

**OKLAHOMA INDUSTRIES AUTHORITY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**HSPG  
&  
ASSOCIATES**  

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ACCOUNTING | TAX | ADVISORY

# OKLAHOMA INDUSTRIES AUTHORITY

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June 30, 2021

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Oklahoma Industries Authority  
Oklahoma City, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Oklahoma Industries Authority (the "Authority") as of and for the year ended June 30, 2021, 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 opinions on these financial statements based on our audit. 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. Those 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 risks 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 Authority'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 Authority'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

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, 2021, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

HSPG & ASSOCIATES, PC

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## **Other Matters**

### ***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 28, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 28, 2021

**OKLAHOMA INDUSTRIES AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

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**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:

Cash and cash equivalents	\$ 4,095,606
Investments	505,458
Prepaid and other	134,253
Accounts receivable	223,788
Deposits	12,159
Total current assets	<u>4,971,264</u>

CAPITAL ASSETS:

Land	6,449,440
Land - restricted	12,339,398
Building - MROTC	28,482,739
Industrial property	2,801,807
	<u>50,073,384</u>
Less accumulated depreciation	<u>(9,227,613)</u>
Total capital assets, net	<u>40,845,771</u>

TOTAL ASSETS

45,817,035

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on debt refunding	<u>541,236</u>
Total assets and deferred outflows of resources	<u>46,358,271</u>

**LIABILITIES AND NET POSITION**

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	22,500
Unearned revenues	2,585,414
Current portion of loan payable - MROTC project	1,614,292
Total current liabilities	<u>4,222,206</u>

NONCURRENT LIABILITIES:

Loan payable - MROTC project	<u>5,237,808</u>
Total liabilities	<u>9,460,014</u>

NET POSITION:

Net investment in capital assets	22,195,509
Restricted	12,339,398
Unrestricted	2,363,350
Total net position	<u>\$ 36,898,257</u>

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, 2021**

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**OPERATING REVENUES**

Lease rentals	\$ 135,601
Administrative fees	18,018
MROTC revenue	2,738,275
Grant revenue - Tinker	530,154
Other Revenue	5,003
	<hr/>
Total operating revenues	3,427,051
	<hr/>

**OPERATING EXPENSES**

Depreciation expense	616,174
Insurance	149,365
Professional services	682,711
Management and trustee fees	3,396
MROTC facility expense	352,036
Interest	523,744
Other	51,459
Grant Expense	17,927,432
Repair and maintenance - unit parts	188,622
	<hr/>
Total Operating expenses	20,494,939
	<hr/>

**OPERATING INCOME (LOSS)**

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**(17,067,888)**

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**NONOPERATING REVENUES (EXPENSES)**

CARES Act federal grant	17,466,586
Investment interest income	51,645
Payment from City of Oklahoma City for capital asset purchase	12,332,139
Unrealized loss on investments	(60,179)
Gain on sale of property	500,000
Realized gain on investments	15,275
	<hr/>
Total nonoperating revenues (expenses)	30,305,466
	<hr/>

**CHANGE IN NET POSITION**

13,237,578

**NET POSITION, BEGINNING OF YEAR**

23,660,679

**NET POSITION, END OF YEAR**

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**\$ 36,898,257**

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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, 2021**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Lease rental payment received	\$ 135,601
Administrative fees received	18,018
Grant, MROTC, and other revenue received	3,074,788
Operating expenses paid	(20,316,330)
Net cash used in operating activities	<u>(17,087,923)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Funds received from Oklahoma County for CARES Act Program	20,050,000
Net cash provided by noncapital financing activities	<u>20,050,000</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

MROTC loan payments	(1,552,591)
Purchase of capital assets	(16,327,730)
Payment from City of Oklahoma City for capital asset purchase	12,332,139
Proceeds on disposition of capital assets	500,000
Net cash used in capital and related financing activities	<u>(5,048,182)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of investments	3,775,000
Purchases of investments	(250,000)
Realized gain on investments	15,275
Interest received on investments	51,645
Net cash provided by investing activities	<u>3,591,920</u>

**CHANGE IN CASH AND CASH EQUIVALENTS**

1,505,815

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR**

2,589,791

**CASH AND CASH EQUIVALENTS, END OF YEAR**

\$ 4,095,606

(CONTINUED)

**OKLAHOMA INDUSTRIES AUTHORITY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**Year Ended June 30, 2021**

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**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED IN OPERATING ACTIVITIES**

(CONTINUED)

