

OKLAHOMA INDUSTRIES AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2024

**TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**



OKLAHOMA INDUSTRIES AUTHORITY

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June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Oklahoma Industries Authority
Oklahoma City, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Oklahoma Industries Authority (the Authority) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2024, and the changes in its financial position and its cash flows for the year 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 Authority 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 these 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 Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

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 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

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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 Authority'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 Authority'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.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2024, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 effectiveness of the Authority'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 Authority's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

December 18, 2024

OKLAHOMA INDUSTRIES AUTHORITY
STATEMENT OF NET POSITION
June 30, 2024

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 5,106,414
Investments	3,212,901
Lease receivable, current	2,389,114
Prepaid and other	129,290
Accounts receivable and other	574,720
Total current assets	<u>11,412,439</u>

CAPITAL ASSETS:

Land	6,003,446
Land - restricted	9,622,481
Building - MROTC	28,482,739
	<u>44,108,666</u>
Less accumulated depreciation	<u>(9,466,856)</u>
Total capital assets, net	<u>34,641,810</u>

Lease receivable, less current portion	547,087
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TOTAL ASSETS	<u><u>\$ 46,601,336</u></u>
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LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 561,182
Loan payable - MROTC project	1,814,490
Total current liabilities	<u>2,375,672</u>

NONCURRENT LIABILITIES:

Deposits	<u>50,000</u>
Total noncurrent liabilities	50,000
Total liabilities	<u>2,425,672</u>

DEFERRED INFLOWS OF RESOURCES - Leases	2,884,739
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NET POSITION:

Net investment in capital assets	23,204,840
Restricted	9,622,481
Unrestricted	8,463,604
Total net position	<u>41,290,925</u>

Total liabilities, deferred inflows of resources and net position	<u><u>\$ 46,601,336</u></u>
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The accompanying notes are an integral part of these financial statements.

OKLAHOMA INDUSTRIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2024

OPERATING REVENUES

MROTC lease revenue	\$ 2,332,997
MROTC security services revenue	360,000
Grant revenue - Tinker	577,299
Interest income on lease receivables	45,802
Other lease revenue	93,531
Other revenue	162,413
Total operating revenues	<u>3,572,042</u>

OPERATING EXPENSES

Depreciation expense	569,655
Insurance	154,958
Professional services	493,359
Management and trustee fees	3,517
MROTC facility expense	417,882
Grant expense - Tinker	577,299
OWRB water and sewer grant expense	874,817
Interest	187,270
Other	60,492
Total Operating expenses	<u>3,339,249</u>

OPERATING INCOME (LOSS)	<u>232,793</u>
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NONOPERATING REVENUES (EXPENSES)

ARPA grant revenues	874,817
Investment interest income	311,482
Gain / (loss) on investments, net	100,186
Gain on sale of assets	2,254,850
Gain on lease modification	27,784
Payment of sales proceeds to the OCEDT	(4,937,138)
Total nonoperating revenues (expenses)	<u>(1,368,019)</u>

CHANGE IN NET POSITION	<u>(1,135,226)</u>
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NET POSITION, BEGINNING OF YEAR	<u>42,426,151</u>
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NET POSITION, END OF YEAR	<u><u>\$ 41,290,925</u></u>
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The accompanying notes are an integral part of these financial statements.

OKLAHOMA INDUSTRIES AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

MROTC payments received	\$ 2,736,303
Tinker grant revenues received	198,000
C-PACE payments received	49,750
Lease rental payments received	100,090
Other revenue received	161,413
Operating expenses paid	(1,647,872)

Net cash provided by operating activities	<u>1,597,684</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

MROTC loan payments	(1,744,872)
ARPA grant funds	310,313
Payments to the OCEDT	(4,937,138)
Proceeds from sale of capital assets	5,001,282

Net cash used in capital and related financing activities	<u>(1,370,415)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(2,896,147)
Proceeds from investment maturities	4,465,470
Interest received on investments	320,580

Net cash provided by investing activities	<u>1,889,903</u>
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CHANGE IN CASH AND CASH EQUIVALENTS	2,117,172
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,989,242</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,106,414</u>
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(CONTINUED)

