550,609	3,888,636	(6,941,448)	149,283	495,920	2,160,581
Differences between expected and actual experience	-	-	-	(571,881)	(870,953)	(1,583,415)	(304,581)
Benefit payments	<u>(695,160)</u>	<u>(678,301)</u>	<u>(479,906)</u>	<u>(433,081)</u>	<u>(396,273)</u>	<u>(314,584)</u>	<u>(283,126)</u>
Net change in total OPEB liability	(2,297,948)	4,394,001	4,718,253	(6,309,927)	614,183	336,645	3,284,122
Total OPEB liability—beginning	<u>26,332,324</u>	<u>21,938,323</u>	<u>17,220,070</u>	<u>23,529,997</u>	<u>22,915,814</u>	<u>22,579,169</u>	<u>19,295,047</u>
Total OPEB liability—ending (a)	<u>\$ 24,034,376</u>	<u>26,332,324</u>	<u>21,938,323</u>	<u>17,220,070</u>	<u>23,529,997</u>	<u>22,915,814</u>	<u>22,579,169</u>

(Continued)

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF CHANGES IN OSRHE OPEB LIABILITY AND RELATED RATIOS

OSRHE OPEB—Retiree Medical Plan, Continued

Last 7 Fiscal Years

<u>As of plan year-end of June 30,</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Plan fiduciary net position							
Contributions—employer	\$ 646,877	700,175	556,944	1,379,860	1,265,703	1,000,000	1,000,000
Net investment income	950,803	915,704	969,306	1,022,435	866,104	63,842	248,311
Differences between expected and actual experience	1,559,753	(3,542,019)	4,177,517	-	-	-	-
Benefit payments, including refunds of employee contributions	(695,160)	(678,301)	(479,906)	(433,081)	(396,273)	(314,584)	(283,126)
Administrative expense	(30,647)	(31,874)	(28,379)	(20,823)	(19,662)	(18,293)	(16,845)
Net change in plan fiduciary net position	2,431,626	(2,636,315)	5,195,482	1,948,391	1,715,872	730,965	948,340
Plan fiduciary net position—beginning	<u>19,215,549</u>	<u>21,851,864</u>	<u>16,656,382</u>	<u>14,707,991</u>	<u>12,992,119</u>	<u>12,261,154</u>	<u>11,312,814</u>
Plan fiduciary net position—ending (b)	<u>\$ 21,647,175</u>	<u>19,215,549</u>	<u>21,851,864</u>	<u>16,656,382</u>	<u>14,707,991</u>	<u>12,992,119</u>	<u>12,261,154</u>
OSRHE's OPEB liability (a) - (b)	<u>\$ 2,387,201</u>	<u>7,116,775</u>	<u>86,459</u>	<u>563,688</u>	<u>8,822,006</u>	<u>9,923,695</u>	<u>10,318,015</u>
Plan fiduciary net position as a percentage of the total OPEB liability	90.1%	73.0%	99.6%	96.7%	62.5%	56.7%	54.3%
Covered-employee payroll	\$ 12,780,365	11,662,200	10,851,927	11,735,920	11,366,508	11,368,743	11,945,582
OSRHE net OPEB liability as a percentage of covered-employee payroll	18.7%	61.0%	0.8%	4.8%	77.6%	87.3%	86.4%

Only the last 7 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF CONTRIBUTIONS
OSRHE OPEB—Retiree Medical Plan
Last 7 Fiscal Years

<u>As of plan year-end of June 30,</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ <u>646,877</u>	<u>700,175</u>	<u>556,944</u>	<u>1,379,860</u>	<u>1,265,703</u>	<u>1,000,000</u>	<u>1,000,000</u>
Contributions in relation to the contractually required contribution	<u>646,877</u>	<u>700,175</u>	<u>556,944</u>	<u>1,379,860</u>	<u>1,265,703</u>	<u>1,000,000</u>	<u>1,000,000</u>
Contribution (excess) deficiency	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OSRHE covered-employee payroll	\$ <u>12,780,365</u>	<u>11,662,200</u>	<u>10,851,927</u>	<u>11,735,920</u>	<u>11,366,508</u>	<u>11,368,743</u>	<u>11,945,582</u>
Contributions as a percentage of covered-employee payroll	<u>5.06%</u>	<u>6.00%</u>	<u>5.13%</u>	<u>11.76%</u>	<u>11.14%</u>	<u>8.80%</u>	<u>8.37%</u>

Only the last 7 fiscal years are presented because 10-year data is not readily available.

