

**OKLAHOMA INDUSTRIES AUTHORITY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**



# OKLAHOMA INDUSTRIES AUTHORITY

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June 30, 2022

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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 the Oklahoma Industries Authority (the Authority) as of and for the year ended June 30, 2022, and the related notes to the basic 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, 2022, 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.

#### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, on July 1, 2021, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

#### ***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

HSPG & ASSOCIATES, PC

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 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 November 21, 2022, 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.*

November 21, 2022

**OKLAHOMA INDUSTRIES AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 5,238,536
Investments	1,973,155
Lease receivable, current	2,332,874
Prepaid and other	115,094
Accounts receivable	380,210
Total current assets	<u>10,039,869</u>

**CAPITAL ASSETS:**

Land	6,610,260
Land - restricted	12,339,398
Building - MROTC	28,482,739
	<u>47,432,397</u>
Less accumulated depreciation	<u>(8,327,547)</u>
Total capital assets, net	<u>39,104,850</u>

Lease receivable, less current portion	4,716,853
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<b>TOTAL ASSETS</b>	<u>53,861,572</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred loss on debt refunding	312,641
Total assets and deferred outflows of resources	<u><u>\$ 54,174,213</u></u>

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES:**

Accounts payable and accrued liabilities	\$ 29,626
Unearned revenues	380,846
Current portion of loan payable - MROTC project	1,678,445
Total current liabilities	<u>2,088,917</u>

**NONCURRENT LIABILITIES:**

Loan payable - MROTC project	<u>3,559,362</u>
Total liabilities	<u>5,648,279</u>

<b>DEFERRED INFLOWS OF RESOURCES - Lease</b>	6,998,993
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**NET POSITION:**

Net investment in capital assets	21,215,004
Restricted	12,339,398
Unrestricted	7,972,539
Total net position	<u>41,526,941</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 54,174,213</u></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, 2022**

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**OPERATING REVENUES**

Lease rentals	\$ 37,680
Administrative fees	16,325
MROTC revenue	2,693,004
C-PACE revenue	20,588
Interest income on lease receivable	60,299
Other Revenue	183,382
Total operating revenues	<u>3,011,278</u>

**OPERATING EXPENSES**

Depreciation expense	581,285
Insurance	148,133
Professional services	629,088
Management and trustee fees	2,505
MROTC facility expense	369,123
Interest	467,427
Other	77,693
Repair and maintenance - unit parts	112,485
Total Operating expenses	<u>2,387,739</u>

**OPERATING INCOME (LOSS)**

623,539

**NONOPERATING REVENUES (EXPENSES)**

Investment interest income	6,236
Unrealized loss on investments	(23,025)
Gain on sale of property	3,995,063
Realized gain on investments	(6,871)
Total nonoperating revenues (expenses)	<u>3,971,403</u>

**CHANGE IN NET POSITION**

4,594,942

**NET POSITION, BEGINNING OF YEAR**

36,931,999

**NET POSITION, END OF YEAR**

\$ 41,526,941

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

**OKLAHOMA INDUSTRIES AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2022**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Lease rental payment received	\$ 37,680
Administrative fees received	16,325
MROTC lease payments received	2,956,735
Grants and other revenue received	218,129
Operating expenses paid	(1,551,573)
Net cash provided by operating activities	<u>1,677,296</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Funds paid back to Oklahoma County for 2021 CARES Act Program	(2,583,414)
Net cash used in noncapital financing activities	<u>(2,583,414)</u>

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

MROTC loan payments	(1,614,293)
Proceeds on disposition of capital assets	5,154,700
Net cash provided by capital and related financing activities	<u>3,540,407</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments	(1,490,724)
Realized loss on investments	(6,871)
Interest received on investments	6,236
Net cash used in investing activities	<u>(1,491,359)</u>

**CHANGE IN CASH AND CASH EQUIVALENTS**

1,142,930

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

4,095,606

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

\$ 5,238,536

(CONTINUED)

**OKLAHOMA INDUSTRIES AUTHORITY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**Year Ended June 30, 2022**

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

(CONTINUED)

Operating income	\$ 623,539
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	581,285
Amortization of deferred outflows	228,595
Amortization of deferred inflows of resources	(2,332,996)
Decrease in prepaid insurance	19,160
Increase in accounts receivable and other	(144,263)
Decrease in lease receivable	2,316,004
Increase in accounts payable and accrued liabilities	7,126
Increase in unearned revenue	378,846
Net cash provided by operating activities	<u>\$ 1,677,296</u>

**NONCASH TRANSACTIONS**

Unrealized loss on investments	\$ (23,025)
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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, 2022**

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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.