Operating loss	\$ (17,067,888)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	616,174
Amortization of deferred outflows	223,594
Increase in prepaid insurance	(36,426)
Increase in accounts receivable and other	(198,644)
Decrease in accounts payable and accrued liabilities	(95,330)
Decrease in unearned revenue	(529,403)
Net cash used in operating activities	<u>\$ (17,087,923)</u>

**NONCASH TRANSACTIONS**

Unrealized loss on investments	\$ (60,179)
Land acquired in exchange	\$ 13,170,139
Land disposed in exchange	\$ (13,170,139)

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



**OKLAHOMA INDUSTRIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**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 under the provisions of Title 60, Section 176 of the Oklahoma Statutes, and other applicable statutes and laws. Oklahoma County, Oklahoma (the County) is the beneficiary of this trust and will receive all residual trust funds and assets upon termination of the trust.

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

**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.

**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. At June 30, 2021, cash equivalents consisted primarily of money market accounts with brokers.

**Investments and investment income** – Investments in negotiable certificates of deposit 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 carried at fair value.

**Unearned Revenue** – During the year ended June 30, 2021, the Authority received \$20,050,000 of Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds from Oklahoma County for the purpose of distributing grants to small businesses negatively impacted by the coronavirus pandemic. Of this amount, \$2,583,414 is still held as cash and reported with other amounts as unearned revenue in the statement of net position at June 30, 2021. See *Note 8*.

**Deferred Outflows of Resources** – The Authority reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its

statement of net position. At June 30, 2021, deferred outflows of resources totaling \$541,236 represents deferred loss on the debt refinancing of the Maintenance, Repair, and Overhaul Technology Center (MROTC) project loan payable during the year ended June 30, 2020. This amount is amortized over the life of the related loan payable as interest expense.

**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 2021.

**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 \$12,339,398 represents land purchased through funds provided by the City of Oklahoma City (the “City”) and held on behalf of the City. When sold or leased to third parties, the Authority is required to remit the net proceeds from sales back to the City, or when leased, assign all leases to the City.
- **Unrestricted** - Residual amount of net position that does not meet the definition of net investment in capital assets or restricted net position.

**Classification of Revenues** – The Authority has classified its revenues as either operating or nonoperating according to the characteristics of exchange vs. 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 investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority, or are held by a counterparty or the counterparty's trust department but not in the name of the Authority.

The policy of the Authority is to require all deposits be maintained in accounts that are fully insured or collateralized. As of June 30, 2021, the Authority had no uninsured or uncollateralized deposits. At June 30, 2021, all deposits 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 Statue 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, 2021, the Authority had the following investments:

	<u>Fair Value</u>	<u>Fiscal Year Maturity Date</u>		
		<u>2021</u>	<u>2022</u>	<u>2023</u>
Certificates of deposit	<u>\$ 505,548</u>	<u>\$ 505,458</u>	<u>\$-</u>	<u>\$-</u>
Total investments	<u>\$ 505,548</u>	<u>\$ 505,458</u>	<u>\$-</u>	<u>\$-</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 investment 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 counterparty or the counterparty's trust department but not in the name of the Authority. At June 30, 2021, the Authority does not have any securities that are not 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, 2021:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	<u>\$ 505,548</u>	<u>\$ -</u>	<u>\$ 505,548</u>	<u>\$ -</u>
Total investments	<u>\$ 505,548</u>	<u>\$ -</u>	<u>\$ 505,548</u>	<u>\$ -</u>

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, 2021 consisted of the following:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 2,461,108	\$ 3,988,332	\$ -	\$ 6,449,440
Land - restricted	-	12,339,398	-	12,339,398
	<u>2,461,108</u>	<u>16,327,730</u>	<u>-</u>	<u>18,788,838</u>
Industrial Property	2,801,807	-	-	2,801,807
Building - MROTC	28,482,739	-	-	28,482,739
	<u>31,284,546</u>	<u>-</u>	<u>-</u>	<u>31,284,546</u>
Less accumulated depreciation	<u>(8,611,439)</u>	<u>(616,174)</u>	<u>-</u>	<u>(9,227,613)</u>
Depreciable capital assets, net	<u>22,673,107</u>	<u>(616,174)</u>	<u>-</u>	<u>22,056,933</u>
Total capital assets, net	<u>\$25,134,215</u>	<u>\$15,711,556</u>	<u>\$ -</u>	<u>\$40,845,771</u>

During the year ended June 30, 2021, the Authority received approximately \$12,300,000 from the Oklahoma City Economic Development Trust (“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 (the “CLO”). See Note 9. Additionally, during the year ended June 30, 2021, the Authority purchased a partial interest in a parking garage in Oklahoma City for approximately \$830,000 which was then exchanged for land of equal value held by the CLO. These transactions are included within the accompanying statement of cash flows as both cash and noncash transactions for the current year.

