

November 19, 2024

To the Governance and Management of the
Oklahoma Public Employees Health & Welfare Plan

We have audited the accompanying financial statements of the Oklahoma Public Employees Health & Welfare Plan (the “Plan”) for the years ended June 30, 2024 and 2023, and we will issue our report thereon dated November 19, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 19, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2024 and 2023. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Plan’s financial statements was (were):

- 1) The methods and significant assumptions used to estimate fair values of financial instruments. The Plan’s investment in equity funds are reported at fair value as determined by quoted market prices based on shares held by the Plan at year end. The Plans’ investments in bonds and securities are reported at fair value as determined by significant other observable inputs.
- 2) The methods and significant assumptions used in calculating the rebate receivable. The Plan’s rebate receivable is calculated based on historical performance of rebates based on current year activity.
- 3) The methods and significant assumptions used in calculating the claims liability. The Plan’s claims liability is calculated with the assistance of a specialist by using claims experience for similar past claims.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. A list of all corrected and uncorrected misstatements are attached to this letter.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 19, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

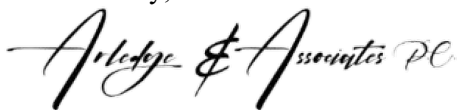
Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the governance and management of the Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,


Arledge & Associates, P.C.



Corrected Adjustments

Account	Account Description	Debit	Credit
30100	Fund Balance	\$8,000	
22000	Bank Loan Payable		\$8,000
[To reconcile debt balance to prior year audited financial statements]			

Account	Account Description	Debit	Credit
30100	Fund Balance	\$412,602	
10060	Arvest Equities Account		\$51,494
10085	Arvest Fixed Income Securities		\$361,108
[To reconcile investment balances to prior year audited financial statements]			

Account	Account Description	Debit	Credit
10060	Arvest Equities Account	\$74,318	
10085	Arvest Fixed Income Securities	\$112,126	
50825	Investment Expense	\$45,547	
41325	Investment Income		\$67,408
41330	Unrealized Gain/Loss		\$164,853
[To record unrealized gain/loss, bring investments to fair value, and record investment income and expenses]			

Account	Account Description	Debit	Credit
40100	Public Entity Premiums	\$5,742	
11150	Accounts Receivables - Unpaid Premiums		\$5,742
[To record the adjustments that true-up the actual premiums received for the month of June]			

Account	Account Description	Debit	Credit
50150	ACA Reinsurance & PCORI Fee	\$19,755	
20000	Accounts Payable		\$19,755
[To record June 2024 expenses that were improperly excluded from Accounts Payable at year end]			

Account	Account Description	Debit	Credit
50210	Claims Supervisor Fees	\$196,548	
20000	Accounts Payable		\$196,548
[To record June 2024 expenses that were improperly excluded from Accounts Payable at year end]			

Uncorrected Adjustments

Account	Account Description	Debit	Credit
	Accounts Payable	\$68,411	
	Group-Life Insurance Expense		\$68,411
[To reverse a group-life insurance expense related to fiscal year 2023]			

Account	Account Description	Debit	Credit
	Expenses	\$12,207	
	Accounts Payable		\$12,207
[To record projected error for June 2024 expenses that were improperly excluded from Accounts Payable at year end]			

Oklahoma Public Employees Health & Welfare Plan
Bartlesville, Oklahoma

Financial Statements

June 30, 2024 and 2023
(With Independent Auditor's Report Thereon)

**OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
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JUNE 30, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

To the Governance and Management
Oklahoma Public Employees Health & Welfare Plan

Opinion

We have audited the accompanying financial statements of Oklahoma Public Employees Health & Welfare Plan (the "Plan"), which comprise the statement of net position as of June 30, 2024 and 2023, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of June 30, 2024 and 2023, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan 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 opinion.

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 of America, 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 Plan's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. 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 Plan'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 Plan'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2024, on our consideration of the Plan'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 Plan'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 Plan's internal control over financial reporting and compliance.

