OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)

Report on Examination of Financial Statements

For the Fiscal Years Ended April 30, 2015 and 2014

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)

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Independent Auditor's Report

To the Board of Trustees of the
Oklahoma Ordnance Works Authority:

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities of the OKLAHOMA ORDNANCE WORKS AUTHORITY (the "Authority"), a public trust created under the laws of the State of Oklahoma, as of and for the fiscal years ended April 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of business-type activities of the Oklahoma Ordnance Works Authority as of April 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the "Management's Discussion and Analysis" on pages three through six be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 of America, 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 audits 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.

Report of Independent Certified Public Accountants – (Continued)

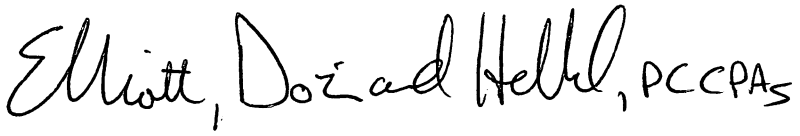
Other Matters - (Continued)

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oklahoma Ordnance Works Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2015 on our consideration of the Oklahoma Ordnance Works Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 Oklahoma Ordnance Works Authority's internal control over financial reporting and compliance.



Elliott, Dozier and Helland, PC, Certified Public Accountants
October 22, 2015

MidAmerica
INDUSTRIAL PARK

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the OKLAHOMA ORDNANCE WORKS AUTHORITY'S (the "Authority", an Oklahoma Public Trust) annual financial report presents our discussion and analysis of the Authority's financial performance for the fiscal year ended April 30, 2015. Please read this discussion and analysis in conjunction with the Report of Independent Certified Public Accountants and the Authority's basic financial statements and footnotes, which follow this section.

OVERVIEW OF THE AUTHORITY'S BASIC FINANCIAL STATEMENTS

The Authority's annual financial report consists of four parts; (1) Management's discussion and analysis (this section), (2) Basic financial statements (3) Accompanying notes to the basic financial statements and, when applicable, (4) Required supplementary information. The basic financial statements are provided to the Auditor of the State of Oklahoma, as the Authority is structured as a Public Trust whose ultimate beneficiary is the State of Oklahoma. The remainder of this overview section of management's discussion and analysis explains the structure and contents of the Authority's basic financial statements.

Basic Financial Statements
The Authority is considered a proprietary enterprise fund for purposes of governmental fund classification. As such, the Authority's financial statements are presented in a format which is similar to the format of that of a private, for-profit business entity.

Required Financial Statements:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows

Accounting Basis and Measurement Focus:

- Accrual accounting and economic resource management focus

Type of Asset and Liability Information:

- All assets and liabilities, both financial and capital, and short-term and long-term

Type of Inflow/Outflow Information:

- All revenues and expenses incurred during the fiscal year, regardless of when cash is actually received or paid

Notes to the Basic Financial Statements
The notes to the basic financial statements of the Authority provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes follow the basic financial statements in the accompanying financial report of the Authority.

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following comparative condensed financial statements provide a brief overview of the Oklahoma Ordnance Works Authority's financial and operating results over the past three fiscal years:

Comparative Condensed Statements of Net Position

	April 30, 2015	April 30, 2014	April 30, 2013	$ Change FY 2015 over 2014	Percent Change
Assets:					
Current assets	$ 68,374,544	$ 49,401,967	$ 45,433,421	$ 18,972,577	38%
Investments in marketable securities	65,470,801	87,210,867	91,214,327	(21,740,066)	-25%
Property and equipment, net	47,512,980	40,544,878	108,813,376	6,968,102	17%
Other non-current assets	101,621			101,621	NA
Total assets	$ 181,459,946	$ 177,157,712	$ 245,461,124	$ 4,302,234	2%
Liabilities:					
Current liabilities	$ 685,901	$ 405,655	$ 415,574	$ 280,246	69%
Long-term debt			84,549,861		
Total liabilities	685,901	405,655	84,965,435	280,246	69%
Net position	180,774,045	176,752,057	160,495,689	4,021,988	2%
Total liabilities and net position	$ 181,459,946	$ 177,157,712	$ 245,461,124	$ 4,302,234	2%

Comparative Condensed Statements of Revenues, Expenses and Changes in Net Position

	Fiscal Year End April 30, 2015	Fiscal Year End April 30, 2014	Fiscal Year End April 30, 2013	$ Change FY 2015 over 2014	Percent Change
Total operating revenues, net	$ 9,246,161	$ 13,629,129	$ 15,058,607	$ (4,382,968)	-32%
Expenses:					
Operating	4,234,851	5,542,791	6,222,922	(1,307,940)	-24%
General and administrative	3,693,010	3,184,318	2,583,895	508,692	16%
Total expenses	7,927,861	8,727,109	8,806,817	(799,248)	-9%
Income from operations	1,318,300	4,902,020	6,251,790	(3,583,720)	-73%
Other income, non-operating:					
Interest income	3,110,704	2,703,674	2,236,726	407,030	15%
Unrealized gain or (loss) on investments	2,598,167	(2,502,873)	709,585	5,101,040	NA
Gain or (loss) on sales of assets	(7,860)	14,014,534	69,216	(14,022,394)	NA
Other expenses, non-operating:					
Depreciation and amortization	2,997,323	2,860,987	4,261,522	136,336	5%
Changes in net position	4,021,988	16,256,368	5,005,795	(12,234,380)	NA
Beginning net position	176,752,057	160,495,689	155,489,894	16,256,368	10%
Ending net position	$ 180,774,045	$ 176,752,057	$ 160,495,689	$ 4,021,988	2%

