

Oklahoma Capitol Improvement Authority

FINANCIAL STATEMENTS

For the Years Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Capitol Improvement Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Oklahoma Capitol Improvement Authority, a component unit of the State of Oklahoma (the "Authority"), as of and for the year end June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the Authority, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 *Governmental 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or

the override of internal control. Misstatements are considered material if 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 *Governmental 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

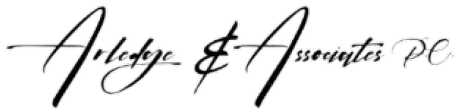
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024, on our consideration of the Authority'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 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.



Oklahoma City, Oklahoma
October 31, 2024



Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Management's Discussion and Analysis (Unaudited)

Overview of Financial Statements and Financial Analysis

The Oklahoma Capitol Improvement Authority (the Authority) is pleased to present this Management's Discussion and Analysis for fiscal year 2024, with selected comparative information for fiscal years 2023 and 2022. Management's Discussion and Analysis is required supplementary information and is designed to focus on current activities, resulting changes, and current known facts, so it should be read in conjunction with the Authority's financial statements and footnotes. In addition to Management's Discussion and Analysis, the Authority's basic financial statements consist of the statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the financial statements. Condensed financial information is presented in this analysis that summarizes the statement of net position and the statement of revenues, expenses, and changes in net position. This discussion and analysis of the Authority's financial statements provides an overview of its financial activities for the year.

The Authority administers a portfolio of funds that contain proceeds generated by the issuance of lease revenue bonds. The bond proceeds are used for the construction of governmental buildings, highways, college campuses, and other capital projects. Additionally, the Authority collects lease payments from lessee state agencies to pay the required principal and interest payments to bond holders. These two activities comprise the majority of financial transactions of the Authority.

The Authority also began administration of the Legacy Capital Financing Fund ("LCF") in fiscal year 2024. The LCF contains monies appropriated by the Legislature and used to fund statutorily authorized projects for state agencies. The Authority collects recapitalization payments from the agencies as prescribed in Oklahoma Statutes and deposits interest earnings into the fund which may be authorized for future projects.

Statement of Net Position

The statement of net position presents the assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities) as of the end of the fiscal year (the "Statement of Net Position"). The purpose of the statement is to give readers of the financial statements a fiscal snapshot of the Authority. The Authority had no deferred outflows of resources or deferred inflows of resources during any year presented herein.

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is an accounting method used by most private sector corporations. Readers of the Statement of Net Position can determine available assets necessary to continue the operations of the Authority as well as amounts owed to bond holders. The final section of the Statement of Net Position provides a picture of the Authority's net position.

The Authority's assets are divided amongst two categories. The first category, current assets, is the administrative fund, interest receivable and leases receivable, current portion. The administrative fund receives a pro-rated fee charged to all lessee agencies with outstanding bond debt. The fee is used to support operations of the Authority's activities, including salaries, and professional services. Restricted cash must be used as directed by bond resolutions for construction and to satisfy the debt obligations created by bond issuance. Bond holders receive regular payments for principal and interest from the Authority's trustees; trustee sinking fund transactions are included in the financial reporting of the Authority. The majority of restricted cash is held in the trustee sinking funds and Authority construction funds from the most recent bond issue proceeds. Construction funds are typically expended within a three year timeframe. The second category is noncurrent assets. Noncurrent assets are comprised of leases receivable, net of current portion and real estate held by the Authority. Leases receivable represent the amortized debt service of all the Authority's outstanding bond issues. Leases receivable decrease annually as principal is retired and increase as additional new money bonds are issued.

The net position calculation is a measure of the Authority's financial position. The Authority's net position for fiscal years 2024, 2023, and 2022 consists of unrestricted net position of the administrative operating fund and 2024 has restricted funding related to the establishment of the LCF and the unissued funding related to that fund.

A Condensed Statement of Net Position summarizes the assets, liabilities, and net position as of June 30, 2024, compared to years ended June 30, 2023, and June 30, 2022.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Management's Discussion and Analysis (Unaudited)

Statement of Net Position (Continued)
Condensed Statements of Net Position

	June 30,		
	2024	2023	2022
Assets:			
Current assets	\$ 974,493,060	\$ 380,097,448	\$ 387,445,609
Noncurrent assets	1,437,508,747	1,340,468,744	1,493,219,096
Total assets	2,412,001,807	1,720,566,192	1,880,664,705
Liabilities:			
Current liabilities	497,946,790	266,864,298	341,806,228
Noncurrent liabilities	1,299,215,449	1,364,286,840	1,437,992,440
Total liabilities	1,797,162,239	1,631,151,138	1,779,798,668
Net position:			
Unrestricted	614,839,568	336,017	398,047
Total net position	\$ 614,839,568	\$ 336,017	\$ 398,047

June 30, 2024, Compared to June 30, 2023

The Authority administers a portfolio of funds that contain proceeds of bond issues. Administration of the funds consists of paying bond holders principal and interest payments on a biannual basis and administering funds associated with state capital construction projects.

