

FIRES INNOVATION SCIENCE & TECHNOLOGY ACCELERATOR (FISTA)
DEVELOPMENT TRUST AUTHORITY

A Component Unit of the City of Lawton, Oklahoma

Financial Statements
For the Year Ended June 30, 2023

Turner & Associates CPAs
Lawton, Oklahoma

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TURNER & ASSOCIATES CPAS

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Independent Auditors' Report

Board of Trustees
Fires Innovation Science and Technology Accelerator (FISTA)
Development Trust Authority
Lawton, Oklahoma

Opinion

We have audited the accompanying financial statements of the Fires Innovation Science and Technology Accelerator (FISTA) (a component unit of the City of Lawton), which comprise the statement of net position as of June 30, 2023 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of FISTA as of June 30, 2023 and the changes in its net 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FISTA and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FISTA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objective is 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, including omissions, 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, 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 FISTA'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 FISTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

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, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This does not affect our opinion on the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2024, on our consideration of FISTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FISTA's internal control over financial reporting and compliance.

Robert A. Turner

Turner & Associates CPAs
Lawton, Oklahoma
January 29, 2024

**Fires Innovation Science and Technology Accelerator (FISTA)
Development Trust Authority**

Statement of Net Position

June 30, 2023

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 412,432
Cash and Cash Equivalents, Restricted	1,136,416
Total Cash and Cash Equivalents	1,548,848

Accounts Receivable, City of Lawton	146,260
Accounts Receivable, Tenants	90,044
Accounts Receivable, Other	10,000
Leases Receivable, Current	951,543
Prepaid Expenses	10,085
Total Current Assets	2,756,780

Noncurrent Assets:

Capital Assets (net of accumulated depreciation)	7,838,207
Leases Receivable, Noncurrent	1,041,090
Utility Deposits	294
Total Noncurrent Assets	8,879,591

TOTAL ASSETS	\$ 11,636,371
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LIABILITIES AND NET POSITION

Current Liabilities:

Accounts Payable	\$ 21,834
Accounts Payable, Mall	61,151
Payroll Liabilities Payable	20,862
Accrued Interest	32,922
Unearned Tenant Rents	53,870
Tenant Deposits Payable	9,733
Unearned Revenue (HUD Grant)	1,000,000
Revenue Note, Current	1,170,000
Total Current Liabilities	2,370,372

Noncurrent Liabilities:

Revenue Note, Noncurrent	14,955,000
Total Noncurrent Liabilities	14,955,000
Total Liabilities	\$ 17,325,372

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows From Leases	<u>\$ 1,992,633</u>
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NET POSITION

Investment in Capital Assets	\$ 7,838,207
Restricted Net Position	1,136,416
Unrestricted Net Position	(16,656,257)
TOTAL NET POSITION	\$ (7,681,634)

See Notes to Financial Statements.

Fires Innovation Science and Technology Accelerator (FISTA)

Development Trust Authority

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ending June 30, 2023

Operating Revenues:	
Rent	\$ 1,889,827
Tenant Shared Expense Reimbursement	657,452
Sponsorships	24,000
Interest Income	72,501
Other Income	294
Total Operating Revenues	<u>2,644,074</u>
Operating Expenditures:	
Advertising and Marketing	9,480
Bad Debt	37,205
Bank Charges	4,042
Commissions	9,284
Conferences	11,520
Contract Labor	34,952
Depreciation	88,427
Dues and Subscriptions	7,967
Employee Benefits	28,464
Insurance	45,765
Interest Expense	413,795
Management Fees	150,000
Meals and Luncheons	5,593
Office Expense	7,171
Other Expenses	6,410
Professional Fees, Accounting	40,384
Professional Fees, Legal	59,500
Professional Fees, Other	198,691
Payroll, Wages	724,943
Payroll, Taxes	65,293
Repairs and Maintenance	229,257
Special Events	11,023
Supplies	31,123
Taxes, Ad Valorem	216,603
Telecommunications	6,940
Travel	29,717
Utilities	663,564
Total Operating Expenditures	<u>3,137,113</u>
Operating Income	(493,039)
Transfers In (Out)	
City of Lawton	5,332,904
Total Transfers In (Out)	<u>5,332,904</u>
Increase (Decrease) in Net Position	4,839,865
Change in Net Position	
Beginning Net Position	(12,521,499)
Ending Net Position	<u>\$ (7,681,634)</u>

See Notes to Financial Statements.