FINANCIAL ANALYSIS OF OKLAHOMA ORDNANCE WORKS AUTHORITY

Asset and Debt Administration

At the end of April 30, 2015, the balance of total current assets was $68,374,544, an increase of $18,972,577 from the previous year. Included within current assets at April 30, 2015, was the Authority's operating cash and certificate of deposit position of $67,185,523, an increase of $20,245,472 from the prior year. At the same time, the total balance of investments in marketable securities showed a decrease of $21,740,066, to $65,470,801. Additionally, an unrealized gain in the fair market value of the Authority's holdings in GNMA bonds of $2,598,167 for the fiscal year ended April 30, 2015 was recognized. The reason for these changes was a shift in investment strategy to larger holdings in cash and cash equivalents, certificates of deposit and GNMA bonds due to the ongoing low interest rate environment, with the Authority eliminating its holding in U.S. treasury obligations due to the particularly low rates of interest these investments pay. Also, the Authority has focused on purchasing GNMA bonds with higher levels of projected pre-payments of principal. Even though these bonds are thirty years in duration, the Authority's focus on projected pre-payments is an attempt to keep durations on investment holdings as short as possible given that interest rates are at historically low levels. Overall, total assets decreased by $4,302,234 or 2%, to an April 30, 2015, total of $181,459,946.

As in the previous year, the Authority's total current liabilities at April 30, 2015, were negligible in comparison to total current assets. Total current liabilities, consisting of accounts payable and various accrued liabilities at April 30, 2015 were $685,901 as compared to a balance of $405,655 at April 30, 2014.

Revenues, Expenses and Changes in Net Position

At April 30, 2015, the Authority's total operating revenues were $9,246,161, a decrease of $4,382,968 or (32%) over the previous year. Total operating revenues for the year ended April 30, 2015 are lower due to a decrease in water sales to the Authority's historically largest municipal water customer. Interest income actually increased from the previous year, due to a slight uptick in interest rates despite the ongoing low-interest rate environment. Also included in the Authority's total revenues is an upward adjustment of $2,598,167 in the market valuation of the Authority's investments. Almost all of the Authority's investments are fixed income securities that are held to maturity, with market values that are primarily impacted by changes in interest rates. *Accounting principles generally accepted in the United States of America* ("US GAAP") and *Government Auditing Standards* issued by the Governmental Accounting Standards Board ("GASB") require that investments, despite their intended holding periods, be adjusted to their fair market values in order to fairly present the current market value of investments. As such, total annual revenues are impacted by fluctuations in the market value of investments. Hypothetically, if the market valuation adjustment were removed, the Authority would have recognized a total change in net position of $1,423,821 as compared to the actual change in net position of $4,021,988 for the fiscal year ended April 30, 2015.

At April 30, 2015, total operating expenses were $4,234,851, a decrease of $1,307,940 or 24% over the previous year. The primary expense categories that contributed to the decrease in total operating expenses were chemicals, power and raw water. The decreases in all of these categories can primarily be attributed to the decline in total water volume related to water revenues and the loss of the Authority's primary municipal water customer. As noted in the previous year's "management's discussion and analysis", the Authority has continued to experience increased expenditures for chemicals and power and while these expenditures moderated during the fiscal year ended April 20, 2015 due to the lower volume needed due to the loss of the municipal water customer mentioned previously, this trend is expected to continue with further increases in future years. At April 30, 2015, total general and administrative expenses were $3,693,010, an increase of $508,692 or 16% over the previous year. The primary expense categories that caused the increase in total general and administrative expenses were advertising and marketing expenses and administrative salaries and wages, payroll taxes and employee benefits. Overall, the total ending net position as of April 30, 2015 showed an increase of $4,021,988 as compared to the ending net position at April 30, 2014. The change in net position for the 2015 fiscal year was lower than the change in net position that occurred during the 2014 fiscal year due to the sale of the Gatorade facility that occurred in the 2014 fiscal year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This discussion and analysis has been designed to provide its readers with a general overview of the Authority's finances and objectives. If you have any questions about this report or need additional information, please contact:

OKLAHOMA ORDNANCE WORKS AUTHORITY
Dba, MID AMERICA INDUSTRIAL PARK
Attention: Ms. Renee Teel, Director of Finance
P.O. Box 945
Pryor Creek, Oklahoma 74362