Current assets include the administrative fee collected from lessee agencies with outstanding bond issues. The balance of the administrative fee fund fluctuates depending on the annual cost of the Authority's administrative expenses. It is necessary to retain a sufficient balance in this fund to support regular administrative expenses, including salaries, professional service contracts, and additional costs associated with the issuance of bonds. Current assets also include the current portion of leases receivable.

Accrued interest payable at the end of fiscal year 2024 decreased by approximately \$6.0 million from the previous year due to an overall reduction of bonds outstanding. Interest-only payments will be made on Bond Series 2018B until fiscal year 2029. At the conclusion of fiscal year 2024, total outstanding principal saw an overall decrease of approximately \$131 million due to principal payments and debt refunding.

Total assets increased by approximately \$691 million from fiscal year 2023 to fiscal year 2024 due primarily to the appropriation and related issuance of lease receivables for the LCF. Liabilities increased by \$166 million due to the refunding of bonds using the issuance of new bonds for the payoff. Debt service and a reduction of construction funds resulted in interest earnings receivable accounting for the remaining decrease in asset balances.

June 30, 2023 Compared to June 30, 2022

Total assets increased by approximately \$160 million from fiscal year 2022 to fiscal year 2023 due primarily to an increase in construction fund cash balances and leases receivable related to the new issuance of debt. Liabilities, as would be expected, also increased by a similar amount. After bonds are issued and the construction funds are spent, associated cash balances decrease. Debt service and construction fund interest earnings receivable account for the remaining increase in asset balances.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Management's Discussion and Analysis (Unaudited)

Statements of Net Position (Continued)

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the Authority's results of operations for the fiscal year and the effect on net position. Operating revenues and expenses are generated from transactions that arise in the normal course of operations for the organization. The comparison of operating revenues to operating expenses is an important measure of an institution's financial stability. Normally, the Authority does not have an excess of operating revenues over operating expenses because most of the revenues are offset by expenses for bond debt service.

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

	Year Ended June 30,		
	2024	2023	2022
Operating revenue	\$ 55,845,778	\$ 43,247,565	\$ 57,376,157
Operating expenses	59,182,614	48,435,962	59,972,647
Operating loss	(3,336,836)	(5,188,397)	(2,596,490)
Nonoperating revenue	620,270,540	5,126,367	2,652,899
Nonoperating expense	2,430,153	-	-
Change in net position	614,503,551	(62,030)	56,409
Net position, beginning of year	336,017	398,047	341,638
Net position, end of year	\$ 614,839,568	\$ 336,017	\$ 398,047

Year Ended June 30, 2024, Compared to Year Ended June 30, 2023

The statement of revenues, expenses, and changes in net position reflects an increase in net position of \$614,503,151 in fiscal year 2024. A majority of the Authority's revenues are derived from bond interest collections from agencies in the form of lease payments and the appropriation of the LCF funding, and expenditures are bond interest expenses paid to bond holders. Operating revenues are comprised of fees collected from agencies and used for the administration of the Authority.

Interest income on lease receivables is dependent on the individual outstanding bond amortization schedules. Schedules determine the amount that must be collected from agencies and paid to bondholders. The Authority's function is to collect and make these payments in a timely and accurate manner.

Investment income is earned on construction and bond sinking funds. Interest earned on construction funds is available to supplement the bond proceeds used for construction projects and interest earned on sinking fund balances is restricted for payments to bond holders. The Authority applies sinking fund interest earnings toward leases receivable, reducing bond debt cost (lease payments) to the agencies. Increasing interest rates in the overall marketplace during fiscal year 2024 resulted in an increase in interest earnings.

Administrative fee revenues in fiscal year 2024 were relatively consistent with fiscal year 2023, increasing by \$126,205.

Net position includes all unrestricted assets (the administrative fund and capital assets held by the Authority until the capital assets were disposed of in 2017). An increase or decrease in net position is due to operating activities and changes in the book value of the real property.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Management's Discussion and Analysis (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

The bond amortization schedules determine the annual change in interest due for leases receivable. In fiscal year 2024, the Authority experienced an increase in lease interest income due to the increasing issuance of lease receivables due to the issuance of new debt and the establishment of the LCF.

As mentioned above, Authority investment income is primarily driven by the balances contained in construction funds and unused LCF funds. New construction funds typically receive a large cash deposit at the time of the bond issue. Bond issues are typically followed by increased investment earnings in the construction funds. Higher fund balances in fiscal year 2024, compared with fiscal year 2023, generated more investment income during the period, due to rising interest rates.

