Tobacco Settlement Endowment Trust Fund

Financial Statements

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

F&C CPAs

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(Continued)

Finley & Cook, PLLC
405-878-7300
Finley-Cook.com
1421 East 45th Street
Shawnee, OK 74804

INDEPENDENT AUDITORS' REPORT

Board of Directors and Board of Investors
Tobacco Settlement Endowment Trust Fund

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and the permanent fund of the Tobacco Settlement Endowment Trust Fund (the "Fund"), which is a part of the State of Oklahoma financial reporting entity, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the permanent fund as of June 30, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Fund, a permanent fund of the State of Oklahoma, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and permanent fund of the State of Oklahoma that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2023 and 2022, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

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 Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT, CONTINUED

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-17 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Finley & Cook, PLLC

Shawnee, Oklahoma
September 28, 2023

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2023 and 2022

The Management's Discussion and Analysis (MD&A) of the Tobacco Settlement Endowment Trust Fund (the "Fund") provides an overview and overall review of the Fund's financial activities for the fiscal years ended June 30, 2023 and 2022. The intent of the MD&A is to look at the Fund's financial performance as a whole. It should, therefore, be read in conjunction with the Fund's financial statements and the notes thereto.

The Fund was established pursuant to the Constitution of the State of Oklahoma. The Fund's principal was established with funds received by the State of Oklahoma (the "State") on or after July 1, 2001, pursuant to any settlement with or judgment against any tobacco companies. The principal funds are invested, and the earnings (see Note 7) may be expended for operations; tobacco prevention and cessation programs; research and treatment efforts in Oklahoma to prevent and combat cancer and other tobacco-related diseases; and programs to maintain or improve the health of Oklahomans or to enhance health care services provided to Oklahomans, with a particular emphasis on children and senior adults.

A Board of Investors was created to manage the investments of the Fund and to annually certify the earnings that are available for program expenditures. A Board of Directors was created to oversee the Fund's operating and program expenditures.

Through the joint effort of both Boards in 2011, the Board of Investors requested an official Attorney General Opinion regarding conflicting language between Article X of the Constitution and the statutory language in Title 62, Section 2307 in defining earnings available for certification by the Board of Investors. An opinion was issued by the Attorney General on August 31, 2011, stating that earnings for the annual certification by the Board of Investors includes, but is not limited to, interest, dividends, and realized capital gains from investments, minus costs and expenses of the investments, and minus any losses realized by the Fund.

Since this method is reflective of the constitutional language, and the Board of Investors has historically used the definition within the statutory language to certify earnings, additional earnings were certified by the Board of Investors for the year ended June 30, 2011, inclusive of net realized gains. The recalculation according to the Attorney General's opinion resulted in $36,023,061 being certified by the Board of Investors at their meeting on November 17, 2011.

At this joint meeting of both the Board of Investors and the Board of Directors, there was discussion of a possible action on the earnings previously certified between FY 2001 and FY 2010. It was determined that an additional $42,898,847 would have been certified during this period had the Board of Investors calculated available earnings under the constitutional language. Upon the request of the Board of Directors, the Board of Investors voted to hold the $42,898,847 in reserve to be certified when future earnings calculations were below 5% of the corpus of the Fund.

In consideration of this, the Board of Directors approved the execution of a settlement agreement and release of all claims signed on February 16, 2012. This reserve was to be invested in the same manner as the Fund. According to the agreement, some or all of the reserve funds were to be available for spending when the current year earnings calculation was below 5% of the corpus of the Fund. The certification of reserve funds was limited to the 5% cap, inclusive of the initial calculation based upon the constitutional language. This agreement was in effect until the total amount of the reserve had been certified by the Board of Investors, which occurred at the November 12, 2020, Board of Investors meeting. At their November 14, 2012, meeting, the Board of Investors defined the corpus of the Fund as the custodial market value of the Fund as of June 30, less any previous certified earnings (current year and previous years' certified earnings that remain invested) within the Fund at June 30.

At their August 9, 2023, meeting, the Board of Investors certified $62,024,806, reserving $500,000 for possible audit adjustments. It is anticipated that the Board of Investors will certify additional amounts at their November 2023 meeting. The estimated earnings available for certification for the period ended June 30, 2023, were $66,702,881.

USING THIS ANNUAL REPORT

The basic financial statements presented in the annual report include both government-wide and fund financial statements.

Government-Wide Statements: The government-wide financial statements include the statements of net position and the statements of activities. These statements display information about the Fund as a whole. The government-wide financial statements of the Fund are presented on a full accrual economic resource basis, which includes all assets and liabilities whether current or noncurrent. These statements provide both short-term and long-term information about the Fund's overall financial status.

Fund Statements: The fund financial statements include the governmental fund's balance sheets and the statements of revenues, expenditures, and changes in fund balance. In the fund financial statements, the revenues and expenditures of the Fund are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under these accounting methods, revenues and assets are recognized when they become both measurable and available, and expenditures and liabilities are recognized when obligations are incurred as a result of the receipt of goods or services.

FINANCIAL HIGHLIGHTS

Statements of Net Position

The statements of net position provide an indication of the Fund's financial condition at the end of the 2023, 2022, and 2021 fiscal years; the statements report all assets and liabilities using the accrual basis of accounting.

Tobacco Settlement Endowment Trust Fund
Statements of Net Position

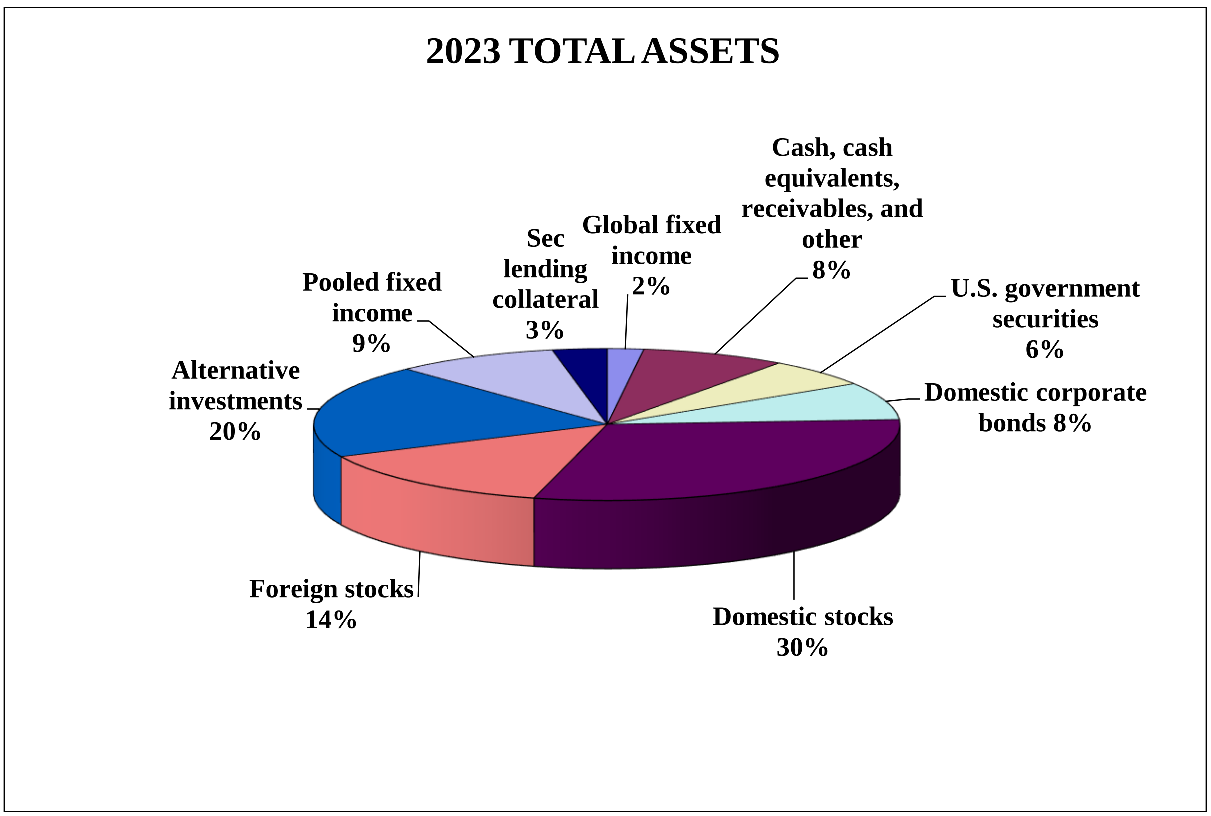
		2023	2022	2021
Assets				
Current assets	$	168,403,450	204,272,489	82,562,944
Investments, at fair value		1,702,125,726	1,541,897,835	1,662,239,597
Securities lending collateral—non-cash		48,670,512	31,154,345	56,934,077
Net pension asset—settled in more than 1 year		-	1,086,778	-
Net OPEB asset—settled in more than 1 year		86,298	111,322	39,019
Capital assets		82,023	61,814	65,441
Total assets		1,919,368,009	1,778,584,583	1,801,841,078
Deferred outflows of resources:				
Deferred amounts related to the pension and OPEB		1,072,760	288,492	577,463
Liabilities				
Current liabilities		17,548,480	19,798,811	20,596,214
Liability under securities lending		158,142,260	182,831,924	96,489,365
Noncurrent liabilities		995,061	220,181	929,470
Total liabilities		176,685,801	202,850,916	118,015,049
Deferred inflows of resources:				
Deferred amounts related to the pension and OPEB		102,864	1,334,801	48,273
Net Position				
Net investment in capital assets		82,023	61,814	65,441
Restricted for investment		1,467,113,771	1,306,413,242	1,483,034,799
Unrestricted		276,456,310	268,212,302	201,254,979
Total net position	$	1,743,652,104	1,574,687,358	1,684,355,219

FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Net Position, Continued

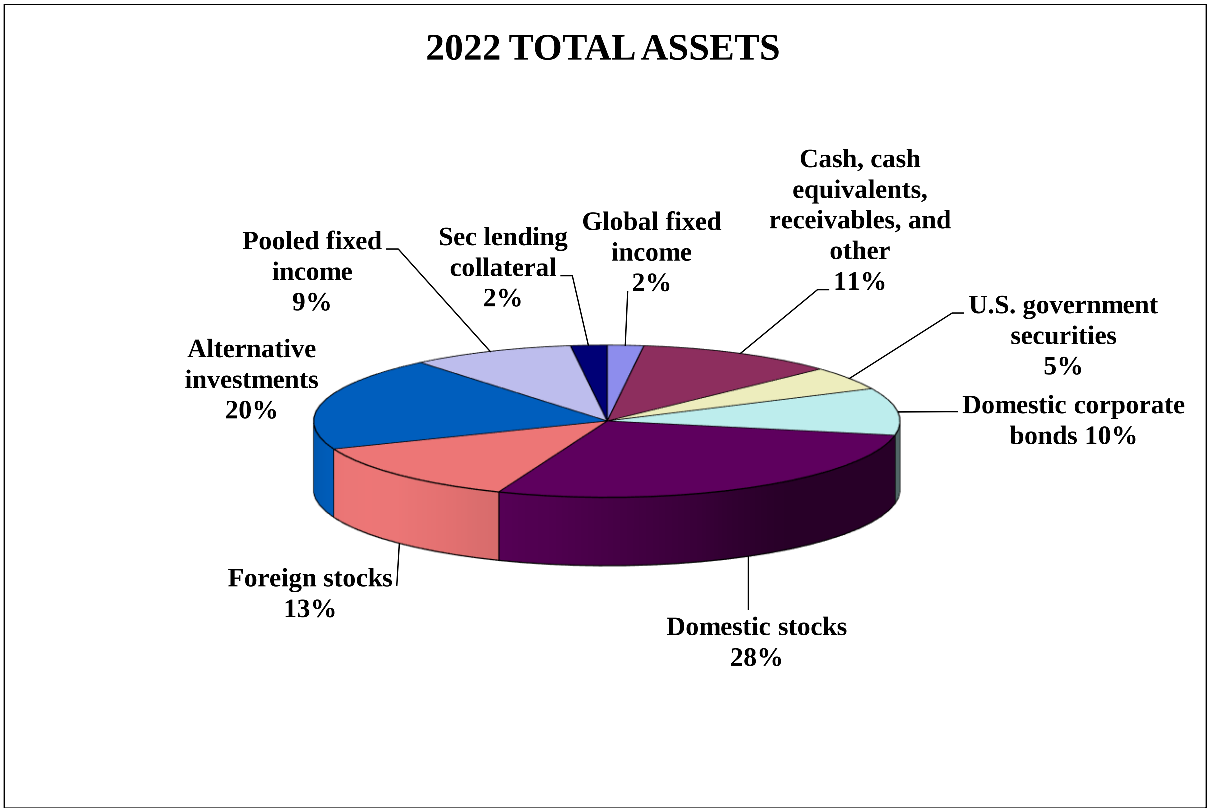
The Fund's total net position increased $168.96 million during the year, as the Fund invested an additional $52.19 million in settlement receipts, recognized $175.20 million as net investment gains, and expended $62.84 million on programs and operations. Total investments increased from $1,541.90 million at the beginning of the year to $1,702.13 million as of year-end, as the Board of Investors invested cash and cash equivalents held at the beginning of the year and additional settlement receipts were deposited during the year. The Fund recognized $116.90 million from the net appreciation of the fair value of the portfolio and earned $57.90 million in interest and dividends, net of investment management fees. The Fund's investment policy establishes investment goals and objectives and provides specific investment guidelines for investment managers, including a prohibition from investing in securities issued by companies engaged in the manufacture of tobacco products.

Cash balances also include restricted cash of approximately $109.47 million, which represents cash collateral presented to the Fund by security borrowers through the Board of Investors' securities lending effort. Use of this cash is restricted unless the borrowers were to default in the return of the securities borrowed.