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)
Statements of Net Position
April 30, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents (Notes A and B)	$ 23,847,226	$ 2,240,421
Certificates of deposit (Notes A and B)	43,338,297	44,699,630
Accounts receivable, net (Note A)	822,442	1,171,954
Accrued interest income receivable	253,722	309,672
Inventory, chemicals (Note A)	71,721	93,329
Prepaid expenses and other current assets	41,136	31,937
Escrow deposit on land purchase		855,024
Total current assets	68,374,544	49,401,967
Investments in marketable securities (Notes A and B):		
Investments in marketable securities, GNMA bonds	65,470,801	79,482,272
Investments in marketable securities, U.S. Treasury obligations		7,648,225
Investments in marketable securities, Common stock		80,370
Total investments in marketable securities, at fair market value	65,470,801	87,210,867
Property, plant and equipment, net (Notes A and C):		
Industrial park facilities, net	20,273,938	15,836,460
Water plant facilities, net	12,965,524	14,024,204
Waste treatment facilities, net	8,118,634	8,923,986
Construction in progress, non-depreciable	6,083,835	1,725,279
Spare parts, non-depreciable	71,049	34,949
Total property, plant and equipment, net of accumulated depreciation	47,512,980	40,544,878
Other non-current assets:		
Prepaid GRDA river pump expenditures, net	101,621	
Total assets	$ 181,459,946	$ 177,157,712
Liabilities and Net Position		
Current liabilities:		
Accounts payable	$ 341,410	$ 179,045
Accrued liabilities (Note D)	344,491	226,610
Total current liabilities	685,901	405,655
Total liabilities	685,901	405,655
Net position (Note E):		
Net position, unrestricted	133,261,065	136,207,179
Net position, invested in capital assets	47,512,980	40,544,878
Total net position	180,774,045	176,752,057
Total liabilities and net position	$ 181,459,946	$ 177,157,712

The accompanying notes are an integral part of these financial statements.

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended April 30, 2015 and 2014

	2015	2014
Revenues, operating:		
Water sales	$ 6,178,643	$ 10,840,503
Building rentals (Note F)	1,486,530	1,146,356
Waste treatment income	1,410,038	1,495,478
Airport income (Note G)	125,602	104,454
Miscellaneous income	45,348	42,338
Total operating revenues	9,246,161	13,629,129
Expenses:		
Operating expenses:		
Chemicals	996,089	2,011,269
Wages, payroll taxes and employee benefits	960,844	917,516
Power	752,822	913,117
General maintenance	597,845	592,772
Water	452,514	594,047
Waste and sludge disposal	111,787	
Pre-treatment program, including permits and testing	59,561	83,477
Laboratory	16,321	20,140
Permits and testing, sludge - waste	5,410	3,480
Other operating expenses	281,658	406,973
Total operating expenses	4,234,851	5,542,791
General and administrative expenses:		
Administrative salaries, payroll taxes and employee benefits	1,918,816	1,724,049
Advertising and marketing	790,187	658,594
Other professional fees	374,795	150,860
Insurance	239,593	225,939
Legal fees	222,382	261,682
Travel and entertainment	75,758	80,515
Other expenses	71,479	82,679
Total general and administrative expenses	3,693,010	3,184,318
Income from operations	1,318,300	4,902,020
Other income, non-operating:		
Interest income	3,110,704	2,703,674
Unrealized gain or (loss), fair market value of investments	2,598,167	(2,502,873)
Gain or (loss) on sales of assets	(7,860)	14,014,534
Other expenses, non-operating:		
Depreciation and amortization expense	2,997,323	2,860,987
Changes in net position	4,021,988	16,256,368
Net position, beginning of year	176,752,057	160,495,689
Net position, end of year	$ 180,774,045	$ 176,752,057

The accompanying notes are an integral part of these financial statements.

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)
Statements of Cash Flows
For the Fiscal Years Ended April 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from customers	$ 9,246,161	$ 13,629,129
Cash paid to suppliers and employees	(6,476,341)	(9,968,145)
Interest income	3,110,704	2,703,674
Net cash provided by or (used in) operating activities	5,880,524	6,364,658
Cash flows from investing activities:		
Proceeds from redemptions, net of (purchases) of U.S. Treasury obligations	16,673,799	(37,455,310)
Proceeds from redemptions, net of (purchases) of GNMA bonds	7,651,225	38,958,897
Proceeds from redemptions, net of purchases of certificates of deposit	1,361,333	(9,142,546)
(Purchases) of spare parts	(36,100)	(8,894)
(Purchases) of property, plant and equipment and construction in progress	(9,923,976)	(5,121,922)
Net cash provided by or (used in) investing activities	15,726,281	(12,769,775)
Net increase or (decrease) in cash and cash equivalents	21,606,805	(6,405,117)
Cash and cash equivalents, beginning of year	2,240,421	8,645,538
Cash and cash equivalents, end of year	$ 23,847,226	$ 2,240,421
Reconciliation of changes in net position to net cash provided by operating activities:		
Changes in net position, net of non-cash investing items (a)	$ 1,423,821	$ 18,759,241
Adjustments to reconcile changes in net position to net cash provided by or (used in) operating activities:		
Depreciation and amortization expense	2,997,323	2,860,987
(Gain) or loss on sales of assets	7,860	(14,014,534)
Changes in assets and liabilities:		
(Increase) or decrease in accounts receivable	349,512	(273,319)
(Increase) or decrease in accrued interest income receivable	55,950	(98,292)
(Increase) or decrease in inventory-chemicals	21,608	(1,069)
(Increase) or decrease in prepaid expenses	(110,820)	(3,413)
(Increase) or decrease in escrow deposit on land purchase	855,024	(855,024)
Increase or (decrease) in accounts payable	162,365	(45,541)
Increase or (decrease) in accrued liabilities	117,881	35,622
Total adjustments and changes in assets and liabilities	4,456,703	(12,394,583)
Net cash provided by or (used in) operating activities	$ 5,880,524	$ 6,364,658

(a) Non-cash investing items consisted of unrealized investment gain/(loss) of $2,598,167 and ($2,502,873), respectively.