Year Ended June 30, 2023, Compared to Year Ended June 30, 2022

The statement of revenues, expenses, and changes in net position reflects an decrease in net position of \$62,030 in fiscal year 2023. A majority of the Authority's revenues are derived from bond interest collections from agencies in the form of lease payments, and expenditures are bond interest expenses paid to bondholders. Operating revenues are comprised of fees collected from agencies and used for the administration of the Authority. Interest income on lease receivables is dependent on the individual outstanding bond amortization schedules. Schedules determine the amount that must be collected from agencies and paid to bondholders. The Authority's function is to collect and make these payments in a timely and accurate manner. Administrative fee revenues in fiscal year 2023 were relatively consistent with fiscal year 2022 decreasing by \$25,498. Net position includes all unrestricted assets (the administrative fund and capital assets held by the Authority until the capital assets were disposed of in 2017). An increase or decrease in net position is due to operating activities and changes in the book value of the real property.

Fiscal Year 2025 – Outlook

Within the next twelve months the Authority may issue lease revenue bonds, notes, or other evidence of obligations for additional projects authorized by the State Legislature. The Authority does have authorization to issue bonds or enter into loan agreements with the U.S. Department of Transportation through the Build America Bureau in accordance with the Transportation Infrastructure Finance and Innovation Act of 1998 for up to \$500,000,000.

The Authority routinely assesses refunding opportunities to achieve savings in times of favorable rates. In fiscal year 2024, the Authority issued two series of refunding bonds resulting in substantial savings to the state. As previously noted, the Authority also implemented the Legacy Capital Financing Fund in fiscal year 2024. Further, the Authority closed on three TIFIA Loans with the U.S. Department of Transportation, totaling \$113.8 million on June 27, 2024.

The state has excess capacity to issue bonds to improve state buildings and infrastructure. The legislature may provide funding either by direct appropriations or through additional bond issuance. The legislature also created a new continuing fund for future distributions by OCIA called the Oklahoma Capital Assets Maintenance and Protection Fund ("OCAMP"). An appropriation will be deposited into the fund in fiscal year 2025, however according to Oklahoma Statutes, no allocations shall be made by the OCAMP Board in fiscal year 2025.

The Authority staff will continue to identify funds that may be used to reduce lease revenue payments from state agencies and the appropriations that support the lease payments. Interest earnings, federal rebates, and the transfer of residual construction funds will be used to satisfy debt payments where possible. Additionally, staff will continue to identify administrative efficiencies, improve the transfer of funds process, and maximize interest earnings where possible.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Statements of Net Position
June 30, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 538,357
Cash and cash equivalents-restricted	841,289,674
Interest receivable	2,321,016
Leases receivable, current portion	130,344,013
Total current assets	<u>974,493,060</u>

Non-Current assets:

Leases receivable, net of current portion	<u>1,437,508,747</u>
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Total assets	<u><u>\$ 2,412,001,807</u></u>
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LIABILITIES

Current liabilities:

Accrued interest payable	\$ 23,470,039
Accrued portion of lease receivable forgiveness	6,349,201
Unexpended bond proceeds payable to state agencies	328,547,849
Unamortized bond premium, current portion	12,213,379
Bonds payable, current portion	127,366,312
Total current liabilities	<u>497,946,780</u>

Noncurrent liabilities:

Unamortized bond premium, net of current portion	75,068,710
Bonds payable, net of current portion	<u>1,224,146,749</u>

Total liabilities	<u>1,797,162,239</u>
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NET POSITION

Restricted	273,014,215
Unrestricted	<u>341,825,353</u>

Total net position	<u><u>\$ 614,839,568</u></u>
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See notes to basic financial statements.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Statements of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2024

Operating revenues:	
Interest income on lease receivables	\$ 55,232,317
Administrative fees and other revenues	613,461
Total operating revenues	<u>55,845,778</u>
Operating expenses:	
Administrative expenses	482,964
Interest expense	52,350,449
Lease receivable forgiveness	6,349,201
Total operating expenses	<u>59,182,614</u>
Operating loss	<u>(3,336,836)</u>
Nonoperating revenues:	
State appropriated funds	600,000,000
Interest income on deposits and investments	22,572,736
Total nonoperating revenues	<u>622,572,736</u>
Nonoperating expenses:	
Bond debt expenses	4,732,349
Total nonoperating expenses	<u>4,732,349</u>
Nonoperating income	<u>617,840,387</u>
Change in net position	614,503,551
Net position, beginning of year	<u>336,017</u>
Net position, end of year	<u><u>\$ 614,839,568</u></u>