See Independent Auditors' Report.

See accompanying notes to required supplementary information.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2023

(1) SUPPLEMENTAL RETIREMENT PLAN (PENSION)

The information presented in the required supplementary information in relation to the Regents' Supplemental Retirement Plan was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

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

- Actuarial Cost Method—Individual Entry Age Normal Cost Method
- Long-Term Rate of Return on Plan Assets—6.00%
- Salary Increase Rate—2.50%
- Single Blended Discount Rate—5.96%
- Retirement Age—Earlier of: (a) attainment of age 62 and completion of 10 years of OTRS service, or (b) when age plus OTRS service total at least 80 (90 for members joining OTRS after June 30, 1992).

Mortality—Pub-2010 Public Retirement Plans General Mortality (PubG-2010)

Pre-Retirement: Pub-2010 Public Retirement Plans General Teachers Above-Median Mortality (PubT-2010A) projected with scale MP-2021

Post-Retirement: Pub-2010A generational table for annuitants projected with scale MP-2021

See Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED

(2) RETIREE MEDICAL PLAN (OPEB)

The information presented in the required supplementary information in relation to the Regents' Other Postemployment Benefits (OPEB) Retiree Medical Plan was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

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

- Actuarial Cost Method—Entry Age Normal as a Level Percentage of Payroll
- Salary Increases—Average salary increase used for the Entry Age Normal actuarial cost method is assumed to be 3.00%
- Discount Rate—4.79%
- Mortality—Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre- and post-retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2021

(3) ANNUAL BUDGET-TO-ACTUAL COMPARISON

The Regents' governmental funds consist only of a permanent fund. Therefore, an annual budget-to-actual comparison required by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as required supplementary information is not required to be presented.

OTHER SUPPLEMENTARY INFORMATION

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF NET POSITION—OCAP COST CENTER

June 30, 2023

Assets	
Restricted assets:	
Current assets:	
Cash and cash equivalents	\$ 34,385,402
Receivables:	
Receivables between funds	1,604,885
Administrative current assets	97,795
Interest	67,861
Total current assets	<u>36,155,943</u>
Noncurrent assets:	
Capital assets, net	<u>32,464</u>
Total assets	<u>\$ 36,188,407</u>
Liabilities and Net Position	
Liabilities:	
Liabilities payable from restricted assets:	
Current liabilities:	
Accounts payable and accrued expenses	454,745
Compensated absences	69,108
Total current liabilities	<u>523,853</u>
Long-term liabilities:	
Compensated absences	<u>108,711</u>
Total long-term liabilities	<u>108,711</u>
Total liabilities	<u>632,564</u>
Net position:	
Net investment in capital assets	32,464
Restricted:	
Oklahoma College Assistance Program	<u>35,523,379</u>
Total net position	<u>35,555,843</u>
Total liabilities and fund balance	<u>\$ 36,188,407</u>

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

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

STATEMENT OF ACTIVITIES—OCAP COST CENTER

Year Ended June 30, 2023

Operating revenues:	
Default loan collections	\$ 7,660,724
Administrative fees	404,745
Default aversion fees	155,734
Other	55
Total operating revenues	<u>8,221,258</u>
Operating expenses:	
Compensation	1,759,538
Rent	73,776
Processing charges	282,565
Postage	791
Collection agency fees	49,467
Default aversion fees	406,330
Other operating expenses	4,621,190
Depreciation and amortization	8,935
Total operating expenses	<u>7,202,592</u>
Operating income	<u>1,018,666</u>
Non-operating revenues:	
Interest income	<u>622,879</u>
Total non-operating revenues	<u>622,879</u>
Changes in net position	<u>1,641,545</u>
Net position, beginning of year	<u>33,914,298</u>
Net position, end of year	<u>\$ 35,555,843</u>

See Independent Auditors' Report.