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.

**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, 2022, cash equivalents consisted primarily of money market accounts with brokers.

**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 carried at fair value.

***Unearned Revenue*** – During the year ended June 30, 2022, the Authority was awarded grants totaling \$378,846 through the Oklahoma Strategic Military Planning Commission, State of Oklahoma Department of Commerce for future projects related to the expansion of Tinker Air Force Base and maintenance of certain facilities. The grant funds have not been received or expended as of June 30, 2022 and are recorded as unearned revenue and accounts receivable at June 30, 2022.

***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, 2022, deferred outflows of resources totaling \$312,641 represents deferred loss on the debt refinancing of the 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 2022.

***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.

***Change in Accounting Principle*** – On July 1, 2021, the Authority adopted GASB Statement No. 87, *Leases*, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented. The purpose of the statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a

deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. See note 7 (Leases).

## 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, 2022, the Authority had bank deposit accounts with financial institutions subject to FDIC coverage which exceeded such coverage by \$254,656. 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, 2022, the Authority had the following investments:

	<b>Fair Value</b>	<b>Fiscal Year Maturity Date</b>	
		<b>2023</b>	<b>2024</b>
US. Treasury Notes	\$ 1,474,995	\$ -	\$ 1,474,995
Certificates of deposit	498,160	498,160	-
Total investments	<u>\$ 1,973,155</u>	<u>\$ 498,160</u>	<u>\$ 1,474,995</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, 2022, 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, 2022:

	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
US. Treasury Notes	\$ 1,474,995	\$ 1,474,995	\$ -	\$ -
Certificates of deposit	498,160	-	498,160	-
Total investments	<u>\$ 1,973,155</u>	<u>\$ 1,474,995</u>	<u>\$ 498,160</u>	<u>\$ -</u>

The fair values of U.S. treasury notes 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, 2022 consisted of the following:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 6,610,260	\$ -	\$ -	\$ 6,610,260
Land - restricted	12,339,398	-	-	12,339,398
	18,949,658	-	-	18,949,658
Industrial property	2,640,987	-	(2,640,987)	-
Building - MROTC	28,482,739	-	-	28,482,739
	31,123,726	-	(2,640,987)	28,482,739
Less accumulated depreciation	(9,227,613)	(581,285)	1,481,351	(8,327,547)
Depreciable capital assets, net	21,896,113	(581,285)	(1,159,636)	20,155,192
Total capital assets, net	<u>\$40,845,771</u>	<u>\$ (581,285)</u>	<u>\$ (1,159,636)</u>	<u>\$39,104,850</u>

During the year ended June 30, 2022, the Authority sold the Unit Parts building for \$5,485,000. The property had a net book value of \$1,159,636, with closing costs of \$330,300, for a net gain on sale of property of \$3,995,063.

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") referred to as the I-240 and Eastern Tract. The Authority entered into a memorandum of agreement (the "Agreement") with OCEDT in regard to the I-240 and Eastern Tract (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.

## 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, 2022, there were four series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$28,350,000.

## 6. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt for the year ended June 30, 2022:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Loan payable:					
MROTC project	<u>\$ 6,852,100</u>	<u>\$ -</u>	<u>\$(1,614,293)</u>	<u>\$ 5,237,807</u>	<u>\$ 1,678,445</u>

### *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, 2022:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 1,678,445	\$ 174,680	\$ 1,853,125
2024	1,744,871	108,254	1,853,125
2025	<u>1,814,491</u>	<u>38,635</u>	<u>1,853,126</u>
	<u>\$ 5,237,807</u>	<u>\$ 321,569</u>	<u>\$ 5,559,376</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.

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, 2025. 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.

As required under current accounting pronouncements, a lease receivable and corresponding deferred inflow of resources for the MROTC facility lease agreement are recorded in the statement of net position totaling \$7,049,727 and 6,998,993, respectively at June 30, 2022. 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 \$60,299 and rental income of approximately \$2,333,000 for the period ended June 30, 2022. Rental income is based on the straight line amortization of the initial present value of lease payments over the lease term.

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

	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,332,874	\$ 43,429
2024	2,349,868	26,435
2025	2,366,985	9,318
	<u>\$ 7,049,727</u>	<u>\$ 79,182</u>

## 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 \$300,000 for the year ended June 30, 2022 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. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 21, 2022, which is the date the financial statements were available to be issued. No events required disclosure.

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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, 2022, 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 November 21, 2022, which contained an *Emphasis of Matter* paragraph regarding adoption of a new accounting standard.

**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 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.*

November 21, 2022