See notes to basic financial statements.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Statements of Cash Flows

For the year ended June 30, 2024

Cash flows from operating activities:	
Interest income on lease receivables	\$ 53,624,395
Administrative fees and other revenues	613,461
Cash paid to suppliers and contractors	(821,699)
Net cash provided by operating activities	53,416,157
Cash flows from capital and related financing activities:	
Proceeds from state appropriated funds	600,000,000
Payments made for bond debt expenses	(4,732,349)
Principal lease payments received	130,286,741
Bond proceeds provided to lessees	(241,469,683)
Bond proceeds for current bond refunding	230,490,219
Proceeds from issuance of bonds	156,880,070
Interest payments on bonds	(58,316,733)
Principal payments on bonds	(301,210,000)
Net cash provided by (used in) capital and related financing activities	511,928,265
Cash flows from investing activities	
Investment income received	22,572,736
Net cash provided by investing activities	22,572,736
Net change in cash and cash equivalents	587,917,158
Cash and cash equivalents, beginning of year	253,910,873
Cash and cash equivalents, end of year	\$ 841,828,031
Reconciliation of cash and cash equivalents to statements of net assets:	
Current Assets	
Cash and cash equivalents	\$ 538,357
Restricted cash and cash equivalents	841,289,674
Total Cash and cash equivalents	\$ 841,828,031

See notes to basic financial statements.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Statements of Cash Flows (Continued)
For the years ended June 30, 2023 and 2022

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (3,336,836)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Interest paid on bonds, net of bond premium amortization	58,316,733
Lease receivable forgiveness	6,349,201
Changes in operating assets and liabilities:	
Accrued interest receivable	(1,607,922)
Accounts payable	(338,735)
Accrued interest payable	<u>(5,966,284)</u>
Net cash provided by operating activities	<u>\$ 53,416,157</u>

See notes to basic financial statements.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Notes to Basic Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies

Reporting entity: The Oklahoma Capitol Improvement Authority (the Authority) was created as an instrumentality of the State of Oklahoma under applicable Oklahoma statutes on June 27, 1959, with Oklahoma (the State) named as the beneficiary thereof. The Authority is included in the Annual Comprehensive Financial Report of the State of Oklahoma, as part of the General Fund and Governmental Activities. The purpose of the Authority is primarily to provide a means of financing the construction of buildings, highway infrastructure or other facilities for the State of Oklahoma's departments and agencies. The provisions of the Trust Indenture creating the Authority provide that the Authority is authorized to issue long-term obligations in order to purchase land and erect, maintain, and operate buildings or other capital assets for the use of the state and other state agencies, including other component units of the state. The obligations are retired by lease payments made by the agencies occupying the facilities. Upon maturity of the bonds payable and repayment of the related leases receivable, title to the capital assets transfers to the state agencies.

The Legacy Capital Financing Act was established June 14, 2023, in Title 73 O.S. 187A, which is to provide increased self-financing and liquidity options to the state. The Authority is authorized to expend these funds for capital projects and approximately \$600 million in state appropriations was received in the fiscal year 2024 by the Authority to fund these projects.

Financial statement presentation: Because the Authority is permitted to charge user fees to other entities, the Authority has elected to present its financial statements as an enterprise fund.

Basis of accounting: The Authority's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when incurred.

Cash and cash equivalents: For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Authority maintains money market funds with the bond trustee, which are considered cash equivalents and are stated at the net asset value (NAV) for the fund. Funds on deposit with the State Treasurer are also considered cash equivalents. Interest income is recognized when earned.

Investments: Investments consist of U.S. Treasury Notes. Applicable Oklahoma statutes authorize certain types of investments the Authority can utilize. As of June 30, 2024, the Authority believes it is in compliance with these investment requirements.

The U.S. Treasury Notes are stated at fair value with changes in fair value included in the statements of revenues, expenses, and changes in net position. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Net position: Unrestricted net position is comprised of the unrestricted cash balance and other assets of the Authority's administrative operating fund, less liabilities, if any. Restricted net position consists primarily of funds restricted by enabling legislation related to the Legacy Capital Financing Act. When funds requiring expenditure are eligible for use by restricted and unrestricted funds, it is the policy of the Authority to use restricted funds first before using unrestricted funds.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Notes to Basic Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

Arbitrage rebate: The proceeds from the Authority's tax exempt bond issues are subject to arbitrage rebate laws under the Internal Revenue Code. This arbitrage rebate limits the earnings on investment of tax-exempt proceeds in non-purpose investments. As of June 30, 2024, the Authority had no arbitrage liability.

Classification of revenues and expenses: Because the issuance of bonds and related investment of bond proceeds constitute the Authority's principal ongoing operations, the Authority has classified the revenues and expenses associated with those activities as operating revenues and expenses.