OKLAHOMA INDUSTRIES AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2024

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

(CONCLUDED)

Operating income	\$ 232,793
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	569,655
Amortization of deferred outflows of resources	79,018
Amortization of deferred inflows of resources	(2,527,753)
Increase in prepaid insurance	(3,383)
Decrease in accounts receivable and other	254,203
Decrease in lease receivable	2,496,579
Increase in accounts payable and accrued liabilities	468,788
Gain on lease modification	27,784
Net cash provided by operating activities	<u>\$ 1,597,684</u>

NONCASH TRANSACTIONS

Unrealized loss on investments	\$ 45,066
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The accompanying notes are an integral part of these financial statements.

OKLAHOMA INDUSTRIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Oklahoma Industries Authority (the “Authority”) is an Oklahoma public trust and an agency of the State of Oklahoma. It was created on December 15, 1966, to promote and encourage the general development of Oklahoma County, Oklahoma (the “County”) under the provisions of Title 60, Section 176 of the Oklahoma Statutes, and other applicable statutes and laws. The County is the beneficiary of this trust and will receive all residual trust funds and assets upon termination of the trust.

Operations – The Authority arranges bond and loan financing with the participation of trustee banks to industrial, manufacturing, medical, civic, cultural, and educational enterprises located principally in the County for the purpose of constructing, purchasing, expanding, or otherwise improving the facilities required by such enterprises and also provides economic development services and facilities to support economic development in the County.

The Authority also administers Oklahoma County’s Commercial Property Assessed Clean Energy (“C-PACE”) program. On November 1, 2021, the Oklahoma County Board of County Commissioners created a pilot program for the Oklahoma County C-PACE program and named the Authority third-party administrator. The program, authorized by the Oklahoma Energy Dependence Act, facilitates private financing between capital providers and commercial property owners for eligible projects located within Oklahoma County. Eligible improvements related to energy efficiently must be made to the property to qualify for C-PACE financing.

The following is a summary of the more significant accounting policies consistently followed in the preparation of the Authority's financial statements.

Basis of Presentation – The Authority accounts for its operations as an enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, similar to private business enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred.

Income Taxes – The Authority is exempt from federal income taxes under Section 115 of the Internal Revenue Code; accordingly, no provision has been made for income taxes.

Capital Assets – Capital assets are valued at historical cost or estimated historical cost. The Authority has chosen the straight-line depreciation method for its capital assets based on the estimated useful lives of the capital assets, which vary between 20 and 50 years.

Cash and Cash Equivalents – The Authority considers all liquid debt instruments purchased with a maturity of three months or less and money market mutual funds to be cash equivalents.

Investments and investment income – Investments in negotiable certificates of deposit and U.S. Treasury Notes are carried at fair value. Fair value is determined from quoted market prices. Investment income consists of interest income and the net change for the year in the fair value of the investments.

Accounting for Long-Lived Assets – The Authority reviews long-lived assets for impairment whenever indicators of impairment are present to determine if the carrying amounts exceed the estimated future net cash flows to be realized. Impairment losses are recognized based on the estimated fair value of the asset. No long-lived asset impairments were recorded in 2024.

Net Position – The net position of the Authority is classified in three components:

- **Net Investments in Capital Assets** - Represents capital assets net of accumulated depreciation and reduced by the outstanding balance of debt used to finance the acquisition or construction of those assets.
- **Restricted** - Represents net position that has been restricted by sources external to the Authority. Restricted net position of \$9,622,481 represents land purchased through funds provided by Oklahoma City Economic Development Trust (“OCEDT”) and held on behalf of OCEDT. When sold or leased to third parties, the Authority is required to remit the net proceeds from sales back to OCEDT, or when leased, assign all leases to OCEDT.
- **Unrestricted** - Residual amount of net position that does not meet the definition of net investment in capital assets or restricted net position.

Leases – The Authority, as lessor, leases land and facilities to external parties. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements for leases with long-term noncancellable lease terms. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Classification of Revenues – The Authority has classified its revenues as either operating or nonoperating according to the characteristics of exchange verses nonexchange transactions.