The accompanying notes are an integral part of these financial statements.

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Origins of the Authority and Nature of Activities

The OKLAHOMA ORDNANCE WORKS AUTHORITY (hereafter referred to as the "Authority") was established to stimulate the economy of northeast Oklahoma by attracting additional industrial investments and employment to the Mid-America Industrial Park located near Pryor, Oklahoma. The Authority's revenues are derived from the operation of a water plant, waste treatment plant, the sale or lease of the Authority's buildings or land and interest income earned on the Authority's investment holdings and, at certain times, loans made to industrial park tenants. The Authority's customers consist of municipalities, rural water districts and industries located in northeastern Oklahoma. Sales to these customers are made on account. The Authority is not subject to federal or state income taxes and is organized as a Public Trust whose ultimate beneficiary is the State of Oklahoma. The State of Oklahoma considers the Authority to be a related organization.

Basis of Accounting and Financial Statement Presentation

The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is considered to be a proprietary enterprise fund for purposes of governmental fund classification. Such funds are used to account for a government's activities that are similar to those of the private sector. As a result, the basic financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with U.S. GAAP as applied to governmental units. This basis of accounting requires that revenue be recognized when earned and expenses be recognized when incurred, regardless of actual receipt or payment of cash.

Revenues and expenses are classified as operating or non-operating according to the following criteria: Operating revenues include activities that have the characteristics of an exchange transaction (i.e. transactions where essentially equal value is exchanged. Non-operating revenues include activities that have the characteristics of non-exchange transactions such as investment income which is defined as non-operating revenue by GASB Statement No. 9, *"Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Government Entities that use Proprietary Fund Accounting"* and GASB Statement No. 34, *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments"*. Operating expenses include activities that have the characteristics of an exchange transaction. Non-operating expenses include activities that have the characteristics of non-exchange transactions not meeting the above definition for operating expenses.

Cash and Cash Equivalents

For purposes of the accompanying financial statements, cash and cash equivalents consist of all highly liquid bank depository account holdings available for current use with original maturities of three (3) months or less, when initially purchased. Cash and cash equivalents consist of checking and money market accounts which are carried at historical cost that approximates fair market value.

Certificates of Deposit

Certificates of deposit owned by the Authority have durations in excess of three months, when initially purchased. Certificates of deposit are carried at their respective fair market values, which approximate their historical costs plus accrued interest, if applicable.

Accounts Receivable

Accounts receivable are related to water sales and rental income and are recorded when invoices are issued. Accounts receivable are presented in the accompanying "Statements of Net Position" net of an allowance for doubtful accounts, if applicable. The allowance for doubtful accounts is estimated based on the Authority's historic collection experience(s) with various customers. At April 30, 2015, management of the Authority did not believe that an allowance for doubtful accounts was necessary.

Inventory

The Authority records inventory of chemical products and materials at cost using the first-in, first-out method.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued):

Investments in Marketable Securities
The Authority's investment policy statement allow for investments in fixed income securities that are backed by the full faith and credit of the U.S. government including; U.S. Treasury obligations and mortgage-backed securities/"Ginnie Mae" bonds issued by the Government National Mortgage Association "GNMA", which are carried at fair market value based upon published market quotations. While these securities have traditionally been held to maturity by the Authority, they are subject to significant fluctuations in fair market value during the holding period(s).

Property and Equipment, Net of Accumulated Depreciation
Property and equipment are recorded at cost, net of accumulated depreciation. The Authority provides for depreciation of property and equipment under the straight-line method over the estimated useful lives of the respective assets. The Authority's policy is to consider capitalization for individual property and equipment items with values of $100 or greater. Lesser amounts are expensed. Construction in progress represents costs accumulated for various construction projects that were not yet completed at the end of the Authority's fiscal year.

Donated Property
The Authority is eligible to participate in federal and state grant programs. Property donated to the Authority under such programs is carried at estimated fair value when donated. Property acquired with grant proceeds is recorded at cost and is depreciated in the same manner as property acquired with the Authority's funds.

Income Tax
By Oklahoma state statute, the Authority is exempt from Federal and Oklahoma state income taxes. Accordingly, no provision for income taxes has been made within the accompanying financial statements.

The Authority accounts for uncertain tax positions in accordance with the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. Using the guidance of FASB ASC 740, income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will "more likely than not" be sustained upon examination by the taxing authorities. The Authority has analyzed tax positions taken for all required tax filings with the Internal Revenue Service and the State of Oklahoma. As of April 30, 2015, the Authority believes that all tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Authority's financial statements. Accordingly, the Authority has not recorded any reserves or related accruals for uncertain income tax positions at April 30, 2015 and 2014.

Advertising and Marketing Costs
The Authority expenses advertising and marketing costs in the period in which they are incurred. Total advertising and other marketing costs were $790,187 and $658,594 for the fiscal years ended April 30, 2015 and 2014, respectively.

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 the estimates that were used.