Arlidge & Associates PC

Oklahoma City, Oklahoma
November 19, 2024



**OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
STATEMENT OF NET POSITION**

JUNE 30, 2024 AND 2023

ASSETS	2024	2023
Cash and cash equivalents	\$ 376,558	\$ 708,101
Investments	4,656,429	4,469,985
Accounts receivable - unpaid premiums	2,825,523	2,276,944
Accounts receivable - rebates	1,600,000	1,300,000
Accounts receivable - surcharge	94,215	110,095
Total Assets	\$ <u>9,552,725</u>	\$ <u>8,865,125</u>

LIABILITIES AND NET POSITION

Liabilities:		
Claims payable	\$ 3,253,039	\$ 2,581,229
Bank loan payable	<u>2,314,024</u>	<u>2,529,024</u>
Total Liabilities	<u>5,567,063</u>	<u>5,110,253</u>
Net Position:		
Unrestricted net position	<u>3,985,662</u>	<u>3,754,872</u>
Total Liabilities and Net Position	\$ <u>9,552,725</u>	\$ <u>8,865,125</u>

See accompanying notes and auditor's report.

**OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Revenues:		
Premiums	\$ 40,611,305	\$ 40,107,802
Rebates	3,734,977	3,568,390
Specific reinsurance	514,224	824,113
Subrogation	30,358	54,872
Unrealized and realized losses on investments	67,408	(42,924)
Investment income	164,583	56,805
Other income	-	1,600
Total Revenues	\$ <u>45,122,855</u>	\$ <u>44,570,658</u>
Expenses:		
Claims	\$ 37,546,477	\$ 38,528,378
Claims supervisor fee	3,022,218	2,140,118
Specific reinsurance	1,328,384	1,358,747
Administrator's fee	1,035,949	1,172,605
Life insurance	1,045,553	911,329
VSPVision	474,575	528,487
Interest expense	186,311	168,502
Investment expense	45,547	-
Professional fees	101,153	58,423
ACA reinsurance & PCORI	51,007	23,460
Fidelity bond expense	13,588	13,588
Legal fees	13,949	10,453
Postage	9,220	7,881
Printing	9,203	6,839
Bank fees	6,648	3,012
Dues and Fees	2,283	-
Total Expenses	\$ <u>44,892,065</u>	\$ <u>44,931,822</u>
Net income (loss)	<u>230,790</u>	<u>(361,164)</u>
Net position - beginning of year	<u>3,754,872</u>	<u>4,116,036</u>
Net position - end of year	\$ <u><u>3,985,662</u></u>	\$ <u><u>3,754,872</u></u>

See accompanying notes and auditor's report.

**OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
STATEMENT OF CASH FLOWS**

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net income (loss)	\$ 230,790	\$ (361,164)
Loss on investments	(67,408)	42,924
Adjustment to reconcile net income (loss) to net cash used for operating activities		
Decrease (increase) in accounts receivable - unpaid premiums	(548,579)	123,756
Decrease (increase) in accounts receivable - rebates	(300,000)	(486,366)
Decrease (increase) in accounts receivable - surcharge	15,880	549,951
Increase (decrease) in accounts payable	671,810	739,190
Net cash provided by operating activities	<u>2,493</u>	<u>608,291</u>
Cash flows from investing activities:		
Purchases of investment securities	(119,036)	(139,468)
Proceeds from sales of investment securities	-	117,554
Net cash used in investing activities	<u>(119,036)</u>	<u>(21,914)</u>
Cash flows from financing activities:		
Principal payments on bank loan	(215,000)	(174,976)
Net cash used in financing activities	<u>(215,000)</u>	<u>(174,976)</u>
Net increase (decrease) in cash and cash equivalents	<u>(331,543)</u>	<u>411,401</u>
Cash and cash equivalents, beginning of year	<u>708,101</u>	<u>296,700</u>
Cash and cash equivalents, end of year	<u>\$ 376,558</u>	<u>\$ 708,101</u>

See accompanying notes and auditor's report.

**OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

1. REPORTING ENTITY AND PLAN DESCRIPTION

General

The Oklahoma Public Employees Health & Welfare Plan (hereinafter referred to as "The Plan") was organized on February 1, 1992 under the laws of the State of Oklahoma. Also on February 1, 1992, certain governmental agencies (hereinafter referred to as "Participating Agencies") acting under the provisions of Title 51, Oklahoma Statutes, Sections 167, 168, 169 and 172, Title 74 Oklahoma Statutes, Sections 1001, et seq., and other applicable provisions of Oklahoma Law, by their Inter-Local Government Agreement, established the Plan for the purpose of providing major medical, prescription, dental, vision, life and AD&D insurance benefits for the Participating Agencies' eligible employees and their dependents. These benefits are provided through insurance, self-insurance, or by a combination thereof as determined by the trustees pursuant to the terms of the Trust Agreement.

Premiums and Participants

The health, dental, vision, and life benefits for governmental participants are funded by monthly premiums paid by the counties, schools, municipalities, circuit engineering districts ("CEDs"), individuals, and other such qualified participating agencies. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested.

Pursuant to the authority granted by Oklahoma Statute, the Plan has the authority to establish and change premium rates for the members, employers, and other contributing entities each year. An outside actuarial consultant advises the Plan regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next plan year.

At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Plan. If the assets of the Plan were to be exhausted, participants would not be responsible for the Plan's liabilities.

As of June 30, 2024, there were 85 participating groups in the Plan comprised of twenty-four (24) Oklahoma counties, four (4) schools, thirty-one (31) municipalities, five (5) CED's, and twenty-one (21) other organization types. As of June 30, 2023, there were 97 participating groups in the Plan comprised of twenty-eight (28) Oklahoma counties, five (5) schools, thirty-one (31) municipalities, five (5) CED's, and twenty-eight (28) other organization types.

Benefits

A provider network arrangement is available for health and dental benefits through BlueCross BlueShield. According to this arrangement, network providers agree to accept amounts for covered services and prescription costs that do not exceed the charges allowed by the Plan. Therefore, the network provider can only expect to receive payment from the participant for the charges allowed by the network agreement. Vision and life benefits are fully insured.

**OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

1. REPORTING ENTITY AND PLAN DESCRIPTION--Continued

Benefits--Continued

The Plan offers the following types of insurance coverages:

- Diamond, Platinum, Gold, Silver, and Bronze health plan options for non-Medicare participants;
- Medicare Supplement Plans;
- Medicare Advantage Plan;
- Enhanced and Standard Dental Plan Options;
- Enhanced and Standard Vision Plan Options; and
- Term Life Coverage, both Group and Voluntary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The Plan prepares its financial statements in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”). The Plan is accounted for and presented similarly to a special-purpose government engaged solely in business-type activities.

The financial statements of the Plan are prepared under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred. The Plan uses the economic resources measurement focus where all assets, liabilities, net position, revenues, expenses, and transfers relating to the Plan and net income and capital maintenance are measured.

Cash and Cash Equivalents

The Plan considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments and Investment Income

Investments are stated at fair value based on quoted prices with changes in fair value included in the statements of revenues, expenses, and changes in net position. If quoted prices are not available from active exchanges for identical instruments, then fair values are estimated using quoted prices from less active markets, quoted prices of securities with similar characteristics, or by pricing models utilizing other significant observable inputs.

The Plan records investment purchases and sales based upon the trade date. Therefore, the Plan records either receivables or payables for unsettled sales or purchases, respectively. Such transactions are usually settled within a few days after the trade date.

Realized gains and losses are determined on the average-cost method. The calculation of realized gains and losses is independent of the calculation of the change in net unrealized gains and losses. Realized gains and losses on investments that had been held in more than one year and sold in the current year may have been recognized as unrealized gains and losses in prior years.

Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Reserves

The Plan establishes health, dental, and life reserves based on the ultimate estimated cost of settling claims that have been reported but not settled, and of claims that have been incurred but not yet reported. Reserves for life are classified as current or noncurrent liabilities. HealthChoice disability reserves are also established based on the estimated ultimate cost of settling claims of participants currently receiving benefits and for disability claims incurred but not yet reported to the Plan. Long-term disability reserves are carried at the present value of expected future benefits. The reserves are determined using the Plan's historical benefit payment experience. These estimates are based on data available at the time of estimate and are reviewed by the Plan's independent consulting actuaries. The health, dental, and life reserves include liabilities for claim processing expenses associated with paying claims, which have been incurred, but not yet paid. The length of time for which costs must be estimated depends on the coverage involved. These reserves are included in claims payable on the statement of net position.

Although reserves reflect the Plan's best estimates of the incurred claims to be paid, due to the complex nature of the factors involved in the calculation, the actual results may be more or less than the estimate. The claim reserves are recomputed on a periodic basis using actuarial and statistical techniques, which consider the effects of general economic conditions, such as inflation, and other factors of past experience, such as changes in participant counts. Adjustments to claim reserves are recorded in the periods in which they are made. Claims must be filed no later than the last day of the calendar year immediately following the calendar year in which the loss is sustained unless an extenuating circumstance can be shown to exist.

Premium deficiency reserves are required to be recorded when the anticipated costs of settling claims plus policy maintenance costs for the following fiscal year are in excess of the anticipated premium receipts and investment income for the following fiscal year. There were no such reserves recorded for the years ending June 30, 2024 and 2023.

Net Position Classification

Net position of the College is classified in three components:

Restricted—Represents net position which has been restricted by outside sources. The Plan is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted—Represents the remaining net position, if any. Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Plan and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Plan's policy is to first apply the expense toward unrestricted resources and then toward restricted resources.

**OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Premiums

Premiums are recognized in the period when the insurance coverage is provided. Premiums are due monthly from the employers or participants based on the rates adopted by the Plan as provided for in the Plan’s “Benefit Book”, formerly known as the Summary Plan Description.

Pharmacy Rebate

Under the Plan’s agreement with its pharmacy benefit manager, the Plan receives a rebate for various brand name prescriptions. This amount is \$3,734,977 and \$3,568,390 for the year ended June 30, 2024 and 2023, respectively, and is included as revenue within the statements of revenues, expenses, and changes in net position. These amounts are recognized as the rebate benefit is earned.

Claims Paid

The Plan paid claims for the Participating Agencies' eligible employees and their dependents for health, dental, vision, and life insurance claims as provided for in the Trust Agreement and approved by the Trustees. These claims are recognized as an expense as they are incurred. The Summary Plan Description, adopted and approved by the Trustees, is furnished to the Participating Agencies and to all Plan Participants and is controlling and binding upon all persons claiming any right to benefits under the current plan. See the Summary Plan Description for complete details of the benefits available.

Claims Supervisor Fee

The Plan recognizes claims supervisor expenses as they are incurred. The Plan's administrative agreement with Blue Cross and Blue Shield provides the administration of all functions in the claims and payment process of plan benefits. The administrative service fees agreed to were as follows:

	Effective 7/1/22 - 6/30/23	Effective 7/1/23 - 6/30/24	Effective 7/1/24 - 6/30/25
Medical	\$36.25 per contract per month	\$37.34 per contract per month	\$38.46 per contract per month
Dental	\$3.03 per contract per month	\$3.12 per contract per month	\$3.21 per contract per month

The Plan's administrative agreement with Clarity Rx provides the administration of all functions in the prescription claims and payment process of plan benefits. The administrative service fees agreed to were \$2.55 per paid prescription for 2024 and 2023.

**OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Administrative Expenses

The Plan recognizes administrator fee expenses as they are incurred. The Plan entered into a 12-month administrative agreement on April 15, 2021, with McElroy & Associates to provide administrative services for the Plan as agreed to in the agreement. Effective July 1, 2024 the Plan agreed to pay \$19.11 per "Contract" each month. The agreement is in effect from July 1, 2023, to June 30, 2024 and is subject to renewal annually.