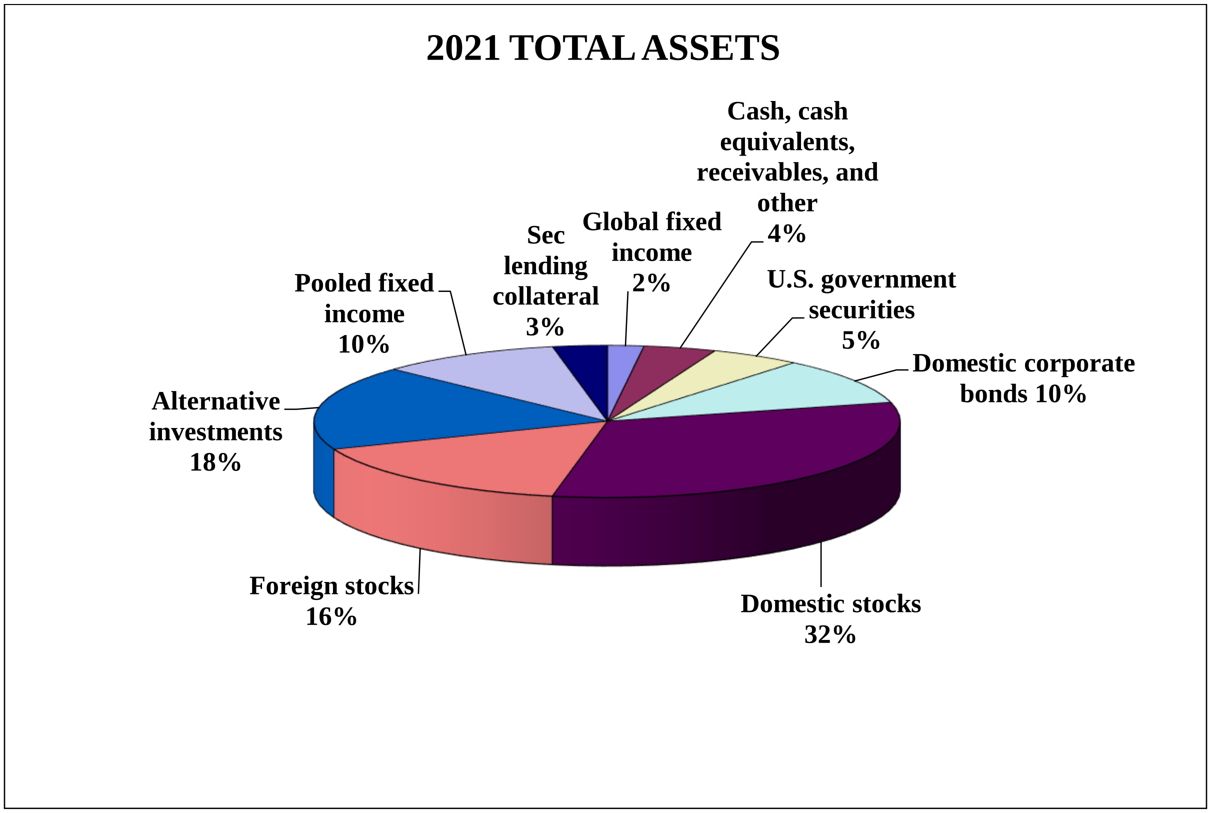
FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Net Position, Continued



FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Net Position, Continued



FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Activities—Income and Expenses

The statements of activities report all of the income and expenses during the time periods indicated.

Tobacco Settlement Endowment Trust Fund
Statements of Activities

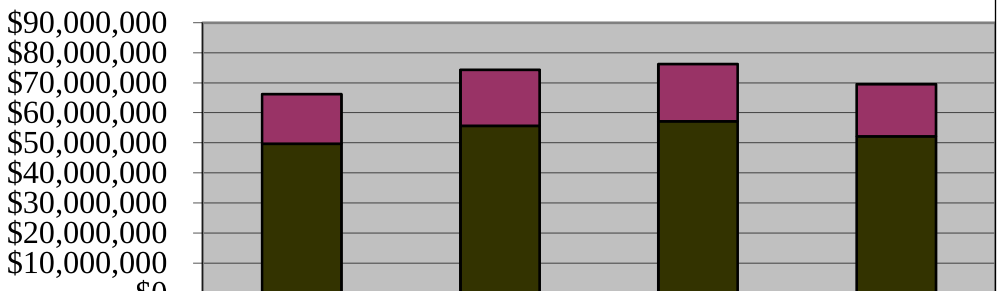
	2023	2022	2021
Investment income:			
Interest and dividend income	$ 67,886,728	60,065,107	49,025,470
Securities lending income	395,062	184,926	146,156
Net appreciation (depreciation) in fair value of investments:			
Net unrealized gains (losses)	108,500,976	(233,833,355)	219,728,681
Net realized gains	8,403,088	62,797,539	81,020,359
	116,904,064	(171,035,816)	300,749,040
Total investment income (losses)	185,185,854	(110,785,783)	349,920,666
Investment expenses	(9,981,997)	(9,993,218)	(6,948,356)
Net investment income (losses)	175,203,857	(120,779,001)	342,972,310
Other income:			
Contract income	4,400,000	4,000,000	4,853,434
Miscellaneous income	12,188	35,729	21,848
Total other income	4,412,188	4,035,729	4,875,282
Expenses:			
Program	60,828,207	48,711,941	46,007,660
Operating	2,010,457	1,388,716	1,622,413
Total expenses	62,838,664	50,100,657	47,630,073
Changes in net position before settlement receipts	116,777,381	(166,843,929)	300,217,519
Contribution to fund principal:			
Other miscellaneous receipts	-	4,922	752,712
Settlement receipts	52,187,365	57,171,146	55,721,453
Changes in net position	168,964,746	(109,667,861)	356,691,684
Net position, beginning of year	1,574,687,358	1,684,355,219	1,327,663,535
Net position, end of year	$ 1,743,652,104	1,574,687,358	1,684,355,219

FINANCIAL HIGHLIGHTS, CONTINUED

Statements of Activities—Income and Expenses, Continued

Revenues from settlement receipts are restricted for investment purposes. During the fiscal years ended June 30, 2023 and 2022, 75% of settlement receipts paid to the State were deposited by the State into the Fund. The percentage of the State's settlement receipts to be received by the Fund increased by 5% annually until it reached 75% during the fiscal year ended June 30, 2007, where it remains. As reflected below, settlement receipts deposited by the Fund decreased by $4,983,781 from 2022.

OKLAHOMA TOBACCO SETTLEMENT RECEIPTS



	2020	2021	2022	2023
Balance to State	$16,570,186	$18,573,817	$19,057,049	$17,395,788
Fund Deposit	$49,710,560	$55,721,453	$57,171,146	$52,187,365

There are no guarantees regarding the State's continued receipt of funds in the settlement of claims against the tobacco companies. The amount received by the State can be attributed to several factors. An independent auditor calculates and determines the amount of all payments based in part on the market share of tobacco consumption.

As settlement receipts were deposited and invested and the portfolio was diversified during the fiscal year ended June 30, 2023, net investment income increased by $295.98 million. Interest and dividend income increased $7.82 million, while the net appreciation of investments in the Fund's portfolio increased $287.94 million over the prior year. Fees paid to investment managers, consultants, and custodians decreased $11,221.

As previously noted, the Fund's principal is restricted for investment purposes only. According to a recent Attorney General's opinion, interest, dividends, and realized capital gains from investments minus costs and expenses of the investments, and minus any losses realized by the Fund may be expended for operations; tobacco use prevention and cessation programs; research and treatment efforts in Oklahoma to prevent and combat cancer and other tobacco-related diseases; and other programs to improve the health and wellbeing of Oklahomans, with a particular emphasis on children and senior adults.

FINANCIAL HIGHLIGHTS, CONTINUED

Overview

Established by voters, the Oklahoma Tobacco Settlement Endowment Trust (TSET) is a state grantmaking trust devoted to preventing cancer and cardiovascular disease, Oklahoma's leading causes of death. By awarding grants to schools, communities, state agencies and partner organizations, TSET works to improve the health of Oklahoma's citizens. It also funds research and emerging opportunities in the public and private sectors. TSET initiatives are addressing Oklahoma's most pressing public health issues — and creating healthier places for all Oklahomans to live, work, learn and play.

Since TSET's inception, more than 47,000 lives have been saved and Oklahoma's smoking rate has dropped 10x faster than similar states. However, new and emerging products threaten to curb this progress and tobacco kills more than 7,500 Oklahomans each year, indicating the need for a long-term strategy to prevent young people from starting tobacco use and help people quit.

In 2020, Oklahoma voters rejected a proposed state question that would have decreased TSET's share of each year's payment from the Master Settlement Agreement. By an overwhelming margin, voters showed their support for TSET, TSET programs and TSET's structure as included in the Oklahoma Constitution more than 20 years ago.

Operations

In fiscal year 2023, TSET's total budget was $69,315,182 with administrative costs accounting for 3.5% of the total budget. By statute, the administration budget is capped at 15% of certified earnings. The board uses 3-year rolling average of previous years' certified earnings to guide budget decisions. The TSET Board of Directors has had this policy in place since fiscal year 2016.

Following the three-year strategic plan adopted by the Board of Directors in fiscal year 2020, the Tobacco Settlement Endowment Trust (TSET) focused on programs that improve healthy behaviors, target youth and achieve measurable improvements in the health of Oklahomans. The Board of Directors and agency management developed and adopted 3-year strategic plan in fiscal year 2023. The process included listening sessions, focus groups and key informant interviews.

Improve Healthy Behaviors

Prevention programs focus on reducing risk factors for cancer and cardiovascular disease, Oklahoma's leading causes of death, through comprehensive programs that aim to prevent and reduce tobacco use, physical inactivity, poor nutrition, and obesity.

Improve Healthy Behaviors, Continued

TSET funds programs in healthcare settings that support tobacco use prevention, cessation and improving health. Under the Health Systems Initiative portfolio, the Oklahoma Health Care Authority, the Oklahoma Hospital Association and the Oklahoma Department of Mental Health and Substance Abuse Services work to implement best practice interventions to address tobacco, nutrition, and physical activity among patients and clients. Over the course of the grant, nearly 80,000 referrals have been made to the Oklahoma Tobacco Helpline through TSET's work with the Oklahoma Department of Mental Health and Substance Abuses Services. Oklahoma's mental health system and all contract behavioral health facilities adhere to best-practice policy to be tobacco free for patients and staff.

TSET Healthy Incentive Grants are designed to encourage school sites, districts and communities to adopt policies that promote tobacco-free environments, good nutrition, active lifestyles and employee wellness. Grant funds can be used for a variety of projects including capital improvements, equipment, training and curriculum. In fiscal year 2023, TSET incentive grants for schools and communities reached 31,885 community members and 8,728 students in 16 counties. To date, TSET has awarded over $8 million in incentive grants.

The TSET Healthy Living Program (HLP) seeks to lessen the burden of unhealthy behaviors before they take root. Reducing the risk factors of tobacco use and obesity will save lives and money.

In fiscal year 2023, HLP grantees worked with 32 cities and towns across Oklahoma to update youth access to tobacco enabling ordinances. These ordinances updated the minimum purchase age to 21 and provided local law enforcement the ability to enforce the city's youth access to tobacco laws. Additionally, TSET HLP grantees passed 12 local tobacco zoning ordinances. Grantees met with 134 tobacco retailers across the state to discuss the tobacco sales laws that impact them. Grantees also completed 866 tobacco retail education visits. During each visit, resources were disseminated to each tobacco retailer to provide them with further education about the tobacco laws in Oklahoma. The HLP budget for fiscal year 2023 was $6.5 million.

Community partnerships through HLP have resulted in local efforts to increase sidewalk miles, bike lanes and complete street policies in rural communities to increase opportunities for physical activity. In fiscal year 2023, HLP grantees also assisted with nine park and other built environment enhancements to help connect community members to opportunities for physical activity. Grantees also work with businesses to promote tobacco-free workplaces and other health promoting policies. Other efforts include increasing access to fresh fruits and vegetables to help prevent and reduce obesity by improving food access and the nutritional content of available food.

FINANCIAL HIGHLIGHTS, CONTINUED

Improve Healthy Behaviors, Continued

Fiscal year 2023 also saw the beginning of contracts on new grant opportunities that were awarded in May 2022. The $2.8 million in grants were dedicated to funding projects that promote physical activity and healthier lifestyles, strengthen health polices and improve infrastructure. The grant awards fell under a two-part funding opportunity, Innovations in Active Living and Healthy Eating Grants and Policy and Built Environment Grants, that support immediate, impactful programs to improve the health of Oklahomans. Specifically, the two-year grant opportunity looked for large-scale initiatives that would promote widespread change and help reduce risk factors for preventable death and disease in Oklahoma.

Youth

Oklahoma consistently ranks among the states with the highest number of youth consuming highly addictive nicotine through vapor devices, according to the national Youth Risk Behavior Survey. Oklahoma youth are also facing rising rates of obesity. To help tackle these trends, TSET launched the TSET Healthy Youth Initiative to educate Oklahoma teens and help them make informed choices about their health.

The initiative includes statewide public health education messaging, a youth-led advocacy program and character-building to reduce tobacco use and obesity. The initiative also gives parents resources to support their children in maintaining or developing healthy habits for a lifetime.

The multifaceted statewide media campaign addresses vape and tobacco use as well as obesity among Oklahoma youth ages 13-18. Down and Dirty is designed to change tobacco and vape-related attitudes and behaviors among rural teens. Behind the Haze delivers educational content exposing the truth about e-cigarettes and discouraging teens from vape use. To help those teens already struggling with tobacco use, TSET funds My Life My Quit, a program that offers text-based cessation coaching for Oklahoma youth 13-17.

Another TSET-funded program, Quit the Hit, utilizes online support groups to help youth and young adults kick the vaping habit. In fiscal year 2023, the TSET Board of Directors voted to increase funding for the program by $200,000, allowing TSET to expand program enrollment. In two program years, more than 750 young Oklahomans have been supplied with tools and resources to start leading a tobacco-free lifestyle. Year two follow-up surveys show that past 30-day vape use and frequency of vape use decreased significantly over baselines for both teens and young adults.

In fiscal year 2023, The TSET Healthy Youth Initiative partnered with schools and youth organizations from every region of Oklahoma to host Swap Up Day, which invited youth to engage in interactive games while learning how the foods and drinks they consume affect how they think, act and feel.

FINANCIAL HIGHLIGHTS, CONTINUED

Youth, Continued

The Swap Up campaign shows teens how nutritional choices impact their health and mood. The program empowers teens in realistic ways to take charge of their health, by educating on healthy "swaps" for everyday beverages, snacks and side dish choices at gas stations and fast-food restaurants, as well as at home.