See accompanying notes to other supplementary information.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO OTHER SUPPLEMENTARY INFORMATION

Year Ended June 30, 2023

(1) BASIS OF PRESENTATION

The supplemental balance sheet and income statement of the Oklahoma College Assistance Program (OCAP) Cost Center are presented on the accrual basis of accounting; however, these schedules do not recognize pension and other postemployment benefit obligations, as those are presented under the Oklahoma State Regents for Higher Education (the “Regents”). The statements are not intended to present financial position or results of operations in accordance with generally accepted accounting standards.

(2) NATURE OF OPERATIONS

OCAP, a cost center of the Regents, is responsible for the guarantee of federal student loans by certain lending institutions to students attending post-secondary schools, in compliance with operating agreements (the “Agreements”) with the U.S. Department of Education (USDE) pursuant to Section 428 of the Higher Education Act of 1965 (HEA), as periodically amended.

The Federal Family Education Loan Program (FFELP) under which OCAP operates was established by Congress as a means of making loans available to students attending colleges, universities, and post-secondary educational and vocational schools. The FFELP provides for OCAP to guarantee the repayment of principal and accrued interest to lenders for each eligible loan. OCAP had been responsible for processing loans submitted for guarantee, issuing loan guarantees, providing financial literacy and college access activities, informing lenders and schools of FFELP regulations, providing default aversion assistance to lenders for delinquent loans, paying lender claims for loans in default, and collecting loans on which default claims have been paid.

On March 30, 2010, President Obama signed into law the Health Care and Education Reconciliation Act (H.R. 4872). The Student Aid and Fiscal Responsibility Act (SAFRA), an attachment to H.R. 4872, ended OCAP’s authority to guarantee new loans under the FFELP after June 30, 2010. All new Federal Stafford, PLUS, and Consolidation student loans were made under the William D. Ford Federal Direct Loan Program beginning July 1, 2010. OCAP continues to maintain loan guarantees for the existing FFELP portfolio, including compliance and program reviews, providing default aversion assistance to lenders for delinquent loans, paying lender claims for loans that default, and collecting on the defaulted loan portfolio. OCAP also continues to provide student support services including financial literacy and college access activities. OCAP’s student support initiatives were further supported by an amendment to our enabling statute which authorizes the Regents to contract with any necessary parties to provide these types of services.

Effective July 1, 2012, OCAP expanded its student loan guaranty servicing system agreement with Sallie Mae, Inc., now known as Navient Solutions, LLC, to handle transaction services for lender claims review processing and post-default collection activities. This expansion continued to provide the most robust and cost-effective servicing solution to allow OCAP to provide student support services as part of our business model.

See Independent Auditors’ Report.

(2) NATURE OF OPERATIONS, CONTINUED

Effective July 1, 2018, the student loan guaranty servicing system agreement including the default aversion services on behalf of OCAP's FFELP portfolio, the transaction services for lender claims review processing, and the post-default collection activities was assigned by Navient Solutions, LLC and assumed by Educational Credit Management Corporation (ECMC).

The OCAP Cost Center and a Federal Reserve Fund ("Federal Fund") are used to account for the FFELP activities. The assets and earnings of the Cost Center may be used generally for guarantee agency related activities and other student financial aid related activities. The Federal Fund is considered property of the Federal Government, and its assets and earnings are restricted in use.

The OCAP Cost Center receives no appropriations from the State of Oklahoma. OCAP's revenue is primarily derived from loan collection fees, administrative allowances paid by the Department of Education, and investment income.