Income Taxes

The Plan is exempt from federal income taxes under Section 115 of the Internal Revenue Code (the Code).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Reclassification

Certain amounts in the statement of net position recorded in the prior year have been reclassified to conform with current year's presentation. In addition, certain information within the notes to the financial statements has been modified to reflect the reclassification.

3. CASH AND CASH EQUIVALENTS, DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank or other institution failure, the Plan's deposits may not be returned or the Plan will not be able to recover collateral securities in the possession of an outside party. The Plan deposits its funds with financial institutions that are insured by the Federal Deposit Insurance Corporation (the "FDIC").

At June 30, 2024 and 2023, all cash was held at one financial institution. The amount of cash that exceeds FDIC coverage limits is \$135,545 and \$583,436, for the years ended June 30, 2024 and 2023, respectively. Additionally, all investments are held at that financial institution.

Investment Interest Rate Risk – The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates as it relates to funds not directly associated with bond issue proceeds.

Investment Credit Risk – The Plan has no investment policy that limits its investment choices.

Concentration of Investment Credit Risk – The Plan does not place any limit on the amount the Plan may invest in any one issuer. The Plan has investments held in government agency securities that are explicitly guaranteed by the federal government that make up 7% of the Plan's portfolio.

**OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

3. CASH AND CASH EQUIVALENTS, DEPOSITS AND INVESTMENTS--Continued

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2024, the Plan's investments in obligations not directly guaranteed by the U.S. Government and investments in money market mutual funds were valued according to the following hierarchy and were rated as follows:

Type	Carrying	Credit Rating	Fair Value Level	Maturities in Years			
				On Demand	0-5	6-10	More than 10
Demand deposits	\$ 537,861	n/a	n/a	\$ 537,861	\$ -	\$ -	\$ -
Large-Cap Equity Funds	1,332,288	n/a	Level 1	1,332,288	-	-	-
Mid-Cap Equity Funds	154,775	n/a	Level 1	154,775	-	-	-
Corporate Bonds	2,345,599	A-Baa	Level 1	-	1,596,417	749,182	-
US Agency Securities	383,102	Aaa	Level 2	-	95,032	-	288,070
Municipal Bonds	279,362	Aa	Level 2	-	-	279,362	-
Total Deposits and Investments	<u>\$ 5,032,987</u>						

Reconciliation to Financial Statements

Cash and cash equivalents	\$ 376,558
Investments	4,656,429
	<u>\$ 5,032,987</u>

At June 30, 2023, the Plan's investments in obligations not directly guaranteed by the U.S. Government and investments in money market mutual funds were valued according to the following hierarchy and were rated as follows:

Type	Carrying	Credit Rating	Fair Value Level	Maturities in Years			
				On Demand	0-5	6-10	More than 10
Demand deposits	\$ 1,050,125	n/a	n/a	\$ 1,050,125	\$ -	\$ -	\$ -
Large-Cap Equity Funds	1,165,599	n/a	Level 1	1,165,599	-	-	-
Mid-Cap Equity Funds	237,307	n/a	Level 1	237,307	-	-	-
Corporate Bonds	149,937	A1 - Aaa	Level 2	-	149,937	-	-
US Agency Securities	307,046	Aaa	Level 2	-	-	-	307,046
Municipal Bonds	93,288	Aaa	Level 2	-	-	93,288	-
Intermediate Core Bonds	2,174,784	Bbb - Aaa	Level 2	-	1,315,136	859,648	-
Total Deposits and Investments	<u>\$ 5,178,086</u>						

Reconciliation to Financial Statements

Cash and cash equivalents	\$ 708,101
Investments	4,469,985
	<u>\$ 5,178,086</u>

**OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2024 AND 2023

4. CONTINGENT LIABILITY – CLAIMS INCURRED BUT NOT REPORTED

A contingent liability estimate for claims incurred but not reported ("IBNR") has been made of \$3,000,000 and \$2,300,000 for the years ended June 30, 2024 and 2023, respectively. The accuracy of this estimate cannot be determined prior to the ultimate settlement of each claim. Accordingly, the ultimate cost of settling these claims may vary significantly from this contingent liability estimate. This amount is not recorded as part of the financial statements as management believes that the amount recorded as claims liabilities in the statement of net position is sufficient to reflect the potential future liabilities and that the liability reflected by the IBNR is unlikely to come to fruition.