An estimated 17,000 youth participated in the event at their local schools, learning about easy ways to swap up food and drink choices and incorporate more fruits, veggies and water into their diets.

Empowering youth to make and support healthy choices is foundational to improving health in Oklahoma. Investing in youth reduces risky health behaviors before they take root. Youth Action for Health Leadership (YAHL) is a youth-led program available to high school student clubs and organizations across Oklahoma. Through YAHL, teens learn invaluable leadership skills and gain resources to advocate for healthy changes in their communities. In fiscal year 2023, YAHL partnered with 40 schools and organizations and engaged 943 youth across Oklahoma, totaling nearly 7,775 youth volunteer hours.

Additionally, TSET awarded $4.5 million over four and half years to the Oklahoma Association of Youth Services to develop and administer the TSET Successful Futures Program, a program to equip Oklahoma youth with the skills and tools needed to make healthy choices in an effort to lower the number of unhealthy adults in the future.

Measurable Improvements

Established in 2003, the Oklahoma Tobacco Helpline (OTH) is a free service available 24/7 to Oklahomans that are 18 years of age and older who are interested in quitting tobacco. Services through the OTH include free text or email support, mailed materials, and phone and web coaching. Coaching includes setting a quit date, developing a quit plan, stress management strategies, and a relapse prevention plan. OTH is collaboratively funded by the TSET, the Oklahoma State Department of Health (OSDH), Centers for Disease Control and Prevention (CDC), the Oklahoma Employees Group Insurance Division (EGID) and the Oklahoma Health Care Authority (OHCA).

OTH is the top-ranked quitline by the North American Quitline Consortium for reaching tobacco users in need of treatment. The FISCAL YEAR 2023 OTH budget was $3.6 million. Oklahoma's tobacco helpline has consistently met or exceeded national benchmarks for reaching tobacco users in need of treatment and outpaces other states in the total number of people using the free cessation services.

In addition to OTH, TSET funds several research programs focused on decreasing the burden of cancer, supporting research and reducing the toll of tobacco and obesity-related diseases.

The Peggy and Charles Stephenson Cancer Center (SCC) grant was renewed in FY17 in the amount of $31.3 million over five years. The fiscal year 2023 budget was $5.5 million. Thanks in part to TSET funding, the Stephenson Cancer Center was awarded NCI Designation in FY18 and was re-designated in fiscal year 2023. This places Stephenson Cancer Center among an elite group of 72 NCI-Designated Cancer Centers nationwide. NCI-Designated Cancer Centers represent only the top two percent of cancer centers in the United States. Stephenson Cancer Center is the only NCI-Designated Cancer Center in Oklahoma.

FINANCIAL HIGHLIGHTS, CONTINUED

Measurable Improvements, Continued

TSET further partnered with SCC to improve the rate of cancer screenings in rural Oklahoma. A new $1.7 million grant was awarded in fiscal year 2023 will fund a lung cancer screening bus. The bus will travel to areas of the state where lung cancer screening is not accessible with the goal of increasing early detection of this deadliest of cancers in FY24.

TSET continued support of the TSET Health Promotion Research Center (HPRC) at $3.8 million per year. The mission of the TSET-HPRC is to reduce the burden of disease in Oklahoma by addressing modifiable health risk factors such as tobacco use, sedentary lifestyle, poor diet, and risky alcohol and other substance use through research, novel intervention development, and dissemination of research findings.

The Oklahoma Center for Adult Stem Cell Research (OCASCR), established in FY10, is governed by the research directors of the Oklahoma Medical Research Foundation, the University of Oklahoma, and Oklahoma State University, with the Oklahoma Medical Research Foundation serving as the fiscal agent. OCASCR's mission is to promote and encourage adult stem cell and regenerative medicine research in the State of Oklahoma. Harnessing knowledge about adult stem cells to repair damaged organs could help Oklahoma scientists address prevalent diseases in our state while increasing their competitiveness for federal research funds. OCASCR's FY23 budget was $3 million. Since 2010, OCASCR has leveraged about $34 million of TSET funding into over $388 million in additional private and federal funds.

The Oklahoma Center for Adult Stem Cell Research (OCASCR), established in fiscal year 2010, is governed by the research directors of the Oklahoma Medical Research Foundation, the University of Oklahoma, and Oklahoma State University, with the Oklahoma Medical Research Foundation serving as the fiscal agent. OCASCR's mission is to promote and encourage adult stem cell and regenerative medicine research in the State of Oklahoma. Harnessing knowledge about adult stem cells to repair damaged organs could help Oklahoma scientists address prevalent diseases in our state while increasing their competitiveness for federal research funds. OCASCR's fiscal year 2023 budget was $3 million. Since 2010, OCASCR has leveraged about $34 million of TSET funding into over $388 million in additional private and federal funds.

Through a grant to the Oklahoma Health Care Workforce Training Commission (HWTC, formerly the Physician Manpower Training Commission) TSET helps fund the Oklahoma Medical Loan Repayment Program, which recruits physicians to practice in rural and medically underserved areas. The FY23 grant to HWTC was $674,356 and supports 35 physicians practicing across the state. Each primary care physician in rural Oklahoma will generate an estimated $1.9 million each year in their local economy. Since the program began, physicians have logged nearly 650,000 patient visits and more than 26% of those patients are insured by SoonerCare.

Additionally, TSET sought to improve health in rural Oklahoma by increasing the reach of the OSU's Project ECHO, or Extension for Community Health Care Outcomes. Project ECHO enables health care providers in rural and underserved areas to connect with specialists at academic medical centers via digital platforms for training and consultation. TSET's $4.5 million grant over three years will allow Project ECHO to create new "ECHO Lines" focused on specific health conditions to support rural physicians in caring for patients across Oklahoma.

FINANCIAL HIGHLIGHTS, CONTINUED

Best Practices

In fiscal year 2023, TSET completed implementation of statistical analysis software for use by TSET's data analysts and others. TSET also established a data warehouse to provide a place for data to be housed and connected to TSET's various data collection points. Additionally, TSET engaged with OMES to explore technology systems to enhance the agency's ability to manage the grantmaking process, engage with stakeholders through customer relationship management (CRM), and give the agency the ability to streamline its data impact reporting efforts, both financial and outcomes-based. The project is expected to continue through fiscal year 2024 with implementation completing in fiscal year 2025.

In fiscal year 2023, the agency undertook a reorganization to create a sustainable structure that allows for future growth and a more efficient use of resources. The realignment created several new, focused divisions within TSET and redistributed duties and responsibilities. For example, strategic communication activities were consolidated into a single division. The Programs division was divided into an Engagement and Impact division, focused on current programs, and a Program Architecture division, focused on developing future programs and grant opportunities.

The TSET Board of Directors use a strategic funding matrix to guide spending decision and budget allocations today and in future fiscal years. The matrix puts 25-30% of the agency budget into tobacco prevention and cessation, 20-25% into obesity preventions, another 20-25% into cancer prevention and treatment, up to 5% to improve access to health care. Health innovation initiatives and operations each receive up to 10% of the TSET budget.

TSET continued work that started in fiscal year 2022 to launch new grant opportunities and seek new partners in improving health across the state. In fiscal year 2023, the agency awarded the first round of TSET Discovery Grants a recurring grant opportunity to find innovative ideas and fund health-promoting projects that do not currently fit within established TSET programs. fiscal year 2023, seven Discovery Grants were launched with almost $1.1 million in funding.

FINANCIAL HIGHLIGHTS, CONTINUED

Governmental Fund—Balance Sheets

The Fund is classified as a permanent fund, as the principal funds are restricted by law for investment purposes only. The earnings may be expended for operations; tobacco prevention and cessation programs; research and treatment efforts in Oklahoma to prevent and combat cancer and other tobacco-related diseases; and other programs to maintain or improve the health of Oklahomans or to enhance health care services provided to Oklahomans, with a particular emphasis on children and senior adults. Accordingly, the fund balance at year-end includes balances which are nonspendable (restricted for investment purposes) and balances which are assigned and unassigned that are expendable for operations and programs of the Fund.

Tobacco Settlement Endowment Trust Fund
Balance Sheets—Permanent Fund

	2023	2022	2021
Assets:			
Cash and cash equivalents	$ 161,183,711	198,183,984	77,198,711
Interest and dividends receivable	4,309,232	4,174,937	3,379,032
Contract receivable	2,880,512	1,885,374	1,974,069
Securities lending receivable	29,995	28,194	11,132
Securities lending collateral—non-cash	48,670,512	31,154,345	56,934,077
Investments at fair value	1,702,125,726	1,541,897,835	1,662,239,597
Total assets	$ 1,919,199,688	1,777,324,669	1,801,736,618
Liabilities:			
Net payable to brokers	$ 583,281	8,486,281	11,766,333
Accounts payable	16,867,681	11,220,994	8,742,605
Liability under securities lending	158,142,260	182,831,924	96,489,365
Total liabilities	175,593,222	202,539,199	116,998,303
Fund Balances:			
Nonspendable	1,467,113,771	1,306,413,241	1,483,034,799
Assigned	209,789,814	155,317,875	78,459,887
Unassigned	66,702,881	113,054,354	123,243,629
Total fund balances	1,743,606,466	1,574,785,470	1,684,738,315
Total liabilities and fund balances	$ 1,919,199,688	1,777,324,669	1,801,736,618

FINANCIAL HIGHLIGHTS, CONTINUED

Governmental Fund—Revenues, Expenditures, and Changes in Fund Balances

Tobacco Settlement Endowment Trust Fund
Revenues, Expenditures, and Changes in Fund Balances—Permanent Fund

	2023	2022	2021
Revenues:			
Restricted:			
Net appreciation (depreciation) in fair value of investments:			
Net unrealized gains (losses)	$ 108,500,976	(233,833,355)	219,728,681
Other miscellaneous receipts	-	4,922	752,712
Settlement receipts	52,187,365	57,171,146	55,721,453
Miscellaneous income	12,188	35,729	21,848
Total restricted revenues (losses)	160,700,529	(176,621,558)	276,224,694
Interest and dividend income	67,886,728	60,065,107	49,025,470
Net realized gains	8,403,088	62,797,539	81,020,359
Securities lending income	395,062	184,926	146,156
Contract income	4,400,000	4,000,000	4,853,434
Total revenues (losses)	241,785,407	(49,573,986)	411,270,113
Expenditures:			
Program and grant management support	2,943,465	2,296,675	2,944,994
Statewide programs	7,498,085	5,102,079	4,672,958
Community programs	12,435,816	7,054,495	7,217,058
Evaluation services	1,878,797	1,554,669	1,603,083
Furniture and equipment	32,031	9,979	1,576
Research	12,286,754	13,122,018	12,830,100
Investment management fees	9,981,997	9,993,218	6,948,356
Health communications	23,785,290	19,582,005	16,739,467
General operations and administrative expenses	2,122,176	1,663,721	1,403,300
Total expenditures	72,964,411	60,378,859	54,360,892
Net changes in fund balances	168,820,996	(109,952,845)	356,909,221
Fund balances, beginning of year	1,574,785,470	1,684,738,315	1,327,829,094
Fund balances, end of year	$ 1,743,606,466	1,574,785,470	1,684,738,315

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fund's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lisa Murray, Chief Investment Officer, Office of the Oklahoma State Treasurer, 2300 North Lincoln Boulevard, Room 217, Oklahoma City, Oklahoma 73105-4895.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

STATEMENTS OF NET POSITION

June 30,	*2023*	*2022*
Assets		
Cash and cash equivalents:		
Unrestricted cash	$ 51,711,964	46,506,405
Restricted cash:		
Securities lending collateral	109,471,747	151,677,579
Total cash and cash equivalents	161,183,711	198,183,984
Receivables:		
Interest and dividends	4,309,232	4,174,937
Contract receivable	2,880,512	1,885,374
Securities lending receivable	29,995	28,194
Total receivables	7,219,739	6,088,505
Investments, at fair value:		
U.S. government securities	123,680,936	96,714,178
Foreign government securities	7,488,403	7,357,853
Domestic corporate bonds	148,138,194	181,705,271
Foreign corporate bonds	40,740,134	21,356,678
Domestic stocks	570,294,891	504,409,293
Foreign stocks	266,245,236	221,546,746
Pooled fixed income funds	169,301,031	158,862,729
Alternative investments	376,236,901	349,945,087
Total investments, at fair value	1,702,125,726	1,541,897,835
Securities lending collateral—non-cash	48,670,512	31,154,345
Net pension asset—settled in more than 1 year	-	1,086,778
Net OPEB asset—settled in more than 1 year	86,298	111,322
Capital assets, net of accumulated depreciation of $262,551 and $251,087 as of June 30, 2023 and 2022, respectively.	82,023	61,814
Total assets	1,919,368,009	1,778,584,583
Deferred outflows of resources:		
Deferred amounts related to the pension	1,008,328	254,036
Deferred amounts related to OPEB	64,432	34,456
	1,072,760	288,492

(Continued)

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

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

STATEMENTS OF NET POSITION, CONTINUED

June 30,	*2023*	*2022*
Liabilities		
Net payable to brokers	583,281	8,486,281
Accounts payable	16,867,681	11,220,994
Liability under securities lending	158,142,260	182,831,924
Net pension liability—amount due in more than 1 year	775,096	-
Net OPEB liability—amount due in more than 1 year	73,688	82,876
Compensated absences:		
Payable within 1 year	97,518	91,536
Payable after 1 year	146,277	137,305
Total liabilities	176,685,801	202,850,916
Deferred inflows of resources:		
Deferred amounts related to the pension	40,464	1,256,528
Deferred amounts related to OPEB	62,400	78,273
	102,864	1,334,801
Net Position		
Net investment in capital assets	82,023	61,814
Restricted for investment	1,467,113,771	1,306,413,242
Unrestricted	276,456,310	268,212,302
Total net position	$ 1,743,652,104	1,574,687,358