Fires Innovation Science and Technology Accelerator (FISTA)

Development Trust Authority

Statement of Cash Flows

For the Year Ending to June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Rents	\$ 1,814,865
Tenant Shared Reimbursements	657,452
HUD Grant	1,000,000
Other Income	(57,005)
Interest Income	72,501
Payments to Employees	(785,188)
Payments to Suppliers	(2,923,739)
Net Cash Provided (Used) Operating Activities	<u>(221,114)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Capital Assets	(7,769,089)
WIP - Full Build Out	2,396,745
Net Cash Provided (Used) From Investing Activities	<u>(5,372,344)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Revenue Note Payments	(1,145,000)
Transfers From City of Lawton	5,332,904
Net Cash Provided (Used) From Financing Activities	<u>4,187,904</u>

Net Increase (Decrease) in Cash	(1,405,554)
Cash Balance - Beginning of the Year	2,954,402
Cash Balance - End of the Year	<u>\$ 1,548,848</u>

**Reconciliation of Operating Income (Loss) to
Net Cash Provided (Used) Operating Activities:**

Operating Income (Loss)	\$ (493,039)
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**Adjustment to Reconcile Operating Income
to Net Cash Provided by Operating Activities:**
Depreciation

88,427

Changes in Assets and Liabilities:

Accounts Receivable City of Lawton	(71,299)
Accounts Receivable, Tenants	(7,681)
Accounts Receivable, Other	(10,000)
Prepaid Expenses	(1,116)
Utility Deposits	81
Accounts Payable	(679,484)
Accounts Payable, Mall	17,649
Payroll Liabilities Payable	4,967
Accrued Interest Payable	(2,338)
Unearned Revenues (HUD Grant)	1,000,000
Unearned Tenant Rents	(69,682)
Tenant Deposits Payable	2,401
Net Cash Provided (Used) Operating Activities	<u>\$ (221,114)</u>

See Notes to Financial Statements.

**Fires Innovation Science and Technology Accelerator (FISTA)
Development Trust Authority**

Notes to Financial Statements

1. Organization and Reporting Entity

Organization:

On August 25, 2020 the City of Lawton established the Fires Innovation Science and Technology Accelerator (FISTA) Development Trust (the Authority) for the purposes of promoting high quality business development in the City of Lawton, under the provisions of Title 60, Oklahoma Statutes, Sections 176 to 180.4, inclusive, as amended and supplemented, the Oklahoma Trust Act, and other applicable statutes and laws of the State of Oklahoma.

The purposes of this Trust are to plan, establish, develop, construct, enlarge, improve, maintain, equip and make available Fires Innovation Science and Technology Accelerator (FISTA) facilities, appurtenances, and related improvements within the territorial boundaries of the City of Lawton, Oklahoma, that will attract defense contractors, high-technology industry, innovative businesses and the like with capabilities to directly support the Cross-Functional Teams of Long Range Precision Fires (LRPF), Air & Missile Defense (AMD) and Fort Sill's FIRES Center of Excellence (FCoE) in the Army's comprehensive modernization, driving innovation and integrating capabilities to the warfighter.

Reporting Entity:

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the City of Lawton's basic financial statements based on the City's responsibility for the appointment of the Authority members, and their approval of capital programs. As such, the Authority is included in the City's basic financial statements. The accompanying financial statements present the financial position and the changes in net assets and cash flows of the Authority only. The Authority is not involved in any joint ventures.

2. Summary of accounting policies

This report is prepared in conformity with U.S. Generally accepted Accounting Principles (GAAP) and the provisions of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, except for the omission of Management's Discussion and Analysis. Those statements establish standards for external financial reporting for all state and local governmental entities which include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.