Administrative fees and other revenues: Administrative fees and other revenues are comprised of administrative fees charged to agencies, proceeds from closing costs, and other miscellaneous income.

Leases receivable: Leases receivable are recorded from the state entities that receive the benefit of each bond issue and are reported at their outstanding unpaid principal balances. Interest on leases is accrued and credited to income based upon the principal amount outstanding. Since the receivables are from other state agencies and management believes they are fully collectible, no allowance for uncollectible leases is considered necessary.

Accrued portion of lease receivable forgiveness: Management estimates a portion of loans that will be forgiven subsequent to year-end that is based on the Authority's investment performance and other allowed contributions each year. The amount forgiven is typically estimated to be the approximate net profit of the Authority each year.

Unexpended bond proceeds payable to state agencies: The proceeds of bonds that have been issued but not yet drawn down upon and expended by state agencies are reflected as a liability in the Authority's financial statements.

Income taxes: As a public trust, the income of the Authority, which is derived from the exercise of any essential government function, is not subject to federal or state income taxes.

Use of estimates: Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

Subsequent events: The Authority has evaluated the effects of all subsequent events from June 30, 2024, through the report date, the date the financial statements were available to be issued.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Notes to Basic Financial Statements
June 30, 2024

Note 2. Deposits and Investments

At June 30, 2024, the Authority's deposits and investments consisted of the following:

	<u>2024</u>
Cash equivalents:	
Deposits with the State Treasurer	\$ 712,120,494
Money Market mutual funds held with bond trustees	<u>129,707,537</u>
Total cash equivalents	<u>\$ 841,828,031</u>
 Total deposits	 <u><u>\$ 841,828,031</u></u>

Certain deposits with the State Treasurer are considered to be cash and cash equivalents and are invested in an internal investment pool (OK INVEST) held by the State Treasurer. The Authority's investment in OK INVEST is carried at \$710,724,928 at June 30, 2024, which represents the Authority's net asset value of its interest in OK INVEST. The amounts held in OK INVEST are considered liquid as they are available to be withdrawn on demand with limited redemption restrictions.

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its deposits and investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized.

As an instrumentality of the state, the Authority follows the deposit and investment policies of the state. The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the Authority in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. In accordance with the Office of the State Treasurer's policies, the collateral securities to be pledged by financial institutions through the State Treasurer's Office are pledged at market value and must be at 110% of value to collateralize the amount of the deposit, less any federal insurance coverage. All deposits held with the State Treasurer are fully insured or collateralized with securities held by an agent of the state in the state's name.

Custodial credit risk – investments: For an investment, custodial credit risk is the risk that the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, not registered in the name of the Authority, or held by the counterparty or its trust department but not in the Authority's name. At June 30, 2024, the Authority does not have any securities that are not registered in the name of the Authority.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Notes to Basic Financial Statements
June 30, 2024

Note 2. Deposits and Investments (Continued)

Concentration of credit risk: Cash equivalents held by the State Treasurer are deposited to *OK INVEST*, an internal investment pool of the State Treasurer. In accordance with state statutes, the State Treasurer's investment policy allows for investments in the following categories:

United States Treasury Bills, Notes and Bonds	Collateralized or insured certificates of deposit
United States Government Agency Securities	Negotiable certificates of deposit
Prime Bankers' Acceptances	Prime Commercial Paper
Investment grade obligations of state and local governments	Repurchase agreements
Short-term bond funds	Money market funds
	Foreign bonds

The State Treasurer's investment policy attempts to reduce portfolio risk through diversification by security, institution and maturity. With the exception of U.S. Treasury Notes, no more than 50% of the state's total funds available for investment will be invested in a single security or with a single financial institution. In addition, the State Treasurer's investments will not have an average maturity of greater than 4 years unless specifically otherwise designated by the State Treasurer. The State Treasurer seeks to hold investments with a rating of A or higher as rated by Moody's.

All of the investments held with Bond Trustees are U.S. Treasury money market accounts.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Deposits with the State Treasurer that are invested in *OK INVEST* follow the State Treasurer's investment policy, which seeks to keep the average maturity for the entire portfolio to less than four years. The Authority does not have a formal policy that limits investment maturities for investments placed with bond trustees.

Credit risk: Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Authority's investments with the bond trustees are in U.S. government securities-based money market funds, which both have Moody's Rating of Aaa.

Oklahoma Capitol Improvement Authority
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Notes to Basic Financial Statements
June 30, 2024

Note 2. Deposits and Investments (Continued)

Fair value measurement: The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Significant other observable inputs, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active and other market corroborated inputs.

Level 3: Significant unobservable inputs

All investments held by the Authority are considered level 1 investments.