During the year ended June 30, 2021, the Authority sold property to OU Medicine, Inc. for \$500,000. The property had a net zero book balance; therefore, all proceeds were recorded as a gain on sale of property.

#### 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, 2021, there were five series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$40,945,000.

## 6. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Loan payable:					
MROTC project	\$8,404,691	\$ -	\$(1,552,591)	\$6,852,100	\$ 1,614,292

### *Loan Payable - MROTC Project*

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, 2021:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,614,292	\$ 238,833	\$ 1,853,125
2023	1,678,445	174,680	1,853,125
2024	1,744,872	108,254	1,853,126
2025	1,814,491	38,635	1,853,126
	<u>\$6,852,100</u>	<u>\$560,402</u>	<u>\$7,412,502</u>

## 7. LEASES

In May 2015, the Authority entered into a real estate purchase contract with the County, a related party, to purchase the 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.

The Authority entered into an agreement as the lessor to lease a building for five years, beginning in March 2011, for \$16,958 per month. An amendment was created to extend the lease for a period of five years, commencing on December 20, 2015, and increasing rent payments to \$18,600 per month. The lease terminated in December 2020 and the building was subsequently sold in September 2021. See note 12.

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 original lease term was for one year, terminating on June 29, 2021, with the first of four additional one-year renewal periods executed extending the lease by mutual agreement through June 29, 2022. Additional renewals are available by providing 30 days'

advance notice. Included in the lease is an option for the lessee to acquire the leased premises at the fair market valuation of the premises as determined by an appraisal. Payments of \$198,025 are required monthly for a total of \$2,376,303 to be paid annually. In addition, the Authority agrees to provide security for the premises for an additional \$30,000 per month for a total of \$360,000 per year.

## **8. CARES ACT GRANT**

During the year ended June 30, 2021, the Authority received \$20,050,000 of CARES Act funds from Oklahoma County for the purpose of distributing grants to small businesses negatively impacted by the coronavirus pandemic. Grant applicants were required to meet certain criteria, including living within Oklahoma County and demonstrating a negative impact as a result of the coronavirus pandemic. During the year ended June 30, 2021, grants totaling approximately \$17,216,000 were distributed, with indirect costs totaling approximately \$250,000. The remaining funds were returned to Oklahoma County in September 2021.

## **9. PAYMENT FROM CITY OF OKLAHOMA CITY FOR CAPITAL ASSET PURCHASE**

In July 2020, the Authority entered into an exchange agreement with the CLO whereby the Authority would acquire land held by the CLO through an exchange of land of equal value yet to be purchased by the Authority. This exchange agreement included a parcel of land held by the CLO referred to as the (I-240 and Eastern Tract). Subsequently, in March 2021, the Authority entered into a memorandum of agreement (the "Agreement") with OCEDT whereby OCEDT agreed to fund the Authority's direct purchase of the I-240 and Eastern Tract held by the CLO. The Agreement requires the Authority to attempt to engage a master developer through a competitive proposal process or otherwise market the land for commercial economic development. Any net proceeds from the sale of the land would be remitted to OCEDT. OCEDT retains approval authority over all transactions related to the land. In June 2021, rather than fund the direct purchase of the I-240 and Eastern Tract, OCEDT provided approximately \$12,300,000 in funding to the Authority to purchase certain other commercial property in order to acquire the I-240 and Eastern Tract from the CLO through an exchange of property. The purchase and exchange transactions closed on June 28, 2021. The I-240 and Eastern Tract acquired by the Authority 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.

## **10. 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 \$270,000 for the year ended June 30, 2021 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.

## **11. 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.

## 12. SUBSEQUENT EVENTS

Subsequent to June 30, 2021, the Authority sold a building classified as industrial property located at 4600 S.E. 59th street in Oklahoma City. The sale closed on September 30, 2021. The sale price for the property was approximately \$5.5 million less \$330,300 in commissions and other costs. As a result of the sale, the Authority recognized a gain on sale of approximately \$4.3 million in September 2021.

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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”), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated December 28, 2021, which contained an *Other Matter* paragraph regarding omission of required supplementary information.

**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 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 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

HSPG & ASSOCIATES, PC



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 & Associate, P.C.*

December 28, 2021