**Fires Innovation Science and Technology Accelerator (FISTA)
Development Trust Authority**

Notes to Financial Statements

2. Summary of accounting policies (continued)

Basis of Accounting -- The financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred. The Statement of Revenues, Expenses, and Changes in Fund Net Position is a statement of financial activities related to the current reporting period.

Government-wide Financial Statements -- The adopted GASB Statements require that the overall financial condition of the Authority be displayed in three entity-wide financial statements. These are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Statement of Cash Flows. These include all financial activity of the Authority.

The financial statements are presented using the “business-type activities” approach. Business-type activities are those that provide specific, divisible services to residents or businesses and are funded primarily by user charges. As is required by generally accepted accounting principles, the Authority reports using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This method of accounting also distinguishes operating revenues and expenses from non-operating items and capital contributions. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Revenues and expenses not meeting this definition are reported as either non-operating revenues and expenses or capital contributions.

GASB Statements No. 34 and 63 require that the Statement of Net Position classify net position into three components: net investment in capital assets; restricted, and unrestricted. These classifications are defined as follows.

Net Investment in Capital Assets -- This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the net position component as the unspent proceeds.

**Fires Innovation Science and Technology Accelerator (FISTA)
Development Trust Authority**

Notes to Financial Statements

2. Summary of accounting policies (continued)

Restricted Net Position -- This component of net position consists of constraints placed on net asset use through external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation. When both restricted and unrestricted sources are available for use, generally it is the Authority's policy to use restricted resources first. The Authority has restricted cash for construction of the FISTA facility from the Revenue Bond proceeds in the amount of \$136,416. In addition the Authority has \$1,000,000 restricted for HUD grant.

Unrestricted Net Position -- This component of net position consists of those net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Component Unit -- Component units are legally separate organizations for which the officials of the primary entity are financially responsible. In addition, component units can be other organizations which the nature and significance of their relationship with the primary entity are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Authority is a component unit of the City of Lawton.

Use of Estimates -- Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities and net position, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents -- The Authority considers cash on hand, demand deposits, interest bearing accounts, and investments with a maturity of 90 days or less to be cash and cash equivalents.

Capital Assets -- Acquisitions of property and equipment with a useful life of more than one year and an original cost of \$500 or more are recorded as additions to capital assets. Depreciation of property and equipment has been calculated on the estimated useful lives using the straight-line method as follows:

<u>Type of Asset</u>	<u>Years</u>
Buildings and improvements	40
Equipment	5
Furniture and Fixtures	7

**Fires Innovation Science and Technology Accelerator (FISTA)
Development Trust Authority**

Notes to Financial Statements

2. Summary of accounting policies (continued)

The Authority has implemented GASB 87 accounting for leases. Under this standard the Authority is required to recognize lease receivable and deferred inflow of resources.

Deferred Inflows -- Lease-related amounts are recognized at the inception of leases in which FISTA is the lessor and are recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Leases -- The Authority is a party as lessor in various noncancellable long-term leases of space in the Central Plaza. The corresponding lease receivable is recorded in an amount equal to the present value of the expected future minimum lease payments received, discounted by an applicable interest rate.

Statements of Cash Flows -- In accordance with GASB Statement 34, the accompanying financial statements include a Statement of Cash Flows which is presented using the direct method.

Income Tax Status -- the Authority qualifies as an organization exempt from income taxes. As a government instrumentality, no provision has been made for federal or state income taxes.

3. Deposits and Deposit Risk

The Authority is governed by the deposit and investment limitations of state law. The Authority held the following deposits at June 30, 2023:

Demand deposits	\$ 1,456,691
Federated Treasury Funds	<u>136,416</u>
Total deposits	<u>\$ 1,593,107</u>

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash and cash equivalents had a bank balance of \$1,593,107 at June 30, 2023. All deposits were insured by depository insurance or in federated treasury funds.

Investment Interest Rate Risk – The Authority has no normal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Fires Innovation Science and Technology Accelerator (FISTA)
Development Trust Authority**

Notes to Financial Statements

Investment Credit Risk – The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Concentration of Investment Credit Risk – The Authority places no limit on the amount it may invest in any one issuer.