5. SPECIFIC REINSURANCE

The Plan maintains an excess risk agreement with an insurance company that provides for a specific stop-loss attachment point of \$425,000 per claimant per year as of June 30, 2024 and 2023. Effective July 1, 2024, the stop loss attachment point remains at \$425,000 per claimant per year.

6. REVOLVING LINE OF CREDIT

The Plan renewed a debt agreement on February 20, 2024, with Arvest Bank which maintained the line of credit at \$4,000,000 and is secured by the Plan's investments. Accrued interest for June 30, 2024, and 2023 of 7.25% and 7.00%, respectively is due and payable monthly on any balance due. The loan matures on February 20, 2025. The loan balance due Arvest on June 30, 2024 and 2023, is \$2,314,024 and \$2,529,024, respectively.

7. RISKS AND UNCERTAINTIES

The Plan is exposed to various risks of loss related to torts, thefts of assets, efforts and omissions, injuries to employees while performing Plan business, or acts of God. There have not been any such losses against the Plan since its inception in 1992.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 19, 2024, the date on which the financial statements were available to be issued.

**Oklahoma Public Employees Health & Welfare Plan
Bartlesville, Oklahoma**

**REPORTS REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



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

To the Governance and Management of the Oklahoma Public Employees Health & Welfare Plan

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 Oklahoma Public Employees Health & Welfare Plan (the "Plan"), which comprise the statement of net position as of June 30, 2024 and 2023, and the related statement of revenue, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a significant deficiency.

Oklahoma Public Employee's Health and Welfare Plan Responses to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Plan's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Plan's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oklahoma City, Oklahoma
November 19, 2024



OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
BARTLESVILLE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Year Ended June 30, 2024

Findings Required to be Reported in Accordance with *Government Auditing Standards*:

A. Internal Control Findings

2024-01 – Monitoring of cutoff during year-end financial statement close

Criteria: Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred.

Condition: Revenues and expenditures related to fiscal year 2023 were improperly recorded in the fiscal year ending June 30, 2024. This improper recording violates the principles of accrual accounting.

Cause and Effect: During the fiscal years under audit, there was no formal review process for the financial statement closing process. As a result, the lack of thorough review resulted in year-end cutoff errors. In addition, the administrative team, McElroy & Associates, shifted duties to individuals who were not previously familiar with the year-end financial statement closing process.

Recommendation: We recommend implementing a more thorough review process for the financial statement close procedures. This process should focus on monitoring the accurate recognition of revenues and expenses, particularly in the months leading up to and following year-end. Additionally, all staff involved in the financial statement closing process should be adequately trained and familiar with the requirements of accrual accounting.

Management Response: McElroy acknowledges and accepts this finding and purposes enacting the following corrective actions:

- Instigate a system of check and balances, providing internal oversight of such accounting activities.
- Require individuals involved in such accounting activities receive properly accredited financial/bookkeeper training, including continuing education to ensure the highest standards are maintained.
- Utilize a 3rd party accounting firm to advise and review internal practices and procedures, and to review financial data prior to the annual audit process commencing.

B. Compliance Findings

There are no findings requiring reporting under this section.

OKLAHOMA PUBLIC EMPLOYEES HEALTH & WELFARE PLAN
BARTLESVILLE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Year Ended June 30, 2024

Findings Required to be Reported in Accordance with *Government Auditing Standards*:

A. Internal Control Findings

There are no findings requiring reporting under this section.

B. Compliance Findings

There are no findings requiring reporting under this section.