- At June 30 2023, the Cost Center's net position increased to \$35,555,843 from \$33,914,298 in 2022.
- Total operating and non-operating revenues increased by \$44,006 from \$8,800,131 to \$8,844,137, primarily due to increased interest income.
- Total operating expenses decreased by \$1,750,981 from \$8,953,573 to \$7,202,592. This decrease was primarily due to decreased rent, processing charges, and contractual services.
- At June 30, 2023, the Cost Center recorded net capital assets of \$32,464, with a total of \$872,883 in capital assets and \$840,419 in accumulated depreciation.
- At June 30, 2023, the Cost Center had long-term liabilities of \$177,819. The current portion due within one year was \$69,108.

**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**

Coordinating Board of Control
Oklahoma State Regents for Higher Education

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Oklahoma State Regents for Higher Education (the "Regents"), a component unit 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 the Regents' basic financial statements, and have issued our report thereon dated October 31, 2023. 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 the Regents' internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Regents' internal control. Accordingly, we do not express an opinion on the effectiveness of the Regents' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Regents' 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 the Regents' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

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

Shawnee, Oklahoma
October 31, 2023

**REPORTS REQUIRED BY
THE UNIFORM GUIDANCE**

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

Coordinating Board of Control
Oklahoma State Regents for Higher Education

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Oklahoma State Regents for Higher Education's (the "Regents"), a component unit of the State of Oklahoma, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Regents' major federal programs for the year ended June 30, 2023. The Regents' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

(Continued)

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

(Continued)

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

Report on Internal Control Over Compliance

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

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

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

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

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

Shawnee, Oklahoma
October 31, 2023

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass- Through Grantor and Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
477 Cluster:				
Temporary Assistance for Needy Families (477 Cluster)	93.558		\$ 2,149,944	2,274,944
Total Temporary Assistance for Needy Families Cluster			<u>2,149,944</u>	<u>2,274,944</u>
CCDF Cluster:				
Child Care and Development Block Grant	93.575		3,055,036	4,461,720
Total CCDF Cluster			<u>3,055,036</u>	<u>4,461,720</u>
Other Programs:				
Oklahoma State Opioid Response Grants	93.788	SAMHSA	-	4,114
Total Other Programs			<u>-</u>	<u>4,114</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>5,204,980</u>	<u>6,740,778</u>
U.S. Department of Education				
Other Programs:				
Federal Family Education Loans	84.032		-	45,723,511
Gaining Awareness and Readiness for Undergraduate Programs	84.334		1,516,390	4,229,994
Elementary and Secondary School Emergency Relief Fund of the American Rescue Plan Act	84.425	OSDE	1,768,000	1,768,000
<i>Total U.S. Department of Education</i>			<u>3,284,390</u>	<u>51,721,505</u>
National Science Foundation				
Other Programs				
Computer and Information Science and Engineering	47.070		-	489,358
<i>Total National Science Foundation</i>			<u>-</u>	<u>489,358</u>
Total expenditures of federal awards			<u>\$ 8,489,370</u>	<u>58,951,641</u>

See Independent Auditors' Report.

See accompanying notes to schedule of expenditures of federal awards.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Oklahoma State Regents for Higher Education (the "Regents" or "OSRHE") under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Regents, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Regents.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Regents has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) FEDERAL FAMILY EDUCATION LOAN PROGRAM

The Regents, through its Oklahoma College Assistance Program (OCAP), continues to maintain loan guarantees for the Federal Family Education Loan (FFEL) Program. No new loans are being made under the federal program, but OCAP is responsible for the existing loan portfolio that totals \$835,736,305.

See Independent Auditors' Report.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Type of auditors’ report issued on compliance for the major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance?

Yes No

Identification of major federal programs:

<u>Federal AL Number</u>	<u>Name of Federal Program or Cluster</u>
84.032	Federal Family Education Loans
84.334	Gaining Awareness and Readiness for Undergraduate Programs

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

SECTION II—FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2023

There were no audit findings noted in the prior year audit for the year ended June 30, 2022.