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

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

STATEMENTS OF ACTIVITIES

Years Ended June 30,		*2023*	*2022*
Expenses:			
Program:			
Program and grant management support	$	2,943,465	2,296,675
Statewide programs		7,498,085	5,102,079
Community programs		12,435,816	7,054,495
Evaluation services		1,878,797	1,554,669
Health communications		23,785,290	19,582,005
Research		12,286,754	13,122,018
Total program expenses		60,828,207	48,711,941
Operating:			
General operations and administrative expenses		1,998,993	1,379,651
Depreciation		11,464	9,065
Total operating expenses		2,010,457	1,388,716
Total expenses		62,838,664	50,100,657
Investment income:			
Interest income		22,452,100	15,514,317
Dividend income		45,434,628	44,550,790
Securities lending income		395,062	184,926
Net appreciation (depreciation) in fair value of investments:			
Net unrealized gains (losses)		108,500,976	(233,833,355)
Net realized gains		8,403,088	62,797,539
		116,904,064	(171,035,816)
Total investment income (losses)		185,185,854	(110,785,783)
Investment expenses		(9,981,997)	(9,993,218)
Net investment income (losses)		175,203,857	(120,779,001)
Other income:			
Contract income		4,400,000	4,000,000
Miscellaneous income		12,188	35,729
Total other income		4,412,188	4,035,729
Changes in net position, before settlement receipts		116,777,381	(166,843,929)

(Continued)

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

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

STATEMENTS OF ACTIVITIES, CONTINUED

Years Ended June 30,	*2023*	*2022*
Contribution to fund principal:		
Other miscellaneous receipts	-	4,922
Settlement receipts	52,187,365	57,171,146
Changes in net position	168,964,746	(109,667,861)
Net position, beginning of year	1,574,687,358	1,684,355,219
Net position, end of year	$ 1,743,652,104	1,574,687,358

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

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

BALANCE SHEETS—PERMANENT FUND

June 30,		*2023*	*2022*
Assets			
Cash and cash equivalents:			
Unrestricted cash	$	51,711,964	46,506,405
Restricted cash:			
Securities lending collateral		109,471,747	151,677,579
Total cash and cash equivalents		161,183,711	198,183,984
Receivables:			
Interest and dividends		4,309,232	4,174,937
Contract receivable		2,880,512	1,885,374
Securities lending receivable		29,995	28,194
Total receivables		7,219,739	6,088,505
Investments, at fair value:			
U.S. government securities		123,680,936	96,714,178
Foreign government securities		7,488,403	7,357,853
Domestic corporate bonds		148,138,194	181,705,271
Foreign corporate bonds		40,740,134	21,356,678
Domestic stocks		570,294,891	504,409,293
Foreign stocks		266,245,236	221,546,746
Pooled fixed income funds		169,301,031	158,862,729
Alternative investments		376,236,901	349,945,087
Total investments, at fair value		1,702,125,726	1,541,897,835
Securities lending collateral—non cash		48,670,512	31,154,345
Total assets	$	1,919,199,688	1,777,324,669
Liabilities and Fund Balances			
Liabilities:			
Net payable to brokers	$	583,281	8,486,281
Accounts payable		16,867,681	11,220,994
Liability under securities lending		158,142,260	182,831,924
Total liabilities		175,593,222	202,539,199
Fund balances:			
Nonspendable		1,467,113,771	1,306,413,241
Assigned		209,789,814	155,317,875
Unassigned		66,702,881	113,054,354
Total fund balances		1,743,606,466	1,574,785,470
Total liabilities and fund balances	$	1,919,199,688	1,777,324,669

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

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

RECONCILIATION OF THE BALANCE SHEETS—PERMANENT FUND TO THE STATEMENTS OF NET POSITION

June 30,	*2023*	*2022*
Total fund balances, per the balance sheets—permanent fund	$ 1,743,606,466	1,574,785,470
Amounts reported in the statements of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	82,023	61,814
Some assets are not financial resources in the current period and therefore are not reported in the fund. Those assets consist of:		
Net pension asset	-	1,086,778
Net OPEB asset	12,610	28,446
Deferred outflows related to the pension and OPEB are not financial resources and therefore are not reported in the fund.	1,072,760	288,492
Some liabilities are not due and payable in the current period and therefore are not reported in the fund. Those liabilities consist of:		
Compensated absences	(243,795)	(228,841)
Net pension liability	(775,096)	-
Deferred inflows related to the pension and OPEB are not due and payable in the current period and therefore are not reported in the fund.	(102,864)	(1,334,801)
Net position, per the statements of net position	$ 1,743,652,104	1,574,687,358

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

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—PERMANENT FUND

Years Ended June 30,	*2023*	*2022*
Revenues:		
Restricted:		
Net appreciation (depreciation) in fair value of investments:		
Net unrealized gains (losses)	$ 108,500,976	(233,833,355)
Other miscellaneous receipts	-	4,922
Settlement receipts	52,187,365	57,171,146
Miscellaneous income	12,188	35,729
Total restricted revenues (losses)	160,700,529	(176,621,558)
Interest income	22,452,100	15,514,317
Dividend income	45,434,628	44,550,790
Net realized gains	8,403,088	62,797,539
Securities lending income	395,062	184,926
Contract income	4,400,000	4,000,000
Total revenues (losses)	241,785,407	(49,573,986)
Expenditures:		
Program and grant management support	2,943,465	2,296,675
Statewide programs	7,498,085	5,102,079
Community programs	12,435,816	7,054,495
Evaluation services	1,878,797	1,554,669
Furniture and equipment	32,031	9,979
Research	12,286,754	13,122,018
Investment management fees	9,981,997	9,993,218
Health communications	23,785,290	19,582,005
General operations and administrative expenses	2,122,176	1,663,721
Total expenditures	72,964,411	60,378,859
Net changes in fund balances	168,820,996	(109,952,845)
Fund balances, beginning of year	1,574,785,470	1,684,738,315
Fund balances, end of year	$ 1,743,606,466	1,574,785,470

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

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

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

Years Ended June 30,		*2023*	*2022*
Net changes in fund balances, per the statements of revenues, expenditures, and changes in fund balances—permanent fund	$	168,820,996	(109,952,845)
Amounts reported in the statements of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays were more than (less than) depreciation in the current period.		20,209	(3,627)
Some expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the amount by which unused compensated absences increased over the amount in the prior year.		(14,954)	(10,651)
In the statements of activities, the cost of pension benefits and OPEB earned net of employee contributions is reported as an element of pension and OPEB expense. The fund financial statements report pension and OPEB contributions as expenditures.		138,495	299,262
Changes in net position, per the statements of activities	$	168,964,746	(109,667,861)

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Tobacco Settlement Endowment Trust Fund (the "Fund") was established pursuant to the Constitution of the State of Oklahoma. The Fund principal was established with funds received by the State of Oklahoma (the "State") on or after July 1, 2001, pursuant to any settlement with or judgment against any tobacco companies. Fifty percent (50%) of all such receipts were deposited into the Fund during the fiscal year ended June 30, 2002. That percentage increased by 5% annually until it reached 75% during the fiscal year ended June 30, 2007, where it remains. However, there are no guarantees regarding the State's continued receipt of funds in settlement of claims against tobacco companies. The principal funds are invested, and the earnings (see Note 7) may be expended for operations; tobacco prevention and cessation programs; research and treatment efforts in Oklahoma to prevent and combat cancer and other tobacco-related diseases; and other programs to maintain or improve the health of Oklahomans or to enhance health care services provided to Oklahomans, with a particular emphasis on children and senior adults.

Pursuant to the Constitution of the State of Oklahoma, the Board of Investors was created to manage the investment of the principal of the Fund and to annually certify the earnings that are available for program expenditures. The Board of Directors was created to oversee Fund operating and program expenditures. The Fund is a part of the State's financial reporting entity and is included in the State's Comprehensive Annual Financial Report as a permanent fund and a governmental entity.

The financial statements of the Fund are intended to present the financial position and changes in financial position of only that portion of the governmental activities and governmental funds of the State that is attributable to the transactions of the Fund, and not those of the entire State.

Basis of Presentation, Measurement Focus, and Basis of Accounting

The financial statements have been prepared in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34).

Government-Wide Financial Statements—The statements of net position and the statements of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Investment purchases and sales are recorded as of their trade dates. Settlement receipts are recognized as revenue when they are received by the State and their use is restricted as noted above.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation, Measurement Focus, and Basis of Accounting, Continued

Governmental Fund Financial Statements—As a permanent fund, the Fund is reported in the governmental fund financial statements 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. Since the Fund predominantly accounts for financial resources, revenue recognition is generally consistent between the accrual and the modified accrual basis of accounting. Settlement receipts are recognized as revenue when they are received by the State and their use is restricted as noted above.

Investment purchases and sales are recorded as of their trade dates. Expenditures generally are recorded when a liability is incurred.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, reconciliations are presented which briefly explain the adjustments necessary to reconcile the fund and the government-wide presentations.

Investments

The Fund is authorized to invest in eligible investments as approved by the Board of Investors and set forth in its investment policy.

Fund investments are reported at fair value, except for alternative investments (which are reported at net asset value (NAV), which approximates fair value) and SEC-registered money market mutual funds (which are reported as cash equivalents and reported at cost, which approximates fair value). Debt and equity securities are reported at fair value, as determined by the Fund's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges.

Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

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

Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using NAV per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as level 1, 2, or 3.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

The Fund invests in various traditional financial instruments that fall under the broad definition of derivatives. The Fund's derivatives may include U.S. Treasury strips, collateralized mortgage obligations, asset-backed securities, forward-based derivatives, option-based derivatives, and variable-rate instruments. These investments do not increase investment risk beyond allowable limits specified in the Fund's investment policy.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, securities lending income, and investment expenses, which includes investment management and custodial fees and all other significant investment-related costs.

Securities Lending

The investment policy authorizes the Board of Investors to contract with their custodian to act as their securities lending agent. The policy requires the securities lending agent to provide indemnification against borrower default, have written agreements with each borrower, not loan securities until acceptable collateral is received and monitor that collateral on a daily basis, and review and monitor the approved borrowers to minimize risk.

The fair values of securities loaned and collateral maintained for those securities at June 30 were:

	Fair Value	
	2023	2022
Securities loaned:		
U.S. government securities	$ 15,503,049	11,319,864
U.S. corporate bonds	12,681,796	15,293,952
U.S. equity	107,612,231	137,338,799
Sovereign debt	645,459	1,233,354
Foreign	17,410,757	12,734,526
Total securities loaned	$ 153,853,292	177,920,495
Collateral maintained for securities loaned	$ 158,142,260	182,831,824
Percentage of collateral to securities loaned as of June 30	102.79%	102.76%

See Independent Auditors' Report.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Securities Lending, Continued

Borrowers are required to deliver collateral for each loan with a fair value equal to 102% of the current fair value of the loaned securities. Collateral delivered in non-U.S. currency is required to be equal to 105% of the fair value of the securities loaned. At June 30, 2023 and 2022, collateral was presented in both cash (U.S. currency), and non-cash securities. The total value of the collateral held at June 30, 2023 and 2022, was $4,288,968 and $4,911,427, respectively, more than the current fair value of the securities loaned. Cash collateral is invested in a short-term investment pool and is included as an asset, with an offsetting liability for the return of the collateral.

At June 30, 2023 and 2022, cash collateral was $109,471,747 and $151,677,579, respectively, and non-cash collateral totaled $48,670,512 and $31,154,345, respectively. Non-cash collateral consisted of the following at June 30:

Description	2023	2022
U.S. government debt—Treasuries	$ 15,098,742	14,003,955
U.S. government agencies	-	1,368,797
Foreign securities	33,571,770	15,781,593
	$ 48,670,512	31,154,345

Securities lending income included as certified earnings was $395,062 and $184,926 for the fiscal years ended June 30, 2023 and 2022, respectively.

Capital Assets

Office equipment and furnishings which have a cost in excess of $2,000 and an expected useful life of more than 1 year are recorded as capital assets. Computer and technology equipment which have a cost in excess of $500 and an expected useful life of more than 1 year are recorded as capital assets. Capital assets are recorded at cost when purchased. Depreciation is recorded on capital assets in the government-wide financial statements. Depreciation is calculated on a straight-line basis over a 4- to 12-year period.

No provision for depreciation is recorded in the governmental fund financial statements, as expenditures for capital assets are recorded as period costs when the capital assets are purchased.

Use of Estimates

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

See Independent Auditors' Report.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Risks and Uncertainties

The Fund invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect investment balances, amounts used in the determination of certified earnings and the amounts reported in the financial statements.

Compensated Absences

Employees earn annual vacation leave at the rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of over 5 years to 10 years, 13.33 hours per month for service of over 10 years to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 640 hours. All accrued annual leave is payable upon termination, resignation, retirement, or death. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present the cost of accumulated vacation leave as a liability. The liability is valued based on the current rate of pay.

Advertising Costs

All costs associated with advertising are expensed as incurred.

Pensions

Defined Benefit Plan

The Fund participates in a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Fund’s participation in the Oklahoma Public Employees Retirement Plan (OPERS) and additions to/deductions from OPERS’ fiduciary net position have been determined on the same basis as they are reported by OPERS.

Defined Contribution Plan

Effective November 1, 2015, OPERS established the Pathfinder Defined Contribution Plan (“Pathfinder”), a mandatory defined contribution plan for eligible state employees who first become employed by a participating employer on or after November 1, 2015, and have no prior participation in OPERS. Under Pathfinder, members will choose a contribution rate which will be matched by their employer up to 7%. During the years ended June 30, the Fund had the following contributions to Pathfinder:

	2023	2022
Fund's portion	$ 50,734	39,585

See Independent Auditors’ Report.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Other Postemployment Benefits (OPEB)

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

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

The Fund records the Fund's allocated share of the net OPEB liability, deferred outflows, deferred inflows, and OPEB expense in accordance with GASB 75.

Recent Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligation, and (3) related note disclosures. The Fund adopted GASB 91 effective July 1, 2022, which did not have a significant impact on the financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). GASB 94 improves accounting and financial reporting by addressing various issues relating to public-private and public-public partnership arrangements (PPPs). This includes the requirement that PPPs that meet the definition of a lease apply the guidance in GASB 87 and establishes the accounting and financial reporting requirements for all other PPPs. The Fund adopted GASB 94 effective July 1, 2022, 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 guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. GASB 96 1) defines a SBITA; 2) establishes that SBITA results in a right-to-use subscription intangible asset and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA; and 4) requires note disclosures regarding SBITA. The Fund adopted GASB 96 effective July 1, 2022, which did not have a significant impact on the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). GASB 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

The requirements of GASB 99 are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The Fund adopted these requirements effective July 1, 2021, which did not have a significant impact on the financial statements.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Fund adopted these requirements effective July 1, 2022, which did not have a significant impact on the financial statements.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Fund will adopt these requirements effective July 1, 2023, for the June 30, 2024, reporting year. The Fund does not expect these requirements to have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* (GASB 100). GASB 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. Earlier application is encouraged. The Fund will adopt these requirements effective July 1, 2023, for the June 30, 2024, reporting year. The adoption of GASB 100 is not expected to have a significant effect on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 enhances information for user of the financial statements by updating the recognition and measurement guidance for compensated absences. GASB 101 aligns the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023. Earlier application is encouraged. The adoption of GASB 101 by the Fund is not expected to have a significant effect on the financial statements.