Note 3. Leases Receivable

The Authority holds long-term leases receivable directly related to the bond issue from the institution or agency occupying the facility. The leases receivable are restricted for repayment of the bond indentures, and expected maturities at June 30, 2024, are as follows:

Fiscal Year	Amount
2025	\$ 130,344,013
2026	82,917,629
2027	82,582,086
2028	84,597,079
2029	88,280,526
2030-2034	350,095,544
2035-2039	252,379,323
2040-2044	172,140,984
2045 and thereafter	324,515,576
	<u>\$ 1,567,852,760</u>

Oklahoma Capitol Improvement Authority
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Notes to Basic Financial Statements
June 30, 2024

Note 4. Revenue Bonds Payable

The Authority's bond issues listed on the following pages were outstanding during the years ended June 30, 2024. The bonds are special, limited obligations of the Authority, payable solely out of the revenue receipts and lease receivables pledged under the indentures. The bonds do not constitute a general obligation or indebtedness of the Authority, or instrumentality thereof, and shall not constitute a lien on or pledge of any property of the Authority except as provided in the indentures. The Authority has no taxing powers.

The following is a summary of bonds payable transactions for the year ended June 30, 2024:

	Maturity	Interest Rate at 6/30/2023	Principal Balance 6/30/2023	2024 Issuance	2024 Retirement	Principal Balance 6/30/2024	Due within One Year
2009B - Department of Transportation	Jul-24	5.04%	5.34%	\$ 24,485,000	\$ -	\$ 12,035,000	\$ 12,450,000
2010 - Regents for Higher Education	Jul-30	1.77%	5.61%	72,660,000	-	7,525,000	65,135,000
2013A - State Facilities Refunding Bonds	Jul-24	2.00%	4.00%	2,500,000	-	1,345,000	1,155,000
2014A - State Facilities Refunding Bonds	Jul-30	2.00%	5.00%	169,790,000	-	149,810,000	19,980,000
2014B - State Facilities Refunding Bonds	Jul-24	2.00%	5.00%	470,000	-	230,000	240,000
2014C - Higher Education Refinancing Bonds	Jul-34	2.00%	5.00%	59,975,000	-	55,915,000	4,060,000
2015A - State Capitol Repair Bonds	Jan-25	2.00%	5.00%	7,875,000	-	3,845,000	4,030,000
2015B - State Capitol Repair Bonds	Jul-26	3.00%	5.00%	17,850,000	-	4,140,000	13,710,000
2016 - Department of Transportation	Jul-34	2.00%	5.00%	138,495,000	-	8,740,000	129,755,000
2017A - Refinance Bond Series 200AB	Jul-29	2.00%	4.00%	10,730,000	-	2,510,000	8,220,000
2017B - OMES-State Capitol Repair	Jan-26	2.00%	5.00%	29,840,000	-	8,145,000	21,695,000
2017C - Oklahoma Museum of Popular Culture	Jul-50	2.00%	5.00%	25,685,000	-	535,000	25,150,000
2018B - Native American Cultural Center	Jul-48	3.71%	4.35%	25,205,000	-	-	25,205,000
2018C - State Capitol Repair Bonds	Jan-39	3.00%	5.00%	56,890,000	-	2,465,000	54,425,000
2018D - Department of Corrections	Jul-38	2.00%	5.00%	101,075,000	-	4,800,000	96,275,000
2019A - Oklahoma Conservation Commission	Jul-34	2.00%	5.00%	7,880,000	-	2,195,000	5,685,000
2019B - Office of Juvenile Affairs	Jul-45	3.00%	5.00%	39,320,000	-	970,000	38,350,000
2019C - State Capitol Repair Bond	Jan-40	2.00%	5.00%	54,135,000	-	2,135,000	52,000,000
2020A - Department of Transportation	Jul-25	5.00%	5.00%	55,405,000	-	14,995,000	40,410,000
2020B - Department of Transportation	Jul-50	2.63%	5.00%	164,040,000	-	2,925,000	161,115,000
2020C - Department of Transportation	Jul-25	0.55%	1.10%	16,270,000	-	5,375,000	10,895,000
2020D - DHS Project	Jul-40	3.00%	4.00%	12,905,000	-	505,000	12,400,000
2020E - Department of Tourism	Jul-40	0.41%	3.08%	45,570,000	-	2,185,000	43,385,000
2021A - Oklahoma State Regents for Higher Education	Jul-42	0.45%	2.90%	155,675,000	-	6,430,000	149,245,000
2022A - Oklahoma Conservation Commission Project	Jul-42	1.70%	3.94%	17,650,000	-	680,000	16,970,000
2022B - National Guard Museum Project	Jul-47	2.66%	4.73%	47,085,000	-	-	47,085,000
2022C - Oklahoma Department of Veterans Affairs Project	Jul-47	3.02%	5.39%	36,985,000	-	775,000	36,210,000
2021 TIF- Department of Transportation	Jul-44	1.57%	1.57%	41,547,440	519,319	-	42,066,759
2023 TIF- Department of Transportation	Jul-44	2.02%	2.02%	44,649,400	41,892	-	44,691,292
2024A Refunding Revenue Bond	Jul-30	5.00%	5.00%	-	122,460,000	-	122,460,000
2024B Refunding Revenue Bond	Jul-34	5.00%	5.00%	-	47,060,000	-	47,060,000
				\$ 1,482,641,840	\$ 170,081,211	\$ 301,210,000	\$ 1,351,513,051
							\$ 127,366,312