4. Accounts Receivable

Accounts receivable, tenants are recorded at the amount the Authority expects to collect on balances outstanding at the end of the year. The Authority maintains the policy in which accounts receivable deemed as uncollectable are included in allowance for doubtful accounts until the five year statute of limitations has expired. The accounts receivable allowance for bad debt at June 30, 2023 is \$48,419.

Accounts receivable, City of Lawton are for payments by the City of Lawton in accordance with the funding agreement in note 7.

5. Rental income

The Authority, as operator of the Central Plaza acts as lessor to various businesses operating at the Plaza. Rental revenues are billed and collected monthly. Some tenants' rents are based on sales. For more information on leases, refer to the specific lease agreements.

6. Unearned Revenue - HUD Grant

The Authority executed a Community Project Funding Grant Agreement with the U.S. Department of Housing and Urban Development (HUD). The grant amount is for \$1,000,000 and is to be used primarily for the Authority's conference center, administration offices, and tenant suite communication network. The funds were received in May 2023 and will be expended in the subsequent period. These funds are reflected in cash and unearned revenues on the statement of net position.

**Fires Innovation Science and Technology Accelerator (FISTA)
Development Trust Authority**

Notes to Financial Statements

7. Capital assets

The Authority's investment in property and equipment at June 30, 2023 and the related activity for the period then ended was as follows:

	<u>Balance</u> <u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2023</u>
Assets Not Being Depreciated				
Work in Process - Full Build Out	\$ 2,419,995		\$ 2,396,745	\$ 23,250
Total Assets Not Being Depreciated	<u>2,419,995</u>	<u>-</u>	<u>2,396,745</u>	<u>23,250</u>
Assets Being Depreciated:				
Building & Improvements, FISTA	38,000	\$ 7,691,053		7,729,053
Building & Improvements, Mall	77,359	48,720		126,079
Equipment, FISTA	14,052	16,778		30,830
Furniture and Fixtures, FISTA	7,650	12,538		20,188
Furniture and Fixtures, Mall	4,456			4,456
Total Assets Being Depreciated	<u>141,517</u>	<u>7,769,089</u>	<u>-</u>	<u>7,910,606</u>
Less Accumulated Depreciation				
Building & Improvements, FISTA	950	81,065		82,015
Building & Improvements, Mall	1,465	2,137		3,602
Equipment, FISTA	3,248	3,046		6,294
Furniture and Fixtures, FISTA	1,082	1,542		2,624
Furniture and Fixtures, Mall	477	637		1,114
Total Accumulated Depreciation	<u>7,222</u>	<u>88,427</u>	<u>-</u>	<u>95,649</u>
Net Capital Assets	<u>\$ 2,554,290</u>	<u>\$ 7,680,662</u>	<u>\$ 2,396,745</u>	<u>\$ 7,838,207</u>

Fixed Assets are presented at cost, or fair market value if donated, while equipment, furniture and fixtures, and vehicles with a life of more than one year are included at cost. Depreciation expense for the period ended June 30, 2023 is \$88,427.

8. Agreement for Funding and Limited Support

In August 2022 the Authority entered into a funding agreement with the City of Lawton. In this agreement the City of Lawton agreed to provide funding up to \$4,952,904 for operations, management, administration, maintenance, and equipping of the FISTA facility during 2022-2023 fiscal period. In April 2023 this funding agreement was amended and increased to

**Fires Innovation Science and Technology Accelerator (FISTA)
Development Trust Authority**

Notes to Financial Statements

\$2,250,000. This agreement expired on June 30, 2023. The Authority received funding of \$5,332,904 under this agreement during fiscal year 2023. The Authority entered into a new funding agreement with the City of Lawton for fiscal year 2022-2023 in the amount of \$4,952,904 to provide continued funding assistance for the 2022-2023 fiscal year.