Reclassifications
Certain amounts from the April 30, 2014 financial statements have been reclassified for comparative purposes to conform to current year presentation with no effect on the change in net position.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued):

Date of Management's Review and Subsequent Events
Management of the Authority has evaluated subsequent events through October 22, 2015, which is the date that the financial statements were available for issuance, noting no additional events that required recognition or disclosure in the accompanying financial statements and footnotes.

NOTE B - BANK DEPOSITS AND INVESTMENTS:

Bank Deposits - Carrying Amounts
All bank deposits are held with financial institutions and are included in the accompanying "statements of net assets" as cash and cash equivalents and certificates of deposit. The carrying amounts of these deposits totaled $67,185,521 and $46,939,952 for the fiscal years ended April 30, 2015 and 2014, respectively. The financial institution balances for these deposits totaled $67,334,300 and $47,003,943 for the fiscal years ended April 30, 2015 and 2014, respectively. Any differences between the carrying amounts and the financial institution balances are due to outstanding checks and outstanding deposits.

Bank Deposits - Custodial Credit Risk
Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The Authority's investment policy requires collateralization of all demand deposit accounts and certificates of deposit. The Authority also minimizes custodial credit risk by pre-qualifying the custodial or depository institutions, brokers/dealers, intermediaries and advisors with which the Authority will do business. The Authority's demand deposits and certificates of deposit held at financial institutions are currently insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per institution. At April 30, 2015 and 2014, the Authority held deposits which were in excess of FDIC insurance limits with various financial institutions. The Authority has obtained collateral agreements for certain of these deposits whereby the excess deposits are collateralized by securities held by the pledging financial institutions. A small balance of temporary deposits of cash and cash equivalents awaiting reinvestment in certificates of deposit or investments in marketable securities were also held in a brokerage money market account. The brokerage money market account was not covered by FDIC insurance but the underlying investments of the money market account consisted of U.S. treasury securities.

Investments
As of April 30, 2015, the Authority's investments in marketable securities were as follows:

	Fair Value	Cost	Credit Quality	Weighted Average Days to Maturity
GNMA bonds	$ 65,470,801	$ 64,252,060	"Full Faith and Credit of U.S. Government"	20.6 Years
Total investments:	$ 65,470,801	$ 64,252,060		

Investments - Investment Policy Statement
The Authority has adopted, and is subject to a formal investment policy statement. The primary objective of the Authority's investment policy statement is safety of principal and as such, the Authority is limited to holding investments with some form of U.S. Government guarantee. Under the terms of the Authority's investment policy statement, the standard of care to be used shall be the "prudent person" standard, and shall be applied in the context of managing an overall portfolio. Additionally, the Authority's stated investment objective is to hold all investments to full maturity, thus minimizing the effect of temporary market fluctuations.

NOTE B - BANK DEPOSITS AND INVESTMENTS - (Continued):

Investments - Issuer Credit Risk and Credit Quality
Issuer credit risk is the risk that an issuer or other counterparty to an investment will default and not fulfill its obligations. In order to address issuer credit risk and overall credit quality of investments, the Authority has a formal, written investment policy statement that defines which securities are suitable for investment. The Authority is guided by the terms of its investment policy statement and invests only in U.S. Treasury obligations and GNMA bonds, both of which are backed by the full faith and credit and/or implicit guarantee of the U.S. government. As such, the Authority has reduced issuer credit risk to the lowest possible level as all investments have some form of guarantee by the U.S. government.

Credit quality for the Authority's investments in U.S. Treasury obligations and GNMA bonds is at the highest possible levels as these investments are backed by the full faith and credit or implicit guarantee of the U.S. Government and the applicable securities are considered to hold virtually no credit risk.

Investments - Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's stated investment objective is to hold all investments to maturity and as such, the Authority believes that fair value gains or losses should be only of a temporary, unrealized nature. However, over the short to intermediate term, the value of the Authority's portfolio of investments is directly affected by interest rate fluctuations and significant unrealized losses may occur due to the long-term durations of these investments, as noted below.

A hypothetical example of how a specific investment in marketable securities would be impacted by an increase in interest rates is as follows:

EXAMPLE:	Impact on Fair Value of Basis Point (Bps) Increase of - Estimated:		
	100 Bps	200 Bps	300 Bps
U.S. Treasury obligation:			
$1,000,000 Treasury bond, 4% Yield	$971,993	$944,919	$918,742

This example only assumes changes in interest rates of exactly one hundred (100), two hundred (200) and three hundred (300) basis points. The length of time to maturity or "duration", as noted below, would directly affect the above example as would bid/ask spreads, which are not factored into this example.

Investments - Duration Risk and Duration to Maturity
The Authority's previous investments in U.S. Treasury obligations tended to have short maturity durations whereas the Authority's investments in GNMA bonds have much longer durations, most of which are thirty years in duration when initially purchased. While the durations on the investments in GNMA bonds can be as long as thirty years, these bonds are subject to the potential for early redemption due to pre-payment of the underlying mortgages. Management of the Authority has historically relied on pre-payments of GNMA bonds as a means to re-invest at current interest rates. However, in a rising interest rate environment these longer term GNMA/mortgage backed securities may not experience similar historical rates of repayments as homeowners may decide to remain in their homes longer and would also not have any incentive to refinance the underlying mortgages.