Annual Budget-to-Actual Comparison

The Fund is not required to prepare an annual budget. Therefore, an annual budget-to-actual comparison as required by GASB 34 is not presented.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through September 28, 2023, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

(2) CASH AND INVESTMENTS

At June 30, cash and cash equivalents were composed of the following:

	2023	2022
Cash on deposit with the State	$ 6,187,790	4,774,328
Foreign currency	1,091,975	1,665,678
Collateral from securities lending—restricted cash	109,471,747	151,677,579
Cash and equivalents	11,947,106	9,617,485
Money market mutual fund	32,485,093	30,448,914
	$ 161,183,711	198,183,984

Restricted Cash

Cash collateral from securities lending activity is identified as restricted cash as it cannot be used by the Fund unless there is default in the return of the securities loaned.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Fund will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Fund, and are held by the counterparty or the counterparty's trust department but not in the name of the Fund. The investment policy requires that all deposits be invested in a fully collateralized interest-bearing account. Policy also provides that investment collateral be held by a third-party custodian with whom the Fund has a current custodial agreement in the Fund's name.

(1) CASH AND INVESTMENTS, CONTINUED

Credit Risk

Fixed income securities are subject to credit risk. A bond's credit quality rating is one method of assessing the ability of the issuer to meet its obligation. Exposure to credit risk as of June 30 was as follows:

	2023	
	Fair Value (Expressed in thousands)	Moody Rating
U.S. government agencies (held in U.S. currency):		
U.S. Treasury bonds	$ 29,031	AAA
U.S. Treasury notes	46,630	AAA
Federal Home Loan Mortgage Corporation	87	AAA
Federal National Mortgage Corporation	1,192	AAA
Government National Mortgage Association	40	AAA
Other	19,397	AAA
Other	1,139	AAA
Other	11,950	AAA
Other	667	A1
Other	1,296	A2
Other	4,148	AA1
Other	948	AA2
Other	3,188	AA3
Other	350	BAA2
Other	3,618	NA
	123,681	
Corporate bonds (held in U.S. currency):		
Domestic bonds	12,247	A1
Domestic bonds	11,515	A2
Domestic bonds	1,947	A3
Domestic bonds	2,317	AA2
Domestic bonds	1,881	AA3
Domestic bonds	10,268	AAA
Domestic bonds	15,347	B1
Domestic bonds	7,855	B2
Domestic bonds	8,947	B3
Domestic bonds	3,669	BA1
Domestic bonds	16,131	BA2
Domestic bonds	9,740	BA3
Domestic bonds	524	BAA1

(Continued)

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2023	
	Fair Value *(Expressed in thousands)*	Moody Rating
Corporate bonds (held in U.S. currency), Continued:		
Domestic bonds	4,957	BAA2
Domestic bonds	9,445	BAA3
Domestic bonds	139	C
Domestic bonds	396	CA
Domestic bonds	1,088	CAA1
Domestic bonds	911	CAA2
Domestic bonds	210	CAA3
Domestic bonds	27,486	NA/NR
Domestic bonds	1,118	WR
	148,138	
Foreign corporate bonds (held in U.S. currency):		
Foreign bonds	658	A3
Foreign bonds	7,207	B1
Foreign bonds	4,901	B2
Foreign bonds	3,313	B3
Foreign bonds	2,008	BA1
Foreign bonds	5,497	BA2
Foreign bonds	5,060	BA3
Foreign bonds	927	BAA1

(Continued)

See Independent Auditors’ Report.

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2023	
	Fair Value *(Expressed in thousands)*	Moody Rating
Foreign corporate bonds (held in U.S. currency), Continued:		
Foreign bonds	806	BAA2
Foreign bonds	697	BAA3
Foreign bonds	546	CAA1
Foreign bonds	147	CAA3
Foreign bonds	1,556	NA
Foreign bonds	48	WR
	33,371	
Foreign corporate bonds (held in foreign currency):		
Foreign bonds	722	B1
Foreign bonds	1,469	B2
Foreign bonds	1,129	B3
Foreign bonds	516	BA1
Foreign bonds	354	BA2
Foreign bonds	930	BA3
Foreign bonds	187	BAA2
Foreign bonds	306	BAA3
Foreign bonds	130	CAA2
Foreign bonds	1,626	NR
	7,369	

(Continued)

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2023	
	Fair Value *(Expressed in thousands)*	Moody Rating
Foreign government bonds (held in U.S. currency):		
Foreign government bonds	141	BA2
Foreign government bonds	178	BA3
Foreign government bonds	74	BAA1
Foreign government bonds	170	BAA2
Foreign government bonds	300	CAA1
Foreign government bonds	554	A2
Foreign government bonds	102	AA3U
	1,519	
Foreign government bonds (held in foreign currency):		
Foreign government bonds	1,259	Aaa
Foreign government bonds	109	B3
Foreign government bonds	944	BA2
Foreign government bonds	93	BA3
Foreign government bonds	2,699	BAA2
Foreign government bonds	100	BAA3
Foreign government bonds	203	CA
Foreign government bonds	562	NR
	5,969	
Total fair value of credit risk	$ 320,047	

See Independent Auditors' Report.

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk

Fixed income securities are subject to credit risk. A bond's credit quality rating is one method of assessing the ability of the issuer to meet its obligation. Exposure to credit risk as of June 30 was as follows:

	2022	
	Fair Value *(Expressed in thousands)*	Moody Rating
U.S. government agencies (held in U.S. currency):		
U.S. Treasury bonds	$ 14,743	AAA
U.S. Treasury notes	35,028	AAA
Federal Home Loan Mortgage Corporation	109	AAA
Federal National Mortgage Corporation	141	AAA
Government National Mortgage Association	49	AAA
Other	10,360	AAA
Other	2,436	AAA
Other	10,255	AAA
Other	2,345	A1
Other	1,739	A2
Other	7,812	AA1
Other	2,461	AA2
Other	4,880	AA3
Other	403	BAA2
Other	3,953	NA
	96,714	
Corporate bonds (held in U.S. currency):		
Domestic bonds	5,563	A1
Domestic bonds	15,857	A2
Domestic bonds	3,095	A3
Domestic bonds	1,403	AA1
Domestic bonds	4,890	AA2
Domestic bonds	2,219	AA3
Domestic bonds	8,955	AAA
Domestic bonds	13,382	B1
Domestic bonds	9,621	B2
Domestic bonds	8,061	B3
Domestic bonds	8,331	BA1
Domestic bonds	19,667	BA2
Domestic bonds	18,748	BA3

(Continued)

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2022	
	Fair Value *(Expressed in thousands)*	Moody Rating
Corporate bonds (held in U.S. currency), Continued:		
Domestic bonds	1,812	BAA1
Domestic bonds	5,099	BAA2
Domestic bonds	13,842	BAA3
Domestic bonds	148	C
Domestic bonds	238	CA
Domestic bonds	1,480	CAA1
Domestic bonds	433	CAA2
Domestic bonds	144	CAA3
Domestic bonds	37,446	NA/NR
Domestic bonds	1,271	WR
	181,705	
Foreign corporate bonds (held in U.S. currency):		
Foreign bonds	3,093	B1
Foreign bonds	3,144	B2
Foreign bonds	742	B3
Foreign bonds	1,823	BA1
Foreign bonds	2,555	BA2
Foreign bonds	2,186	BA3
Foreign bonds	605	BAA1
Foreign bonds	339	BAA2

(Continued)

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2022 Fair Value *(Expressed in thousands)*	2022 Moody Rating
Foreign corporate bonds (held in U.S. currency), Continued:		
Foreign bonds	651	BAA3
Foreign bonds	125	CAA3
Foreign bonds	1,232	NA
	16,495	
Foreign corporate bonds (held in foreign currency):		
Foreign bonds	639	B1
Foreign bonds	1,551	B2
Foreign bonds	382	B3
Foreign bonds	215	BA2
Foreign bonds	409	BA3
Foreign bonds	267	BAA1
Foreign bonds	422	BAA3
Foreign bonds	194	BAA3U
Foreign bonds	62	CAA1
Foreign bonds	102	CAA2
Foreign bonds	619	NR
	4,862	

(Continued)

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2022	
	Fair Value *(Expressed in thousands)*	Moody Rating
Foreign government bonds (held in U.S. currency):		
Foreign government bonds	898	AA2
Foreign government bonds	119	B2
Foreign government bonds	136	BA2
Foreign government bonds	162	BA3
Foreign government bonds	74	BAA1
Foreign government bonds	172	BAA2
Foreign government bonds	146	CAA1
	1,707	
Foreign government bonds (held in foreign currency):		
Foreign government bonds	442	A2
Foreign government bonds	118	AA3U
Foreign government bonds	119	B2
Foreign government bonds	916	BA2
Foreign government bonds	1,331	BAA1
Foreign government bonds	859	BAA2
Foreign government bonds	171	BAA3
Foreign government bonds	993	CA
Foreign government bonds	702	NR
	5,651	
Total fair value of credit risk	$ 307,134	

Concentration of Credit Risk

The Fund limits its exposure to concentrations of credit risk through its investment policy and asset allocation policy. Within asset classes, individual securities are limited to not more than 6% of the investment manager's portfolio; however, securities of one issuer could be represented in more than one asset class. No investments in any one organization, excluding those guaranteed by the U.S. government, represented 5% or more of the Fund's net position at June 30, 2023 or 2022, except for $169,301,031 and $158,862,729 invested in the Pooled Fixed Income Fund at June 30, 2023 and 2022, respectively. While the investment is over 5% of the net position, the Fund has a share of each individual security of the Pooled Fixed Income Fund and no ownership interest in a single security would exceed 5%.

(2) CASH AND INVESTMENTS, CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Mortgage-backed securities are highly sensitive to interest rate changes. The investment policy manages interest rate risk by limiting the effective duration of an actively managed fixed-income portfolio. Excluding U.S. government guaranteed securities, effective duration is not to exceed 7 years.

	2023	
	Fair Value *(Expressed in thousands)*	Effective Duration Years
U.S. government securities (government guaranteed):		
U.S. Treasury bonds	$ 29,031	14.86
U.S. Treasury notes	46,630	4.91
Federal National Mortgage Association—FHR	223	3.06
Federal National Mortgage Association—FNR	9,327	3.89
Government National Mortgage Association	40	3.58
Federal National Mortgage Association	1,192	9.76
Federal National Mortgage Association—FNA	410	1.97
GNR	1,446	4.82
Other	15,898	5.42
Foreign government securities:		
Foreign government bonds (held in U.S. currency)	864	8.77
Foreign government bonds (held in foreign currency)	6,624	5.82
Mortgage-backed securities:		
Federal Home Loan Bank	5,279	6.19
First Federal Community Bank	14,118	8.08
Federal Home Loan Mortgage Corp.	87	3.21
Federal National Mortgage Corp.	-	0.00
Corporate bonds:		
Domestic bonds (held in U.S. currency)	148,138	4.48
Foreign bonds (held in U.S. currency)	33,369	3.59
Foreign bonds (held in foreign currency)	7,371	2.10
Total fixed income	$ 320,047	

See Independent Auditors' Report.

(2) CASH AND INVESTMENTS, CONTINUED

Interest Rate Risk, Continued

	2022	
	Fair Value (Expressed in thousands)	Effective Duration Years
U.S. government securities (government guaranteed):		
U.S. Treasury bonds	$ 14,743	18.10
U.S. Treasury notes	35,028	4.32
Federal National Mortgage Association—FHR	317	3.33
Federal National Mortgage Association—FNR	6,702	4.30
Government National Mortgage Association	49	3.61
Federal National Mortgage Association—FNA	790	3.59
GNR	1,701	5.28
Other	26,774	6.16
Foreign government securities:		
Foreign government bonds (held in U.S. currency)	1,706	4.67
Foreign government bonds (held in foreign currency)	5,651	3.55
Mortgage-backed securities:		
Federal Home Loan Bank	5,600	6.56
First Federal Community Bank	4,762	9.16
Federal Home Loan Mortgage Corp.	109	3.43
Federal National Mortgage Corp.	141	2.41
Corporate bonds:		
Domestic bonds (held in U.S. currency)	181,705	4.96
Foreign bonds (held in U.S. currency)	16,495	4.22
Foreign bonds (held in foreign currency)	4,861	3.61
Total fixed income	$ 307,134	

(2) CASH AND INVESTMENTS, CONTINUED

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy limits foreign equity investments to 10% of total net position through its asset allocation policy. Investment in foreign equities and fixed income is shown by monetary unit to indicate possible foreign currency risk.

	2023	
	Fair Value *(Expressed in thousands)*	Type
Foreign currency:		
Argentina peso	$ 351	Fixed Income
Australian Dollar	53	Foreign Currency
Bermuda dollar	3,164	Equity
Bermuda dollar	2,619	Fixed Income
Brazilian real	4,041	Equity
Brazilian real	416	Fixed Income
Brazilian real	41	Foreign Currency
British pound sterling	49,784	Equity
British pound sterling	7,043	Fixed Income
British pound sterling	137	Foreign Currency
Canadian dollar	3,535	Equity
Canadian dollar	9,174	Fixed Income
Canadian dollar	47	Foreign Currency
Cayman dollar	8,738	Equity
Cayman dollar	2,832	Fixed Income
Central African Franc	159	Fixed Income
Colombian peso	129	Fixed Income
Colombian peso	5	Foreign Currency
Danish Krone	11,710	Equity
Dominican Peso	178	Fixed Income
Egyptian Pound	109	Fixed Income
Emirati Dirham	187	Fixed Income
Euro	85,225	Equity
Euro	15,108	Fixed Income
Euro	711	Foreign Currency

(Continued)

See Independent Auditors' Report.