In 2024, OCIA issued the 2024A and 2024B refunding revenue bonds. The bonds were used to pay down the 2014A bonds for \$130,420,000 and 2014C bonds for \$51,995,000. The difference in the cash flows to service the previously issued debt being refunded and the newly issued debt is \$7,734,930. This refunding resulted in an economic gain of \$11,303,444 to the Authority.

Oklahoma Capitol Improvement Authority
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Notes to Basic Financial Statements
June 30, 2024

Note 4. Revenue Bonds Payable (Continued)

Debt service requirements for fiscal years 2025 through 2029 and in five-year increments thereafter to maturity for bonds payable as of June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Total
2025	127,366,312	58,943,044	186,309,356
2026	121,573,046	47,773,322	169,346,368
2027	80,000,905	43,095,369	123,096,274
2028	78,489,913	39,626,842	118,116,755
2029	80,420,089	36,109,384	116,529,473
2030-2034	347,710,524	130,461,819	478,172,343
2035-2039	251,238,151	72,998,269	324,236,420
2040-2044	155,973,299	35,049,549	191,022,848
2045 and thereafter	108,740,812	13,640,463	122,381,275
	<u>\$ 1,351,513,051</u>	<u>\$ 477,698,061</u>	<u>\$ 1,829,211,112</u>

Supplementary Information

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Statements of Net Position - Combining
June 30, 2024

	Oklahoma Capital Improvement Authority	Legacy Capital Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 538,357	\$ -	\$ 538,357
Cash and cash equivalents-restricted	246,058,511	595,231,163	841,289,674
Interest receivable	2,321,016	-	2,321,016
Leases receivable, current portion	114,791,344	15,552,669	130,344,013
Total current assets	<u>363,709,228</u>	<u>610,783,832</u>	<u>974,493,060</u>
Non-Current assets:			
Leases receivable, net of current portion	1,111,572,080	325,936,667	1,437,508,747
Total assets	<u>\$ 1,475,281,308</u>	<u>\$ 936,720,499</u>	<u>\$ 2,412,001,807</u>
LIABILITIES			
Current liabilities:			
Accrued interest payable	\$ 23,470,039	\$ -	\$ 23,470,039
Accrued portion of lease receivable forgiveness	6,349,201	-	6,349,201
Unexpended proceeds payable to state agencies	6,330,901	322,216,948	328,547,849
Unamortized bond premium, current portion	12,213,379	-	12,213,379
Bonds payable, current portion	127,366,312	-	127,366,312
Total current liabilities	<u>175,729,832</u>	<u>322,216,948</u>	<u>497,946,780</u>
Noncurrent liabilities:			
Unamortized bond premium, net of current portion	75,068,710	-	75,068,710
Bonds payable, net of current portion	1,224,146,749	-	1,224,146,749
Total liabilities	<u>1,474,945,291</u>	<u>322,216,948</u>	<u>1,797,162,239</u>
NET POSITION			
Restricted	-	273,014,215	273,014,215
Unrestricted	336,017	341,489,336	341,825,353
Total net position	<u>\$ 336,017</u>	<u>\$ 614,503,551</u>	<u>\$ 614,839,568</u>

See notes to basic financial statements.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Statements of Revenues, Expenses and Changes in Net Position - Combining
For the year ended June 30, 2024

	Oklahoma Capital Improvement Authority	Legacy Capital Fund	Total
Operating revenues:			
Interest income on lease receivables	\$ 55,232,317	\$ -	\$ 55,232,317
Administrative fees and other revenues	613,461	-	613,461
Total operating revenues	55,845,778	-	55,845,778
Operating expenses:			
Administrative expenses	482,964	-	482,964
Interest expense	52,350,449	-	52,350,449
Lease receivable forgiveness	6,349,201	-	6,349,201
Total operating expenses	59,182,614	-	59,182,614
Operating loss	(3,336,836)	-	(3,336,836)
Nonoperating revenues:			
State appropriated funds	-	600,000,000	600,000,000
Interest income on deposits and investments	8,069,185	14,503,551	22,572,736
Nonoperating expenses			
Bond debt expenses	4,732,349	-	4,732,349
Change in net position	-	614,503,551	614,503,551
Net position, beginning of year	336,017	-	336,017
Net position, end of year	\$ 336,017	\$ 614,503,551	\$ 614,839,568