It should be noted that while the Authority's stated investment objective is to hold all investments to full maturity, if the Authority were forced to redeem fixed income securities prior to redemption, losses could be recognized due to the long-term nature of maturities in the GNMA bonds that it holds. In the case of the Authority's investments in GNMA bonds, valuations are impacted by interest rate fluctuations and by factors other than interest rates including relatively thin trading volumes and wide spreads of "bid" vs. "ask" prices.

NOTE B - BANK DEPOSITS AND INVESTMENTS - (Continued):

Investments - Concentration of Investment Issuer Credit Risk
The Authority's investments in marketable securities are diversified to some degree to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of specific class of securities. However, as noted previously, the Authority invests predominantly in two types of securities, U.S. Treasury obligations and GNMA bonds.

Investments - Risks and Uncertainties
The Authority maintains a significant portion of its total assets in fixed income securities. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the accompanying "Statements of Net Position".

Investments – Fair Value Measurements
Prior to fiscal 1999, the Authority recorded its investments at amortized cost, recording amortization of discount or premium monthly. During fiscal 1999, the Authority adopted GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools,"* which requires governmental entities to report certain investments at fair market value. Accordingly, the investments in marketable securities held by the Authority are recorded at fair market value in the accompanying "Statements of Net Position" and consisted of the following at April 30, 2015 and 2014:

	2015	2014
Investments, registered in the Authority's name and held by brokerage firms	$ 65,407,428	$ 86,999,222
Investments, registered, and held in certificate form by the Authority	63,373	211,645
Total investments in marketable securities	$ 65,470,801	$ 87,210,867

The Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 820, *"Fair Value Measurements"*, defines fair value under accounting principles generally accepted in the United States of America, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. This standard defines fair value as the exchange price that would be received for an asset, or paid to transfer a liability (an exit price), in the principal or most advantageous market for the asset or liability, in an orderly transaction value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). The three levels of the fair value hierarchy under ASC 820 are described as follows:

"Level 1" Fair Value Measurements
Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date. *All of the Authority's investments could be considered to be "Level 1" investments.*

"Level 2" Fair Value Measurements
Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies. *The Authority did not hold any "Level 2" investments as of the reporting date.*

"Level 3" Fair Value Measurements
Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk. *The Authority did not hold any "Level 3" investments as of the reporting date.*

NOTE B - BANK DEPOSITS AND INVESTMENTS - (Continued):

Investments – Fair Value Measurements – (Continued)
The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. While the Authority's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair market value measurement at the reporting date.

NOTE C - PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION:

Property and equipment and the related depreciable lives thereof, net of accumulated depreciation, for the fiscal years ended April 30, 2015 and 2014 are as follows:

	2015	2014
Industrial park facilities:		
Buildings	$ 20,124,079	$ 18,851,832
Undeveloped land (non-depreciable)	5,230,142	995,931
Airport and improvements	5,169,247	5,169,247
Streets and other improvements	2,817,878	2,802,228
Machinery and equipment	734,341	732,956
Computer equipment	415,080	401,892
Furniture and fixtures	397,707	360,164
Automobiles, trucks and tractors	338,698	338,698
Accumulated depreciation	(14,953,234)	(13,846,488)
Total industrial park facilities, net	20,273,938	15,836,460
Water plant and related facilities:		
Equipment	21,162,819	21,152,386
Distribution system	11,570,664	11,570,664
Building	298,454	298,454
Water plant land (non-depreciable)	31,421	31,421
Accumulated depreciation	(20,097,834)	(19,028,721)
Total water plant facilities, net	12,965,524	14,024,204
Waste treatment facilities:		
Waste treatment plant	17,682,327	17,672,369
Landfill	46,161	46,161
Accumulated depreciation	(9,609,854)	(8,794,544)
Total waste treatment facilities, net	8,118,634	8,923,986
Construction in progress (non-depreciable)	6,083,835	1,725,279
Spare parts (non-depreciable)	71,049	34,949
Property and equipment, net of accumulated depreciation	$ 47,512,980	$ 40,544,878

NOTE D - COMPENSATED ABSENCES:

The Authority's policy is to permit employees to accumulate earned but unused paid time off or accrued leave. Liabilities are recorded for accrued leave that the Authority will pay upon each employee's termination or retirement. The Authority allows employees to carry forward unused paid time off with the maximum accrual being thirty (30) hours per year with a maximum of two-hundred and forty (240) hours being carried forward. Certain administrative employees are allowed ninety (90) days per year of accrued leave with no limit to the maximum number of hours that can be carried forward. At April 30, 2015 and 2014, total accrued leave was $166,430 and $160,416, respectively, which is included in accrued liabilities.

NOTE E - NET POSITION:

The Authority's total net position at April 30, 2015 and 2014 totaled $180,774,045 and $176,752,057, respectively. Net position is further described and classified as follows:

- *Unrestricted* – Consist of operating funds over which the Board of Trustees retains full control to use in achieving any of its authorized purposes.

- *Invested in Capital Assets* – Consist of the Authority's total historical investment in property and equipment assets within the industrial park ("capital assets").

- *Restricted* – Consist of operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. The Authority is legally or contractually obligated to spend these funds in accordance with the restriction imposed by third parties. Under GASB requirements, a restriction of net assets only exists under either of the following conditions; a restriction externally imposed by a creditor, grantor or contributor, or a restriction imposed by law through enabling legislation. None of the Authority's net position is deemed to be restricted.