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 amounts reported in the financial statements and accompanying notes; accordingly, actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents – Custodial credit risk is the risk that in the event of the failure of a counterparty the Authority will not be able to recover the value of its assets. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. The policy of the Authority is to require all deposits be maintained in accounts that are fully insured or collateralized. As of June 30, 2024, the Authority had bank deposits totaling \$279,582 that were uninsured and uncollateralized. The Authority has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk. Investments and cash equivalents other than bank deposit accounts are held in trust with a financial institution in which all balances are collateralized by the pledging financial institution's trust department in the name of the financial institution.

Investments – The Authority has adopted the provisions of Oklahoma State Statute Title 62, which limits the types of investment vehicles permitted with a long-term investment discipline. Investments permitted include direct obligations of the U.S. federal government; county, municipal, or school district direct debt obligations; collateralized or insured certificates of deposit; savings accounts; or certificates and other limited investment vehicles as permitted by state law. At June 30, 2024, the Authority had the following investments:

	Fair Value	Fiscal Year Maturity Date 2025
US. Treasury Notes and Bills	\$ 1,217,398	\$ 1,217,398
Certificates of deposit	1,995,503	1,995,503
Total investments	<u>\$ 3,212,901</u>	<u>\$ 3,212,901</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority 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.

For an investment, 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 investments that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority and are held by a counterparty or the counterparty's trust department but not in the name of the Authority. At June 30, 2024 the Authority's securities are registered in the name of the Authority.

3. FAIR VALUE MEASUREMENTS

The Authority 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 for identical assets or liabilities in active markets that can be accessed at the measurement date; Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for an asset or liability. The Authority has the following recurring fair value measurements as of June 30, 2024:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
US. Treasury Notes and Bills	\$ 1,217,398	\$ 1,217,398	\$ -	\$ -
Certificates of deposit	1,995,503	-	1,995,503	-
Total investments	<u>\$ 3,212,901</u>	<u>\$ 1,217,398</u>	<u>\$ 1,995,503</u>	<u>\$ -</u>

The fair values of U.S. treasury notes and T-Bills are based on quoted market prices in active markets, and are included in the Level 1 fair value hierarchy. Certificates of deposit are valued on the basis of evaluated prices provided by independent pricing services when such processes are believed to reflect the fair market value of such securities and are classified within Level 2 of the fair value hierarchy.

4. CAPITAL ASSETS

Capital assets at June 30, 2024 consist of the following:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 6,610,260	\$ -	\$ (606,814)	\$ 6,003,446
Land - restricted	12,339,398	-	(2,716,917)	9,622,481
	18,949,658	-	(3,323,731)	15,625,927
Building - MROTC	28,482,739	-	-	28,482,739
	28,482,739	-	-	28,482,739
Less accumulated depreciation	(8,897,202)	(569,654)	-	(9,466,856)
Depreciable capital assets, net	19,585,537	(569,654)	-	19,015,883
Total capital assets, net	<u>\$38,535,195</u>	<u>\$ (569,654)</u>	<u>\$ (3,323,731)</u>	<u>\$34,641,810</u>

During the year ended June 30, 2021, the Authority received approximately \$12,300,000 from OCEDT, to buy certain commercial properties from third parties, which were then exchanged for land of equal value held by the Commissioners of the Land Office of the State of Oklahoma referred to as the I-240 and Eastern Tract (the "Tract"). The Authority entered into a memorandum of agreement (the "Agreement") with OCEDT in regard to the Tract which requires the Authority to attempt to engage a master developer through a competitive proposal process or otherwise market the Tract for commercial economic development. Any net proceeds from the sale of the Tract would be remitted to OCEDT. OCEDT retains approval authority over all transactions related to the land. The Tract is recorded as restricted land and restricted net position in the statement of net position due to the restrictions and conditions included in the Agreement.

During the year ended June 30, 2024, three tracts of this land (approximately 127 acres) were sold to the master developer for \$4,937,138 resulting in a gain on sale of the underlying assets of \$2,220,220. The sales proceeds were submitted to the OCEDT in accordance with the terms of the memorandum of understanding with the Authority.