(3) CASH AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

	2023 Fair Value *(Expressed in thousands)*	Type
Foreign currency, Continued:		
Hong Kong dollar	7,114	Equity
Indian rupee	6,355	Equity
Indonesian rupiah	1,101	Fixed Income
Indonesian rupiah	8	Foreign Currency
International	1,470	Fixed Income
Japanese yen	33,591	Equity
Jersey Pound	4,178	Equity
Jersey Pound	323	Fixed Income
Liberian Dollar	73	Equity
Liberian Dollar	477	Fixed Income
Mexican peso	2,513	Fixed Income
Mexican peso	71	Foreign Currency
Nigerian Naira	142	Fixed Income
Panamanian Balboa	1,094	Fixed Income
Peruvian nuevo sol	416	Fixed Income
Polish Zloty	554	Fixed Income
Polish Zloty	17	Foreign Currency
Romanian Leu	100	Fixed Income
Russian ruble	525	Fixed Income
South African Rand	705	Fixed Income
South African Rand	2	Foreign Currency
South Korean Won	8,804	Equity
Swedish Krona	4,752	Equity
Swedish Krona	162	Fixed Income
Swiss franc	25,762	Equity
Taiwan Dollar	9,668	Equity
West African Rand	93	Fixed Income
	$ 315,566	

See Independent Auditors' Report.

(2) CASH AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

	2022	
	Fair Value *(Expressed in thousands)*	Type
Foreign currency:		
Argentina peso	$ 283	Fixed Income
Australian Dollar	90	Foreign Currency
Bermuda dollar	2,760	Equity
Bermuda dollar	785	Fixed Income
Brazilian real	4,376	Equity
Brazilian real	562	Fixed Income
British pound sterling	55,746	Equity
British pound sterling	3,029	Fixed Income
British pound sterling	397	Foreign Currency
Canadian dollar	3,083	Fixed Income
Canadian dollar	5,621	Equity
Canadian dollar	48	Foreign Currency
Cayman dollar	11,548	Equity
Cayman dollar	569	Fixed Income
Central African Franc	145	Fixed Income
Colombian peso	5	Foreign Currency
Colombian peso	80	Fixed Income
Danish Krone	3,752	Equity
Dominican Peso	161	Fixed Income
Egyptian Pound	119	Fixed Income
Emirati Dirham	188	Fixed Income
Euro	61,821	Equity
Euro	9,691	Fixed Income
Euro	511	Foreign Currency
Hong Kong dollar	10,726	Equity
Indian rupee	4,692	Equity

(Continued)

See Independent Auditors' Report.

(2) CASH AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

	2022	
	Fair Value *(Expressed in thousands)*	Type
Foreign currency, Continued:		
Indonesian rupiah	1,000	Fixed Income
Indonesian rupiah	52	Foreign Currency
International	1,375	Fixed Income
Japanese yen	18,319	Equity
Jersey Pound	111	Equity
Jersey Pound	108	Fixed Income
Mexican peso	2,330	Fixed Income
Mexican peso	105	Foreign Currency
New Israeli Sheqel	34	Equity
Nigerian Naira	120	Fixed Income
Norwegian krone	3,990	Equity
Panamanian Balboa	528	Fixed Income
Peruvian nuevo sol	418	Fixed Income
Polish Zloty	442	Fixed Income
Polish Zloty	4	Foreign Currency
Romanian Leu	89	Fixed Income
Russian ruble	1,536	Fixed Income
South African Rand	722	Fixed Income
South African Rand	31	Foreign Currency
South Korean Won	898	Fixed Income
Swedish Krona	4,929	Equity
Swedish Krona	214	Fixed Income
Swiss franc	25,788	Equity
Taiwan Dollar	7,334	Equity
USD	157	Fixed Income
West African Rand	82	Fixed Income
	$ 251,504	

Securities held in U.S. currency that are traded in foreign markets or are significantly influenced by foreign exchange rates are included in the foreign currency risk shown in the schedule above.

See Independent Auditors' Report.

(2) CASH AND INVESTMENTS, CONTINUED

Pooled Fixed Income Funds

The pooled fixed income funds consisted of an investment in the Reams Asset Management, Unconstrained Fixed Income Composite (the "Pooled Fixed Income Fund"), a commingled fund. The Pooled Fixed Income Fund seeks to maximize risk-adjusted total return by systematically pursuing relative value opportunities throughout all sectors of the fixed income market. At June 30, 2023, the average duration of the portfolio of the Pooled Fixed Income Fund was 5.1 years, the average maturity was 6.2 years, the yield to maturity was 6.30%, and the average asset quality was Aa3. At June 30, 2022, the average duration of the portfolio of the Pooled Fixed Income Fund was 4.2 years, the average maturity was 5.1 years, the yield to maturity was 5.70%, and the average asset quality was A2.

At June 30, the Pooled Fixed Income Fund primarily consisted of:

Fixed Income Securities	Percentage	
	2023	2022
Corporate	35%	51%
Asset-backed	8%	3%
Non-U.S. dollar and other	0%	4%
Cash and cash equivalents	1%	6%
Treasury	26%	35%
Mortgage-backed	30%	1%

The Fund's investment in the Pooled Fixed Income Fund was approximately 3.00% and 2.92% of the total portfolio of the total Pooled Fixed Income Funds at June 30, 2023 and 2022, respectively.

See Independent Auditors' Report.

(2) CASH AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Fund had the following recurring fair value measurements as of June 30:

2023 **Investments Measured at Fair Value**	Amounts Measured at Fair Value	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)
U.S. government securities	$ 123,680,936	96,152,292	27,528,644	-
Foreign government securities	7,488,403	-	7,488,403	-
Domestic corporate bonds	148,138,194	-	148,138,194	-
Foreign corporate bonds	40,740,134	-	40,740,134	-
Domestic stocks	570,294,891	570,294,891	-	-
Foreign stocks	266,245,236	266,245,236	-	-
Pooled fixed income funds	169,301,031	-	169,301,031	-
Alternative investments	135,995,592	135,995,592	-	-
	1,461,884,417	1,068,688,011	393,196,406	-
Alternative investments measured at NAV:				
Core real estate	126,584,068			
Non-real estate	113,657,241			
	240,241,309			
Total investments at fair value	$ 1,702,125,726	1,068,688,011	393,196,406	-

See Independent Auditors' Report.

(2) CASH AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

2022 **Investments Measured at Fair Value**		Amounts Measured at Fair Value	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)
U.S. government securities	$	96,714,178	60,130,451	36,583,727	-
Foreign government securities		7,357,853	-	7,357,853	-
Domestic corporate bonds		181,705,271	-	181,705,271	-
Foreign corporate bonds		21,356,678	-	21,356,678	-
Domestic stocks		504,409,293	504,409,293	-	-
Foreign stocks		221,546,746	221,546,746	-	-
Pooled fixed income funds		158,862,729	-	158,862,729	-
Alternative investments		131,577,051	131,577,051	-	-
		1,323,529,799	917,663,541	405,866,258	-
Alternative investments measured at NAV:					
Core real estate		119,206,739			
Non-real estate		99,161,297			
		218,368,036			
Total investments at fair value	$	1,541,897,835	917,663,541	405,866,258	-

Debt and equity securities and alternative investments in Level 1 are reported at fair value, as determined by the Fund's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. Debt and equity securities classified in Level 2 of the fair value hierarchy are inputs, other than quoted prices included within Level 1, which are observable either directly or indirectly.

See Independent Auditors' Report.

(2) CASH AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

Alternative investments that are not classified as Level 1 investments are carried at the NAV of the fund as provided by the administrator or general partner as these investments do not have a readily determinable fair value. The Fund uses the NAV to determine the fair value for all alternative investments which (a) do not have a readily determinable fair value and (b) a proportionate share of the net assets is attributed to member units or an ownership interest in partners' capital. Management evaluates the values provided based on a number of factors, including obtaining an understanding of the fund's underlying investments, strategy, positions, and valuation methodologies, obtaining audited financial statements, obtaining verification of transactions at or near year end, and comparing information provided by the fund administrator or general partner to other available information such as sector data and indexes. Because alternative investments are not readily marketable, their NAV is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such a difference could be material. Discretionary redemption of the investment in the limited partnerships by the Fund is not permitted.

Fair Value of Private Equity—The Fund participates in a number of private equity partnerships as a limited partner. Private equity investments are structured to be operated by a general partner, usually highly experienced in the specific focus of the partnership, who calls for investments from the limited partners when a suitable investment opportunity arises. As such, investments in private equity can generally never be redeemed, but instead participate in distributions from the partnership as liquidation of the underlying assets are realized.

The Fund's private equity (PE) investments have a long investment horizon of 5 to 10 years, are not liquid, and the Fund generally holds this type of investment to maturity. Depending on the type of holdings within a given partnership, the investment horizon can be extended if the general partner deems the remaining investments in the fund still hold significant future value and a majority of limited partners concur. The Fund's PE general partners typically make fair value determinations on the investments in each of their respective funds quarterly using a variety of pricing techniques including, but not limited to, observable transaction values for similar investments, third-party bids, appraisals of both properties and businesses, and public market capitalization of similar or like businesses. Each PE fund then calculates the fair value of the Fund's ownership of the partners' capital on a quarterly basis. Although most PE interests are marketable in a secondary market, the Fund generally does not sell its interests early at values less than its interest in the partnership.

Additional information on alternative investments is described in Note 4.

(3) DERIVATIVES

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Fund's derivatives policy identifies and allows common derivative investments and strategies which are consistent with applicable law and the Investment Policy Statement and requires investment managers to petition for the inclusion of additional derivative instruments and strategies. The guidelines also require investment managers to follow certain controls and documentation and risk management procedures. The Fund enters into these certain derivative instruments primarily to enhance the performance and reduce the volatility of its portfolio. It enters futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk and uses forward foreign exchange contracts primarily to hedge foreign currency exposure. The tables below summarize the various contracts in the portfolio as of June 30, 2023 and 2022. The notional values associated with the futures and options contracts are generally not recorded in the financial statements, as they represent the obligation to purchase the futures contracts. Unrealized gains or losses are recognized daily by the investment manager and have been reflected in the Fund's financial statements. Interest risks associated with these investments are included in the interest rate risk disclosures. The Fund does not anticipate additional significant market risk from the futures, options, or currency contracts.

Futures Contracts

	Expiration Date	Long/Short		Notional/ Fair Value *(Expressed in thousands)*
2023				
U.S. 10-year note	September 2023	Short	$	(2,694)
U.S. 5-year note	September 2023	Short		2,142
U.S. long bond	September 2023	Short		(761)
Long GILT future	September 2023	Short		727
Euro-BUND future	September 2023	Short		2,480
U.S. ultra bond	September 2023	Short		(136)
2022				
U.S. 10-year note	September 2022	Short	$	(2,845)
U.S. 5-year note	September 2022	Short		(3,704)
U.S. long bond	September 2022	Short		(832)
AUST 3-year bond	September 2022	Short		1,330
90 day Euro future	December 2022	Short		4,093
90 day Euro future	December 2023	Long		1,938
U.S. ultra bond	September 2022	Short		309

(3) DERIVATIVES, CONTINUED

Foreign Currency Forward Contracts

		2023	2022
		(Expressed in thousands)	
Pending receivable	$	12,650	12,372
Pending payable		(12,766)	(12,306)
Foreign currency forward contracts net asset	$	(116)	66

As of June 30, 2023, the foreign currency forward contracts expire in August 2023 and September 2023. During the years ended June 30, 2023 and 2022, realized (losses) gains on foreign currency contracts were approximately $(696,000) and $669,000, respectively.

The Fund invests in mortgage-backed securities, which are reported at fair value in the statements of net position and the balance sheets and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the values of these securities. The Fund invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding interest rate risks for these investments are included under the interest rate risk disclosures.

(4) ALTERNATIVE INVESTMENTS

Alternative investments as of June 30, including limited partnerships, were as follows:

	2023		
Company	Fair Value	Unfunded Commitment	Purpose
Real Estate			
AEW Core Property Trust, Inc.	$ 61,911,712	-	Real estate investment trust.
AEW VII	852,863	690,264	Real estate investment trust.
Siguler Guff	14,129,088	4,497,500	Investments in distressed opportunities in commercial real estate.
UBS Trumbull	23,964,399	-	Real estate investment trust.
	100,858,062	5,187,764	
Fund of Funds			
PIMCO All Asset Fund	79,473,878	-	Fund invests in other PIMCO funds (A fund of funds).
Other			
Medley Opportunity Fund II L.P.	2,004,016	1,332,729	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Monroe Capital	44,477,074	7,493,699	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Tortoise	56,521,714	-	Investments consist of limited partnerships in the oil and gas industries.
Monroe Capital IV	17,284,607	3,000,000	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Angelo Gordon	49,891,544	5,000,000	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Brookfield	25,726,006	-	Open-end fund investing in real estate finance-related transactions in a credit risk position that is senior to traditional equity and junior mezzanine debt and subordinate to senior debt.
	195,904,961	16,826,428	
Total alternative investments	$ 376,236,901	22,014,192	

See Independent Auditors' Report.

(4) ALTERNATIVE INVESTMENTS, CONTINUED

	2022		
Company	Fair Value	Unfunded Commitment	Purpose
Real Estate			
AEW Core Property Trust, Inc.	$ 69,124,459	-	Real estate investment trust.
AEW VII	1,043,265	690,264	Real estate investment trust.
Siguler Guff	18,420,796	4,497,500	Investments in distressed opportunities in commercial real estate.
UBS Trumbull	30,618,219	-	Real estate investment trust.
	119,206,739	5,187,764	
Fund of Funds			
PIMCO All Asset Fund	75,923,629	-	Fund invests in other PIMCO funds (A fund of funds).
Other			
Medley Opportunity Fund II L.P.	3,486,754	1,332,729	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Monroe Capital	44,683,079	7,493,699	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Tortoise	55,653,422	-	Investments consist of limited partnerships in the oil and gas industries.
Monroe Capital IV	10,036,903	10,000,000	Investments consist of senior secured direct loans to corporate entities that meet certain criteria.
Angelo Gordon	40,954,561	12,500,000	Investments consist of limited partnerships in the oil and gas industries.
	154,814,719	31,326,428	
Total alternative investments	$ 349,945,087	36,514,192	

(5) CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Balance at June 30, 2022	Additions	Disposals	Balance at June 30, 2023
Depreciable capital assets:				
Office equipment and furnishings	$ 312,901	31,673	-	344,574
Accumulated depreciation:				
Office equipment and furnishings	(251,087)	(11,464)	-	(262,551)
Capital assets, net	$ 61,814	20,209	-	82,023

	Balance at June 30, 2021	Additions	Disposals	Balance at June 30, 2022
Depreciable capital assets:				
Office equipment and furnishings	$ 307,463	5,438	-	312,901
Accumulated depreciation:				
Office equipment and furnishings	(242,022)	(9,065)	-	(251,087)
Capital assets, net	$ 65,441	(3,627)	-	61,814

(6) CHANGES IN COMPENSATED ABSENCES

Compensated absence activity was as follows:

Balance at June 30, 2022	Additions	Reductions	Balance at June 30, 2023	Amounts Due Within 1 Year
$ 228,841	40,022	(25,068)	243,795	97,518

Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022	Amounts Due Within 1 Year
$ 218,190	137,232	(126,581)	228,841	91,536

See Independent Auditors' Report.