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

A significant amount of the balance of the unrestricted net position will be needed to finance future capital improvements within the industrial park. Under the Authority's capital budget, management of the Authority estimates that approximately $32,460,000 will be needed to complete capital projects for fiscal years 2016 through 2017 as per internal projections at April 30, 2015.

NOTE F - BUILDING RENTALS AND OPERATING LEASES:

For the fiscal years ended April 30, 2015 and 2014, the Authority recognized building rental income of $1,486,530 and $1,146,356, respectively. Following is a listing of future minimum payments receivable under the non-cancelable operating leases in effect for fiscal years ending after April 30, 2015; 2016 - $1,460,363, 2017 - $436,729, 2018 - $283,033, 2019 - $152,162, 2020 - $89,628 and 2021 - $41,522. As such, total future minimum payments receivable under the non-cancelable operating leases for fiscal years ending April 30, 2016 to 2021 are anticipated to be $2,463,437.

Included within the building rentals and operating lease totals listed above are below-market lease agreements that the Authority has entered into with various educational institutions operated by the state of Oklahoma. The building rental payments due from the educational institutions are set at nominal annual amounts (ranging from $1 per year to $10 per year) in order to encourage investments in the education and training of current and potential future employees of industrial park tenants.

NOTE G - FEDERAL GOVERNMENT GRANTS:

During the year ended April 30, 2015 and 2014, the Authority received grant funds from the Federal Aviation Administration ("FAA") for use on the Authority's airport. The U.S. Office of Management and Budget ("OMB") Circular A-133 and Government Auditing Standards require audits of annual expenditures of federal awards in excess of $500,000. As the Authority's expenditures of federal awards was less than $500,000 for the fiscal years ended April 30, 2015 and 2014, audits under Circular A-133 were not required. Total airport income, which included all income received from federal government grants, for the fiscal years ended April 30, 2015 and 2014 was $125,602 and $104,454, respectively.

NOTE H - NON-RECOURSE DEBT:

In the past, the Authority assisted some of its tenants in obtaining long-term financing through the issuance of industrial revenue bonds. Long-term debt incurred by the Authority is repaid from tenant leases which are payable in amounts equal to the long-term debt service requirements. These long-term financing arrangements are not general obligations of the Authority and it is the opinion of management and its legal counsel that, in the case of default by the borrower(s), the Authority has no responsibility for repayment of such financing arrangements. In accordance with the *American Institute of Certified Public Accountants Audit Guide, Audits of State and Local Governmental Units*, the non-recourse debt financing and the related lease receivables, interest income and interest expense have been excluded from the financial statements. Following is a summary of non-recourse debt at April 30, 2015 and 2014:

	2015	2014
Ralston Purina facility financing - $1,725,000, 6.5% Series 1996 bonds payable on September 1, 2026, solely from Ralston Purina plant rental revenues	$ 1,725,000	$ 1,725,000
Ralston Purina facility financing - $1,500,000, 6.3% Series 1996 revenue bonds, payable on September 1, 2015, solely from Ralston Purina plant rental revenues	1,500,000	1,500,000
Total non-recourse debt not required to be included within the "Statements of Net Assets" of the Authority	$ 3,225,000	$ 3,225,000

NOTE I - RETIREMENT PLAN:

State of Oklahoma Public Employees' Retirement Plan

The Authority contributes to the State of Oklahoma Public Employees' Retirement Plan (hereafter referred to as "the OPERS Plan") which is a cost sharing, multiple-employer defined benefit pension plan, administered by the Oklahoma Public Employees Retirement System (hereafter referred to as "OPERS"). The OPERS Plan was established by the State of Oklahoma in accordance with the Oklahoma State statutes and provides retirement, disability and death benefits. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for the OPERS Plan. That report may be obtained by writing to Oklahoma Public Employees Retirement System, P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007, or by calling 1-800-733-9008. The contribution rates for each member category of the OPERS Plan are established by the Oklahoma Legislature, based on actuarial calculations which are performed to determine the adequacy of such contribution rates. The current employer retirement contribution rate for participating state agencies for the fiscal year ended April 30, 2015 is unchanged from the previous year at 16.5% of salary. Employees who participate in the OPERS Plan make contributions of 3.5% of salary or 6.41% of salary if enrolled in the "step-up" plan election.

NOTE I - RETIREMENT PLAN – (Continued):

Deferred Compensation Plan

The Authority also offers its employees a deferred compensation plan (hereafter referred to as "the 457 Plan") created in accordance with Internal Revenue Code Section 457. The 457 Plan, available to all employees of the Authority, permits them to defer a portion of their salary to future years, subject to current limits imposed by the Internal Revenue Code. The compensation deferred is available to employees upon termination, retirement, death or unforeseeable emergency. All assets and income of the deferred compensation plan are held in trust for the exclusive benefit of the employee. During October of 2000, the Authority also adopted an Internal Revenue Code Section 401(a) plan. This plan became effective in January of 2001 and was further amended in December of 2013. Under this plan, the Authority matches employee contributions to the 457 plan as follows; (1) $2 employer match for each $1 contributed to the 457 Plan since the beginning of the year until the participant's aggregate contributions since the beginning of the year to the 457 Plan equals $1,200, then (2) $1.50 for each $1 thereafter contributed during the remainder of the year to the 457 Plan until the participant's aggregate contribution since the beginning of the year the 457 Plan equals $3,200, then (3) $.50 for each $1 thereafter contributed during the remainder to the year to the 457 Plan until the participant's aggregate contribution since the beginning of the year to the 457 Plan equals the maximum annual contribution limits, pursuant to Section 415(d) of the Internal Revenue Code. As per Internal Revenue Code regulations for 457 Plans, employees of the Authority may contribute a maximum of $18,000 to the 457 Plan for the 2015 calendar year, plus a maximum of $6,000 in "catch up" contributions for those employees who are age fifty (50) or older. The proceeds contributed to the deferred compensation plan are available to employees of the Authority upon termination, retirement, death or unforeseeable emergency. All assets and income of the deferred compensation plan are held in trust for the exclusive benefit of the employee.