See notes to basic financial statements

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Statements of Cash Flows- Combining
For the year ended June 30, 2024

	Oklahoma Capital Improvement Authority	Legacy Capital Fund	Total
Cash flows from operating activities:			
Interest income on lease receivables	\$ 53,624,395	\$ -	\$ 53,624,395
Administrative fees and other revenues	613,461	-	613,461
Cash paid to suppliers and contractors	(821,699)	-	(821,699)
Net cash provided by operating activities	53,416,157	-	53,416,157
Cash flows from capital and related financing activities:			
Proceeds from state appropriated funds	-	600,000,000	600,000,000
Payments made for bond debt expenses	(4,732,349)	-	(4,732,349)
Principal lease payments received	122,300,738	7,986,003	130,286,741
Proceeds provided to lessees	(214,211,292)	(27,258,391)	(241,469,683)
Bond proceeds for current bond refunding	230,490,219	-	230,490,219
Proceeds from issuance of bonds	156,880,070	-	156,880,070
Interest payments on bonds	(58,316,733)	-	(58,316,733)
Principal payments on bonds	(301,210,000)	-	(301,210,000)
Net cash provided by (used in) capital and related financing activities	(68,799,347)	580,727,612	511,928,265
Cash flows from investing activities			
Investment income received	8,069,185	14,503,551	22,572,736
Net cash provided by investing activities	8,069,185	14,503,551	22,572,736
Net change in cash and cash equivalents	(7,314,005)	595,231,163	587,917,158
Cash and cash equivalents, beginning of year	253,910,873	-	253,910,873
Cash and cash equivalents, end of year	<u>\$ 246,596,868</u>	<u>\$ 595,231,163</u>	<u>\$ 841,828,031</u>
Reconciliation of cash and cash equivalents to statements of net assets:			
Current Assets			
Cash and cash equivalents	\$ 538,357	\$ -	\$ 538,357
Restricted cash and cash equivalents	246,058,511	595,231,163	841,289,674
Total Cash and cash equivalents	<u>\$ 246,596,868</u>	<u>\$ 595,231,163</u>	<u>\$ 841,828,031</u>

See notes to basic financial statements.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

Statements of Cash Flows (Continued)
For the year ended June 30, 2024

	Oklahoma Capital Improvement Authority	Legacy Capital Fund	Total
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (3,336,836)	\$ -	\$ (3,336,836)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Interest paid on bonds, net of bond premium amortization	58,316,733		58,316,733
Lease receivable forgiveness	6,349,201		6,349,201
Changes in operating assets and liabilities:			
Accrued interest receivable	(1,607,922)	-	(1,607,922)
Accounts payable	(338,735)	-	(338,735)
Accrued interest payable	(5,966,284)	-	(5,966,284)
Net cash provided by operating activities	\$ 53,416,157	\$ -	\$ 53,416,157

See notes to basic financial statements.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Oklahoma Capitol Improvement Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Capitol Improvement Authority, a component unit of the State of Oklahoma (the "Authority"), as of and for the years ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not 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 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.

Arledge & Associates PC

Oklahoma City, Oklahoma
October 31, 2024



Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

June 30, 2024

SUMMARY SCHEDULE OF AUDIT FINDINGS

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

A. Internal Control

There are no findings requiring reporting under this section.

B. Compliance Findings

There are no findings requiring reporting under this section.

Oklahoma Capitol Improvement Authority
A Component Unit of the State of Oklahoma

June 30, 2024

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Section II – Findings Required to be Reported in Accordance with *Government Auditing Standards*:

A. Internal Control

<u>Reference Number</u>	<u>Summary of Finding</u>	<u>Status</u>	<u>Corrective Action Plan or Other Explanation</u>
2023-001	Sufficient detail was not included in the accounting system for accurately and timely reporting lease receivables. Detailed schedules for the amounts other governmental agencies owe the Authority as of year-end were not reflective of actual amounts due on construction funds that individual agencies previously had drawn down.	Materially Resolved	Management agrees with the auditor's finding. To remediate this finding, OCIA will clarify all lease receivable definitions, with guidance from the auditor, and adjust current reporting practices to reflect actual amounts due on construction funds that individual agencies previously had drawn down. OCIA will also use existing reports to identify balances in construction funds, so that calculations can be made to record the actual amounts due by agencies.

B. Compliance Findings

There are no prior findings requiring reporting under this section.