In April 2024, land was sold to Tinker Air Force Base for total proceeds of \$641,444, including cash on hand of \$577,299 in deferred grant revenues. A gain on sale was recognized for \$34,629.

5. CONDUIT DEBT OBLIGATIONS

From time to time, the Authority has issued revenue bonds to provide financial assistance to private and public sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on underlying mortgage loans or leasing arrangements. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private/public sector entity. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2024, there were six series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$471,025,000.

6. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt for the year ended June 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Loan payable:					
MROTC project	<u>\$3,559,362</u>	<u>\$ -</u>	<u>\$(1,744,872)</u>	<u>\$ 1,814,490</u>	<u>\$ 1,814,490</u>

On June 29, 2020, the Authority entered into a long-term loan payable of \$8,404,691, which retired the remaining principal from the construction of the MROTC facility. The loan carries an interest rate of 3.85% and requires principal and interest payments of \$154,427 occurring monthly until maturity on June 29, 2025.

Future minimum debt service requirements for the loan payable are as follows at June 30, 2024:

	Principal	Interest	Total
2025	\$ 1,814,490	\$ 38,635	\$ 1,853,125

7. LEASES

The Authority recognizes a lease receivable and a corresponding deferred inflow of resources from certain long-term leases as required under Governmental Accounting Standards Board Statement No. 87 – “Leases” (“GASB 87”). These leases consisted of the following as of June 30, 2024:

	Lease Receivable		Interest	Lease	Deferred
	Current	Long Term	Income	Revenue	Inflows
MROTC Lease	\$ 2,366,985	\$ -	\$ 26,435	\$ 2,332,997	\$ 2,332,999
OKC 577 Lease	22,129	547,087	19,367	33,780	551,740
	<u>\$ 2,389,114</u>	<u>\$ 547,087</u>	<u>\$ 45,802</u>	<u>\$ 2,366,777</u>	<u>\$ 2,884,739</u>

MROTC Lease - Effective June 30, 2020, in connection with the restructuring of the MROTC project loan, the Authority directly entered into a new lease agreement with the United States Air Force (USAF) for the MROTC facility. This lease replaced an existing lease between the United States Air Force and a wholly owned subsidiary of the Authority. The new lease term was for one year, terminating on June 29, 2021, with four additional one-year non-cancelable renewal periods. Renewal periods through June 29, 2024 have been exercised. The lessee exercised the final extension through June 29, 2025. Payments of \$198,025 are required monthly for a total of \$2,376,300 to be paid annually. In addition, the Authority provides security for the premises for an additional \$30,000 per month for a total of \$360,000 per year.

As required under GASB 87, a lease receivable and corresponding deferred inflow of resources for the MROTC facility lease agreement are recorded in the statement of net position totaling \$2,366,985 and \$2,332,999, respectively at June 30, 2024. The amounts were initially calculated based on the present value of lease payments expected to be received during the lease term using a discount rate of

0.726% as of the beginning of the lease. Payments are fixed at \$198,025 monthly through the final available extension through June 29, 2025. The Authority has recognized interest income on the lease receivable of \$26,435 and rental revenue of \$2,332,997 for the period ended June 30, 2024. Rental revenue is based on the straight-line amortization of the initial present value of lease payments over the lease term.

Future receipts of principal and interest on the MROTC lease receivable are as follows:

	<u>Principal</u>	<u>Interest</u>
2025	\$2,366,985	\$ 26,435

OKC 577 Lease – Effective December 15, 2022, in connection with the development of the I-240 and Eastern Tract (see note 4 above), the Authority entered into a lease agreement with OKC 577, LLC, as master developer, (the “OKC 577 Lease”) for 529 acres within this tract. The non-cancelable lease term is for 20 years terminating on December 14, 2042. The lease includes eight additional five-year renewal options; however, the likelihood of the renewal is unknown at this time. Payments of \$100 per acre are required annually at the beginning of the term year. As acreage is developed, it may be sold under the terms of the lease.

During the year ended June 30, 2024, the Authority sold approximately 127 acres in three separate transactions resulting in a gain on lease modification of \$27,784.