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)
Supplemental Schedules of Revenues, Expenses and Changes in Net Position - by Division
For the Fiscal Years Ended April 30, 2015 and 2014

Administration (Including Maintenance and Workforce Development)

	2015	2014
Revenues, operating:		
Building rentals	1,486,530	1,146,356
Airport income	125,602	104,454
Miscellaneous income	45,348	42,338
Total operating revenues	1,657,480	1,293,148
Expenses:		
Operating expenses:		
Wages, payroll taxes and employee benefits	308,967	256,618
General maintenance	288,356	235,075
Other expenses	20,367	32,357
Total operating expenses	617,690	524,050
General and administrative expenses:		
Administrative salaries, payroll taxes and employee benefits	909,552	810,706
Advertising and marketing	781,408	658,594
Other professional fees	301,248	150,860
Legal fees	222,382	261,682
Insurance	141,542	132,132
Travel and entertainment	59,341	64,627
Other operating expenses	74,353	71,260
Total general and administrative expenses	2,489,826	2,149,861
Income from operations	(1,450,036)	(1,380,763)
Other income, non-operating:		
Interest income	3,110,704	2,703,674
Unrealized gain or (loss), fair value of investments in marketable securities	2,598,167	(2,502,873)
Gain or (loss) on sales of assets	(7,860)	14,014,534
Other expenses, non-operating:		
Depreciation and amortization expense	1,112,901	877,061
Changes in net position	$ 3,138,074	$ 11,957,511

The accompanying notes are an integral part of these financial statements.

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)
Supplemental Schedules of Revenues, Expenses and
Changes in Net Assets - by Division
For the Fiscal Years Ended April 30, 2015 and 2014

Water Plant

	2015	2014
Revenues, operating:		
Water sales	$ 6,178,643	$ 10,840,503
Expenses:		
Operating expenses:		
Chemicals	996,089	2,011,269
Power	605,402	773,485
Wages, payroll taxes and employee benefits	561,601	573,032
Water	452,450	593,975
General maintenance	199,955	261,925
Waste and sludge disposal	107,057	
Permits and testing	27,317	39,686
Laboratory	11,611	15,153
Other operating expenses	257,209	371,978
Total operating expenses	3,218,691	4,640,503
General and administrative expenses:		
Administrative salaries, payroll taxes and employee benefits	757,701	683,763
Insurance	83,609	82,203
Other professional fees	70,281	
Travel and entertainment	766	288
Other expenses	2,821	8,770
Total general and administrative expenses	915,178	775,024
Income from operations	2,044,774	5,424,976
Other expenses:		
Depreciation and amortization expense	1,069,112	1,254,648
Changes in net position	$ 975,662	$ 4,170,328

The accompanying notes are an integral part of these financial statements.

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)
Supplemental Schedules of Revenues, Expenses and
Changes in Net Assets - by Division
For the Fiscal Years Ended April 30, 2015 and 2014

Waste Treatment Plant

	2015	2014
Revenues, operating:		
Waste treatment income	$ 1,410,038	$ 1,495,478
Expenses:		
Operating expenses:		
Power	147,420	139,632
General maintenance	109,534	95,772
Wages, payroll taxes and employee benefits	90,276	87,866
Pre-treatment program	32,244	47,271
Permits and testing	5,410	
Waste and sludge disposal	4,730	
Laboratory	4,710	4,987
Water	64	72
Other operating expenses	4,082	2,638
Total operating expenses	398,470	378,238
General and administrative expenses:		
Administrative salaries, payroll taxes and employee benefits	251,563	229,580
Travel and entertainment	15,651	15,600
Insurance	14,442	11,604
Other professional fees	3,266	
Other expenses	3,084	2,649
Total general and administrative expenses	288,006	259,433
Income from operations	723,562	857,807
Other expenses:		
Depreciation and amortization expense	815,310	729,278
Changes in net position	$ (91,748)	$ 128,529

The accompanying notes are an integral part of these financial statements.

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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 Board of Trustees of the
Oklahoma Ordnance Works Authority:

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 business-type activities of the OKLAHOMA ORDNANCE WORKS AUTHORITY ("the Authority"), a public trust created under the laws of the State of Oklahoma, as of and for the fiscal year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the OKLAHOMA ORDNANCE WORKS AUTHORITY's basic financial statements, and have issued our report thereon dated October 22, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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. 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated October 22, 2015.

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.

Elliott, Dozier and Helland, PC CPAs

Elliott, Dozier and Helland, PC, Certified Public Accountants
October 22, 2015