(7) AVAILABLE EARNINGS AND FUND BALANCES

Available Earnings

Annual earnings available for expenditure were previously considered to be dividends and interest, less fees to manage the Fund. However, Attorney General Opinion 2011-11 (AG Opinion 2011-11), which was issued in August 2011, states that earnings are equal to the income generated from the Fund, including but not limited to interest, dividends, and realized capital gains from investments, minus the costs and expenses of investments and minus any losses realized by the Fund. As a result of AG Opinion 2011-11, the Board of Investors and the Board of Directors reached an agreement in February 2012 that $42,898,847 of earnings (July 1, 2001, through June 30, 2010) as defined by AG Opinion 2011-11 would be available for certification in addition to any current year earnings in years in which current year earnings to be certified were less than 5% of the corpus of the Fund. The $42,898,847 was reflected as assigned to be certified earnings. Of this reserve, $13,104,185, $18,789,438, $84,186, $1,041,808, and $7,620,259 was certified in the November 2017, November 2016, November 2015, November 2013, and in the November 2012 board meetings, respectively, to bring the amount in the total certification up to 5% of the corpus, thus reducing the reserve balance to $2,258,971 as of June 30, 2019. The $2,258,971 remaining amount of the reserve was certified by the Board of Investors at the November 12, 2020, meeting.

Fund Balances

Fund balance refers to the difference between assets and liabilities in the governmental funds balance sheet. Fund balance, as defined in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as applicable to the Fund, consists of the following three categories:

- Nonspendable Fund Balance: The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash, including inventories and prepaid amounts. It may also include the long-term amounts of loans and receivables, as well as property acquired for resale and the corpus (principal) of a permanent fund.

  Nonspendable amounts are primarily composed of settlement receipts and the net unrealized appreciation or depreciation in the fair value of invested funds.

- Assigned Fund Balance: The assigned fund balance classification reflects amounts that are constrained by the Fund's intent to be used for specific purposes. For purposes of the assigned fund balance, the Fund's Board of Directors and Board of Investors have authority to assign funds for specific purposes.

(7) AVAILABLE EARNINGS AND FUND BALANCES, CONTINUED

Fund Balances, Continued

- Assigned Fund Balance, Continued:

  Assigned by Board of Directors (Certified)

  Prior to 2012, the Board of Directors had set aside 10% of the unassigned fund balance as a reserve to be used for future periods should annual earnings prove insufficient for operations. In November 2011, the Board of Directors chose to limit yearly expenditures of certified earnings to no more than 5% of the corpus of the Fund. Each year, any unexpended certified earnings will be added to the reserve of prior year unspent certified earnings. In essence, unexpended amounts will be moved to assigned fund balances for future years' operations. In 2023, the Board of Directors adopted a policy to limit yearly expenditures by the average of the previous 3 years' certified earnings, plus expected lapse funds, as defined. All the unspent amounts have previously been certified by the Board of Investors.

- Unassigned Fund Balance: The unassigned fund balance essentially consists of excess funds that have not been classified in the above fund balance categories.

  The unassigned fund balance consists of annual earnings that have been certified by the Board of Investors as available for expenditures for approved programs and operations, and contractual income less program and operational expenses.

It is the Fund's policy that expenditures which are incurred for purposes for which both unassigned and assigned fund balances are available, unassigned fund balances are considered to have been spent first.

The Board of Directors manages program and operating expenses that are expended from the assigned and unassigned fund balance. Contract income is the reimbursement of program expenses related to the Helpline and is considered a reduction to unassigned expenses. Operating expenses include salaries, travel, and other operating expenses of the Board of Investors and the Board of Directors. The maximum amount allowed for operating expenses is 15% of certified earnings in any fiscal year. Operating expenses do not include program expenses or investment management expenses.

(7) AVAILABLE EARNINGS AND FUND BALANCES, CONTINUED

Fund Balances, Continued

A reconciliation of the nonspendable, assigned, and unassigned components of the fund balances as of June 30 is as follows:

	2023			
	Nonspendable	Assigned Available for Expenditure and Certified	Unassigned	Total
Balance at June 30, 2022	$ 1,306,413,241	155,317,875	113,054,354	1,574,785,470
Settlement receipts	52,187,365	-	-	52,187,365
Miscellaneous other receipts	-	-	-	-
Net unrealized gains on investments	108,500,977	-	-	108,500,977
Miscellaneous income	12,188	-	-	12,188
Contract income	-	-	4,400,000	4,400,000
Expendable earnings, including net realized gains/losses on investments	-	-	66,702,881	66,702,881
Program and operating expenses	-	-	(62,982,415)	(62,982,415)
Transfer—estimate of certified earnings for 2023	-	54,471,939	(54,471,939)	-
Balance at June 30, 2023	$ 1,467,113,771	209,789,814	66,702,881	1,743,606,466

(7) AVAILABLE EARNINGS AND FUND BALANCES, CONTINUED

Fund Balances, Continued

	2022			
	Nonspendable	Assigned Available for Expenditure and Certified	Unassigned	Total
Balance at June 30, 2021	$ 1,483,034,799	78,459,887	123,243,629	1,684,738,315
Settlement receipts	57,171,146	-	-	57,171,146
Miscellaneous other receipts	4,922	-	-	4,922
Net unrealized losses on investments	(233,833,355)	-	-	(233,833,355)
Miscellaneous income	35,729	-	-	35,729
Contract income	-	-	4,000,000	4,000,000
Expendable earnings, including net realized gains/losses on investments	-	-	113,054,354	113,054,354
Program and operating expenses	-	-	(50,385,641)	(50,385,641)
Transfer—estimate of certified earnings for 2022	-	76,857,988	(76,857,988)	-
Balance at June 30, 2022	$ 1,306,413,241	155,317,875	113,054,354	1,574,785,470

The amount of earnings available for certification for the period ended June 30, 2023, was $66,702,881. The amount of earnings available for certification for the period ended June 30, 2022, was $113,054,354.

At their August 17, 2023 meeting, the Board of Investors certified $62,024,807, reserving a portion of the amount available for certification for possible audit adjustments. It is anticipated that the Board of Investors will certify an additional amount at their November 2023 meeting. The Board of Investors has defined the corpus of the Fund as the custodial market value of the Fund as of June 30, less any previous certified earnings (current year and previous years' certified earnings that remain invested) within the Fund at June 30.

(7) AVAILABLE EARNINGS AND FUND BALANCES, CONTINUED

Fund Balances, Continued

The transfer of fund balances noted in the above reconciliation of $54,471,939 and $76,857,988 during 2023 and 2022, respectively, was to adjust the unassigned balance to the estimate of certified earnings for each respective year.

(8) PENSION PLAN

Plan Description

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

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

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

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

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

(8) PENSION PLAN, CONTINUED

Benefits Provided

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

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

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

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

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

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

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

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

See Independent Auditors’ Report.

(8) PENSION PLAN, CONTINUED

Contributions

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

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

For 2023, 2022, and 2021, state agency employers contributed 16.50% on all salary, and state employees contributed 3.50% on all salary.

Members have the option to elect to increase the benefit computation factor for all future service from 2.00% to 2.50%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91%, which is actuarially determined. The election is available for all state, county, and local government employees, except for elected officials and hazardous duty members.

Contributions to OPERS for the pension plan by the Fund for 2023, 2022, and 2021 were as follows:

2023	2022	2021
$ 189,066	173,231	179,346

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

At June 30, 2023 and 2022, the Fund reported a liability and asset, respectively, for its proportionate share of the net pension liability and asset for each year. The net pension liability and asset was measured as of June 30, 2022 and 2021, and the total pension liability and asset used to calculate the net pension liability and asset was determined by an actuarial valuation as of July 1, 2022 and 2021, respectively. The Fund's proportion of the net pension liability and asset for each year was based on the Fund's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2022 and 2021, respectively. Based upon this information, the Fund's proportion was 0.09221134% at June 30, 2023, and 0.0809722% at June 30, 2022, respectively.

See Independent Auditors' Report.

(8) PENSION PLAN, CONTINUED

For the years ended June 30, 2023 and 2022, the Fund recognized pension benefit of $108,482 and $301,273, respectively. At June 30, 2023 and 2022, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2023		
Differences between expected and actual experience	$ -	35,537
Changes of assumptions	-	-
Proportionate changes	5,701	4,927
Net difference between projected and actual earnings on pension plan investments	813,561	-
Fund contributions subsequent to the measurement date	189,066	-
	$ 1,008,328	40,464
2022		
Differences between expected and actual experience	$ -	27,326
Changes of assumptions	80,080	-
Proportionate changes	725	17,247
Net difference between projected and actual earnings on pension plan investments	-	1,211,955
Fund contributions subsequent to the measurement date	173,231	-
	$ 254,036	1,256,528

Reported deferred outflows of resources of $189,066 related to pensions resulting from the Fund's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2023, will be recognized in pension expense as follows:

Years Ending June 30:	
2024	$ 114,409
2025	127,873
2026	99,625
2027	436,891
	$ 778,798

See Independent Auditors' Report.

(8) PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions

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

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

The actuarial assumptions used in the July 1, 2022, valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2019. The experience study report is dated May 13, 2020.

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

(8) PENSION PLAN, CONTINUED

Actuarial Methods and Assumptions, Continued

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
2022		
U.S. large cap equity	34.0%	4.7%
U.S. small cap equity	6.0%	5.8%
Int developed equity	23.0%	6.5%
Emerging market equity	5.0%	8.5%
Core fixed income	25.0%	0.5%
Long-term treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
	100.0%	
2021		
U.S. large cap equity	34.0%	4.7%
U.S. small cap equity	6.0%	5.8%
Int developed equity	23.0%	6.5%
Emerging market equity	5.0%	8.5%
Core fixed income	25.0%	0.5%
Long-term treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability and asset was 6.50% for 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability and asset for each year. The discount rate determined does not use a municipal bond rate.

See Independent Auditors' Report.

(8) PENSION PLAN, CONTINUED

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

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

		1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
June 30, 2023				
Net pension liability (asset)	$	1,899,764	775,096	(176,047)

		1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
June 30, 2022				
Net pension asset	$	(100,894)	(1,086,777)	(1,920,082)

Pension Plan Fiduciary Net Position

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

(9) OTHER POSTEMPLOYMENT BENEFITS

HEALTH INSURANCE SUBSIDY PLAN OPEB

Description

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

The Fund accounts for HISP in accordance with GASB 75, which requires the recording of the Fund's allocated share of the net OPEB liability, deferred outflows, deferred inflows, and OPEB expense associated with the HISP.

Benefits Provided

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

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

Contributions

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

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation. Only employers contribute to the HISP. For 2023 and 2022, *state agency employers* contributed 16.50% for OPERS programs on all salaries.

Contributions to OPERS for the HISP by the Fund for year ended June 30, 2023 and 2022, were approximately $13,768 and $12,615, respectively.

At June 30, 2023 and 2022, the Fund reported an asset for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022 and 2021, respectively, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2022 and 2021, respectively. The Fund's proportion of the net OPEB asset was based on the Fund's contributions received by OPERS relative to the total contributions received by OPERS for all participating employers as of June 30, 2022 and 2021, respectively. Based upon this information, the Fund's proportion was 0.09221134% and 0.0809722% at June 30, 2023 and 2022, respectively.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED

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

For the years ended June 30, 2023 and 2022, the Fund recognized OPEB benefit related to the HISP of $25,867 and $21,400, respectively. At June 30, 2023 and 2022, the Fund reported deferred outflows of resources and deferred inflows of resources related to the HISP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2023		
Differences between expected and actual experience	$ -	43,116
Changes of assumptions	7,287	-
Proportionate changes	534	11,797
Net difference between projected and actual earnings on OPEB investments	32,663	-
Fund contributions subsequent to the measurement date	13,768	-
	$ 54,252	54,913
2022		
Differences between expected and actual experience	$ -	36,086
Changes of assumptions	9,897	-
Proportionate changes	1,009	7,290
Net difference between projected and actual earnings on OPEB investments	-	31,697
Fund contributions subsequent to the measurement date	12,615	-
	$ 23,521	75,073

See Independent Auditors' Report.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED

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

Reported deferred outflows of resources of $13,768 related to OPEB resulting from the Fund's contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2024. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2023, will be recognized in OPEB expense as follows:

Years Ending June 30:		
2024	$	(5,907)
2025		(5,540)
2026		(4,693)
2027		5,978
2028 and thereafter		(4,267)
	$	(14,429)

See Independent Auditors' Report.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED

Actuarial Methods and Assumptions

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

Investment return:	6.50% for both 2022 and 2021, compounded annually net of investment expense and including inflation
Salary increases:	3.25% to 9.25% for both 2022 and 2021
Mortality rates:	For 2022 and 2021—Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are set back one year, and female rates are set forward two years.
Annual post-retirement benefit increases:	None
Assumed inflation rate:	2.50% for both 2022 and 2021
Payroll growth:	3.25% for both 2022 and 2021
Actuarial cost method:	Entry age
Select period for the termination of employment assumptions:	10 years
Healthcare trend rate:	Not applicable based on how OPERS is structured and benefit payments are made.

The actuarial assumptions used in the July 1, 2022, valuations are based on the results of the most recent actuarial experience study, which covers the 3-year period ending June 30, 2019. The experience study report is dated May 13, 2020.