9. Building / Parking Lot

On January 5, 2021 the Authority entered into a lease with the City of Lawton. The demised premise was the Central Plaza Lawton. This lease included all land, building structures, and improvements. The lease term is twenty-five years and expires January 4, 2046. Annual lease expense is one hundred dollars.

On March 9, 2021 the Authority entered into a lease with the Lawton Parking Authority. The demised premise was the Central Plaza Lawton parking lot. This lease included all land, building structures, and improvements. The lease term is twenty-five years and expires March 9, 2046. Annual lease expense is one hundred dollars.

This agreement contains a covenant that the Authority will make certain payments in lieu of Ad Valorem Real and Personal Property taxes. The properties are subject to annual Ad Valorem payment obligation in the amount of the Ad Valorem tax.

10. Tenant Lease Payments

Some leases require variable payments based on gross sales and are not included in the measurement of lease receivables. Those variable payments are recognized as inflows of resources in the period in which the lessee occupied the space. The amount of the variable revenue for the year ended June 30, 2023 is \$714,548.

As of and for the year ended June 30, 2023 the tenant lease varies by individual lease contracts. The Authority uses a discounted rate of 4%. The anticipated lease payments as of June 30, 2023 are as follows:

<u>Year Ending June 30</u>	
2024	\$ 1,003,152
2025	594,633
2026	301,694
2027	130,776
2028	<u>49,727</u>
	<u>2,079,982</u>
Less Imputed Interest	<u>87,349</u>
	<u>\$ 1,992,633</u>

**Fires Innovation Science and Technology Accelerator (FISTA)
Development Trust Authority**

Notes to Financial Statements

11. Sales Tax Revenue Note Federally Taxable Series 2020

On November 2, 2020 the Authority issued a Sales Tax Revenue Note Federally Taxable Series 2020. The purpose of this note is to provide funds to purchase the Plaza property which is to be used for industrial development in support of the Authority's mission. The aggregate principal amount was \$ 18,895,000. This note has an annual interest rate of 2.45%.

Annual principal payments to maturity are as follows:

<u>Year</u>	<u>Principal</u>
2024	\$ 1,170,000
2025	1,200,000
2026	1,230,000
2027	1,260,000
2028 to 2035	<u>11,265,000</u>
	<u>\$ 16,125,000</u>

This revenue note is secured on a parity with the Lawton Water Authority Series 2015 Note, the Lawton Industrial Development Authority Series 2017 Note, and the Lawton Industrial Development Authority Series 2019 Note payable from the Sales Tax Revenue, and any other notes or obligations issued pursuant to the provisions of the Indenture and any other obligations issued for the benefit of the City under the Indenture or indentures payable from the Sales Tax Revenue.

12. Related Party Transactions

As discussed in notes 8 and 9, the Authority entered into agreements with the City of Lawton and the Lawton Parking Authority. The City of Lawton under the 2022-2023 funding agreement as amended, paid \$5,332,904 to FISTA during the audit period.

13. Risk Management

The Authority is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance, auto, and workers compensation for risk of loss. There have been no settlements in excess of the Authority's coverage.

**Fires Innovation Science and Technology Accelerator (FISTA)
Development Trust Authority**

Notes to Financial Statements

14. Subsequent Events

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the period ended June 30, 2022 through January 29, 2024, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of disclosure in the financial statements.

TURNER & ASSOCIATES CPAS

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INDEPENDENT AUDITORS' 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

Fires Innovation Science and Technology Accelerator (FISTA) Development Trust Authority
Lawton, 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 Fires Innovation Science and Technology Accelerator (FISTA) Development Trust Authority as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Fires Innovation Science and Technology Accelerator (FISTA) Development Trust Authority's basic financial statements, and have issued our report thereon dated January 29, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fires Innovation Science and Technology Accelerator (FISTA) Development Trust Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fires Innovation Science and Technology Accelerator (FISTA) Development Trust Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Fires Innovation Science and Technology Accelerator (FISTA) Development Trust 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 Fires Innovation Science and Technology Accelerator (FISTA) Development Trust 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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.

Robert D. Turner

Turner & Associates CPAs
Lawton, Oklahoma
January 29, 2024