As required under GASB 87, a lease receivable and corresponding deferred inflow of resources for the modified lease are recorded in the statement of net position totaling \$569,216 and \$551,740, respectively at June 30, 2024. The amounts were calculated based on the present value of lease payments expected to be received during the lease term using a discount rate of 3.25% as of the beginning of the lease. Lease payments are \$39,339 annually through the initial term of the agreement. The Authority has recognized interest income on the lease receivable of \$19,367 and rental revenue of \$33,780 for the period ended June 30, 2024. Rental revenue is based on the straight-line amortization of the initial present value of lease payments over the lease term.

Future receipts of principal and interest on the OKC 577 lease receivable are as follows:

	<u>Principal</u>	<u>Interest</u>
2025	\$ 22,129	\$ 17,210
2026	22,847	16,492
2027	23,589	15,750
2028	24,356	14,983
2029	25,147	14,192
2030 and thereafter	451,148	99,598
	<u>\$ 569,216</u>	<u>\$ 178,225</u>

Other Leases:

Boeing Lease - In May 2015, the Authority entered into a real estate purchase contract with the County to purchase land located at Southeast 59th Street and Air Depot Road in Oklahoma City, Oklahoma, at a cost of \$1,348,135. The Authority purchased the land with the intent to lease the property to Boeing for the purpose of expanding Boeing's operations. A lease agreement with Boeing was entered into on June 1, 2015, for a 15-year term and base rent of \$1 per year with the option for

Boeing to extend the lease or to purchase the property at the end of the lease term for a base price of \$630,000, which increases by 2% each year during the lease term.

8. RELATED PARTY TRANSACTIONS

Management services for the Authority are provided by the Alliance for the Economic Development of Oklahoma City, Inc., a related party. Total compensation provided under this arrangement was \$308,250 for the year ended June 30, 2024 and is included in professional services in the accompanying statement of revenues, expenses, and changes in net position.

An organization that benefits the County provides economic development services to the Authority. The Authority incurred expenses related to these services totaling \$48,000 which are included in other expenses in the statement of revenues, expenses, and changes in net position.

9. COMMITMENTS AND CONTINGENCIES

From time to time, the Authority is engaged in lawsuits either as plaintiff or defendant that arise in the conduct of its business, which, in the opinion of management and based upon advice of counsel, would not have a material effect on the Authority's financial position or results of operations.

10. ARPA GRANTS

On August 30, 2023, the Authority was awarded American Rescue Plan Act grant funds by the Oklahoma Water Resources Board not to exceed \$8,000,000 for water and sanitary sewer main extensions. During the year ended June 30, 2024, expenditures totaling \$874,417 were incurred for the project with reimbursements from the Oklahoma Water Resources board totaling \$310,313.

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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

Board of Trustees
Oklahoma Industries Authority
Oklahoma City, Oklahoma

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 Oklahoma Industries Authority (the "Authority"), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, 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 December 18, 2024.

Report on 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) 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 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 and significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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

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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.

HSPG & Associates, P.C.

December 18, 2024



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Oklahoma Industries Authority
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Oklahoma Industries Authority’s (the “Authority”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended June 30, 2024. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 18, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

HSPG & Associates, P.C.

December 18, 2024

**OKLAHOMA INDUSTRIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/ Pass-Through Entity	Program Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Amount
U.S Department of Treasury / Oklahoma Water Resources Board	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	ARP-23-0010- DPG	\$ 874,817
				\$ 874,817

See notes to schedule of expenditures of federal awards.

OKLAHOMA INDUSTRIES AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (“SEFA”) includes the federal award activity of the Oklahoma Industries Authority (the “Authority”) under programs of the federal government for the year ended June 30, 2024. The information in this SEFA is presented in accordance with the requirement of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position or changes in net position of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. SUBRECIPIENTS

The Authority did not provide federal awards to subrecipients during the year ended June 30, 2024.

OKLAHOMA INDUSTRIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor’s report issued on noncompliance
for major federal programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	American Rescue Plan Act (ARPA)

Dollar threshold used to distinguish
Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes x no

OKLAHOMA INDUSTRIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None

Internal Control Findings

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None

OKLAHOMA INDUSTRIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

No Prior Year Audit Findings