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

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED

Actuarial Methods and Assumptions, Continued

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
2022		
U.S. large cap equity	34.0%	4.7%
U.S. small cap equity	6.0%	5.8%
Int developed equity	23.0%	6.5%
Emerging market equity	5.0%	8.5%
Core fixed income	25.0%	0.5%
Long-term treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
	100.0%	
2021		
U.S. large cap equity	34.0%	4.7%
U.S. small cap equity	6.0%	5.8%
Int developed equity	23.0%	6.5%
Emerging market equity	5.0%	8.5%
Core fixed income	25.0%	0.5%
Long-term treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 6.50% for 2022 and 6.50% for 2021. The projection of cash flows used to determine the discount rate assumed that contributions from the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, OPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determined does not use a municipal bond rate.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

HEALTH INSURANCE SUBSIDY PLAN OPEB, CONTINUED

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

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
June 30, 2023			
Net OPEB asset	$ (55,705)	(86,298)	(112,511)

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
June 30, 2022			
Net OPEB asset	$ (83,708)	(111,322)	(134,991)

OPEB Plan Fiduciary Net Position

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

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY

Description

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

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

The Fund accounts for the IRSHIP OPEB liability in accordance with GASB 75, which requires the recording of the Fund's allocated share of the net OPEB liability, deferred outflows, deferred inflows, and OPEB expense.

See Independent Auditors' Report.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED

Description, Continued

The IRSHIP provides members with postretirement medical benefits until age 65 if the retiree and spouse pay the full active premium. Participation in the health insurance plan can elect to enroll in special coverage, and surviving spouses may continue in the Plan until age 65. Contributions to the health insurance plan are made by both participants and the Fund on a "pay as you go" basis. Fund contributions for the years ended June 30, 2023 and 2022, were approximately $6,419 and $6,100, respectively.

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

At June 30, 2023 and 2022, the Fund reported a liability for its proportionate share of the net IRSHIP OPEB liability. The net IRSHIP OPEB liability was measured as of June 30, 2022 and 2021, respectively, and the total IRSHIP OPEB liability used to calculate the net IRSHIP OPEB liability was determined by an actuarial valuation as of July 1, 2022 and 2021, respectively. The Fund's proportion of the net IRSHIP OPEB liability was based on the Fund's active employees as of July 1, 2022 and 2021, respectively, to all active employees of the State agencies included in the State of Oklahoma's calculation. Based upon this information, the Fund's proportion was 0.0579892% and 0.058886% at June 30, 2023 and 2022, respectively.

See Independent Auditors' Report.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED

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

For the years ended June 30, 2023 and 2022, the Fund recognized OPEB benefit of $4,146 and $23,411, respectively. At June 30, 2023 and 2022, the Fund reported deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2023		
Differences between expected and actual experience	$ -	398
Changes of assumptions	3,761	7,089
Fund contributions subsequent to the measurement date	6,419	-
	$ 10,180	7,487
2022		
Differences between expected and actual experience	$ -	511
Changes of assumptions	4,835	2,689
Fund contributions subsequent to the measurement date	6,100	-
	$ 10,935	3,200

See Independent Auditors' Report.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED

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

Reported deferred outflows of resources of $6,419 related to OPEB resulting from the Fund's contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2024. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to the IRSHIP OPEB liability as of June 30, 2023, will be recognized in OPEB expense as follows:

Years Ending June 30:		
2024	$	(532)
2025		(532)
2026		(682)
2027		(1,172)
2028		(808)
	$	(3,726)

Actuarial Methods and Assumptions

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

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

  For 2022 and 2021, Pub-2010 Public Retirement Plans General Mortality Table weighted by Headcount projected by MP-2021 as of July 10, 2021.

See Independent Auditors' Report.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED

Actuarial Methods and Assumptions, Continued

- Salary scale, retirement rate, withdrawal rate, and disability rate actuarial assumptions are based on rates for the various retirement systems that the health insurance plan's participants are in, including—
    - Oklahoma Public Employees Retirement System
    - Oklahoma Law Enforcement Retirement System
    - Teachers' Retirement System of Oklahoma
    - Uniform Retirement System of Justices & Judges
    - Oklahoma Department of Wildlife Conservation
    - Defined Benefit Pension Plan
- Plan participation—45% for 2022 and 2021 of retired employees are assumed to participate in the health insurance plan.
- Marital assumptions—

    Male participants: 25% who elect coverage are assumed to have a spouse who will receive coverage

    Female participants: 15% who elect coverage are assumed to have a spouse who will receive coverage

    Males are assumed to be 3 years older than their spouses.
- Plan entry date is the date of hire.
- Actuarial cost method—Entry age normal based upon salary.
- Healthcare trend rate—6.10% decreasing to 4.80% for 2022 and 2021.

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54% and 2.16% for June 30, 2023 and 2022, respectively. The discount rate was determined using the Bond Buyer GO 20-Bond Municipal Bond Index.

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

Changes in the Net OPEB Liability

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

		2023	2022
Balance at beginning of year	$	82,876	56,047
Changes for the year:			
Service cost		3,567	3,659
Interest expense		1,775	1,862
Changes in assumptions		(1,675)	(1,212)
Net change in deferred outflows/inflows		(6,597)	29,029
Actual experience		(251)	(295)
Benefits paid		(6,007)	(6,214)
Net changes		(9,188)	26,829
Balance at end of year	$	73,688	82,876

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

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

		1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
June 30, 2023				
Net OPEB liability	$	78,787	73,688	68,911

		1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
June 30, 2022				
Net OPEB liability	$	88,506	82,876	77,544

(9) OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

IMPLICIT RATE SUBSIDY OF HEALTH INSURANCE PLAN OPEB LIABILITY, CONTINUED

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

Sensitivity of the net OPEB liability to changes in the healthcare trend rate—The following presents the net OPEB liability at June 30, 2023 and 2022, calculated using the healthcare trend rates shown in the table below for each respective year, as well as what the liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease in Healthcare Trend Rate 5.10% decreasing to 3.80%)	Current Healthcare Trend Rate (6.10% decreasing to 4.80%)	1% Increase in Healthcare Trend Rate (7.10% decreasing to 5.80%)
2023			
Net OPEB liability	$ 66,499	73,688	82,114

	1% Decrease in Healthcare Trend Rate 5.10% decreasing to 3.80%)	Current Healthcare Trend Rate (6.10% decreasing to 4.80%)	1% Increase in Healthcare Trend Rate (7.10% decreasing to 5.80%)
2022			
Net OPEB liability	$ 75,079	82,876	92,033

A copy of the actuarial valuations for the IRSHIP OPEB liability can be obtained at the following link: http://omes.ok.gov/sites/g/files/gmc316/f/ActuarialValuationReport2022.pdf.

(10) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND DEFERRED SAVINGS INCENTIVE PLAN

Deferred Compensation Plan

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

(10) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND DEFERRED SAVINGS INCENTIVE PLAN, CONTINUED

Deferred Compensation Plan, Continued

The supervisory authority for the management and operation of the Deferred Compensation Plan is the Board of Trustees of the Oklahoma Public Employees Retirement System (the "Board").

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

Participants may defer until future years up to the lesser of 100% of their compensation as defined by Deferred Compensation Plan documents or the maximum amount allowed each year as determined by the Internal Revenue Service.

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

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

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

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

(10) OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN AND DEFERRED SAVINGS INCENTIVE PLAN, CONTINUED

Deferred Compensation Plan, Continued

Further information may be obtained from the Deferred Compensation Plan's audited financial statements for the years ended June 30, 2023 and 2022. The Fund believes that it has no liabilities with respect to the Deferred Compensation Plan.

Deferred Savings Incentive Plan

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

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

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

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

(11) OPERATING EXPENSES

The State constitutional amendment creating the Fund also provides for the payment of authorized administrative expenses of the Office of the State Treasurer and the Board of Directors. State statutes further specify that the State Treasurer shall provide any necessary staff support to the Board of Investors and may request funding for the cost of up to two full-time equivalent employees.

During 2007, State statutes were amended and specify that annual operating expenses shall not exceed 15% of certified earnings.

See Independent Auditors' Report.

(12) COMMITMENTS AND CONTINGENCIES

Contracts

The Fund has entered into various contracts to assist in its program operations. The contracts are generally for a commitment of 1 year with options to renew.

Settlement Receipts

As part of the 2013 NPM Adjustment Arbitration settlement, the State agreed to take on additional responsibilities, many of which it was already performing. Major requirements of the settlement are that the State must enforce its Complementary Statute against contraband tobacco products and pay a per-stick amount for cigarette sales which have been taxed and stamped. Enforcement of the settlement is expected to require some State statutory changes. Once the agreement has been finalized, the State may receive additional funds in the future because, as part of the settlement, there will be no withholding from the State's Master Settlement Agreement (MSA) payment, which is expected to increase the State's future annual settlement receipts by an estimated additional $8 million to $10 million.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit I

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Public Employees Retirement Plan
Last 9 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
The Fund's proportion of the net pension liability (asset)	0.09221134%	0.08097220%	0.08322578%	0.07682100%	0.09458290%	0.08440929%	0.07718124%	0.07518864%	0.06132439%
The Fund's proportionate share of the net pension liability (asset)	$ 775,095	(1,086,778)	742,510	102,316	184,477	456,370	765,816	270,441	112,570
The Fund's covered payroll	1,126,339	1,166,099	1,233,654	1,299,584	1,430,370	1,413,248	1,365,406	1,329,158	1,038,952
The Fund's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	68.82%	(93.20)%	60.19%	7.87%	12.90%	32.29%	56.09%	20.35%	10.83%
OPERS' fiduciary net position as a percentage of the total pension liability (asset)	92.24%	112.51%	91.59%	98.63%	97.96%	94.28%	89.48%	96.00%	97.90%

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

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

See Independent Auditors' Report.

Exhibit II

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

SCHEDULE OF THE FUND'S CONTRIBUTIONS
Oklahoma Public Employees Retirement Plan
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 189,066	173,231	179,346	189,736	199,876	219,925	233,186	225,292	219,311	171,427
Contributions in relation to the contractually required contributions	189,066	173,231	179,346	189,736	199,876	219,925	233,186	225,292	219,311	171,427
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
The Fund's covered payroll	$ 1,229,298	1,126,339	1,166,099	1,233,654	1,299,584	1,430,370	1,413,248	1,365,406	1,329,158	1,038,952
Contributions as a percentage of covered payroll*	15.38%	15.38%	15.38%	15.38%	15.38%	15.38%	16.50%	16.50%	16.50%	16.50%

*The Fund implemented GASB 75 effective July 1, 2017; therefore, this amount represents the net percentage for the GASB 68 contribution to OPERS. When combined with the HISP percentage for GASB 75 contributions to OPERS, the total amount contributed to OPERS is 16.50%.

See Independent Auditors' Report.

Exhibit III

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Oklahoma Public Employees Health Insurance Subsidy Plan
Last 6 Fiscal Years*

	2023	2022	2021	2020	2019	2018
The Fund's proportion of the net OPEB (asset) liability	0.09221134%	0.08097220%	0.08322578%	0.07682100%	0.09458290%	0.08440929%
The Fund's proportionate share of the net OPEB (asset) liability	$ (86,298)	(111,322)	(39,019)	(29,864)	(12,240)	9,668
The Fund's covered payroll	1,126,339	1,166,099	1,233,654	1,299,584	1,430,370	1,413,248
The Fund's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(7.66)%	(9.55)%	(3.16)%	(2.30)%	(0.86)%	0.68%
OPERS' fiduciary net position as a percentage of the total OPEB (asset) liability	130.01%	142.87%	114.27%	112.11%	103.94%	96.50%

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

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

See Independent Auditors' Report.

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

SCHEDULE OF THE FUND'S CONTRIBUTIONS
Oklahoma Public Employees Health Insurance Subsidy Plan
Last 6 Fiscal Years

	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 13,768	12,615	13,060	13,817	14,620	16,086
Contributions in relation to the contractually required contributions	13,768	12,615	13,060	13,817	14,620	16,086
Contribution deficiency (excess)	$ -	-	-	-	-	-
The Fund's covered payroll	$ 1,229,298	1,126,339	1,166,099	1,233,654	1,299,584	1,430,370
Contributions as a percentage of covered payroll	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%

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

See Independent Auditors' Report.

Exhibit V

TOBACCO SETTLEMENT ENDOWMENT TRUST FUND

SCHEDULE OF THE FUND'S CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Implicit Rate Subsidy of Health Insurance Plan

Last 6 Fiscal Years

	2023	2022	2021	2020	2019	2018
Total OPEB liability:						
Service cost	$ 3,567	3,659	1,937	2,026	2,557	2,572
Interest	1,775	1,862	1,825	2,203	2,615	2,228
Actual experience	(251)	(294)	5,025	(157)	(612)	-
Changes in assumptions	(8,272)	27,816	(190)	(1,727)	(668)	(3,669)
Benefit payments, including refunds of member contributions	(6,007)	(6,214)	(4,238)	(22,702)	(5,425)	(6,296)
Adoption of GASB 75	-	-	-	-	-	78,743 *
Net change in total OPEB liability	(9,188)	26,829	4,359	(20,357)	(1,533)	73,578
Total OPEB liability—beginning	82,876	56,047	51,688	72,045	73,578	-
Total OPEB liability—ending	$ 73,688	82,876	56,047	51,688	72,045	73,578
Covered-employee payroll	$ 1,126,339	1,166,099	1,233,654	1,299,584	1,430,370	1,413,248
Total OPEB liability as a percentage of covered-employee payroll	6.54%	7.11%	4.54%	3.98%	5.04%	5.21%

*Amount was recognized in the year of adoption.

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

See Independent Auditors’ Report.

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

Board of Directors and Board of Investors
Tobacco Settlement Endowment Trust Fund

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the permanent fund of the Tobacco Settlement Endowment Trust Fund (the "Fund"), which is a part of the State of Oklahoma financial reporting entity, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated September 28, 2023. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. In addition, our report also includes an explanatory paragraph to emphasize the fact that the financial statements include only that portion of the State of Oklahoma that is attributable to transactions of the Fund.

Internal Control Over Financial Reporting

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

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

(Continued)

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

Internal Control Over Financial Reporting, Continued

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

Compliance and Other Matters

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

Purpose of This Report

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

Finley & Cook, PLLC

Shawnee, Oklahoma
September 28, 2023