

**OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)**

Single Audit Report

For the Fiscal Year Ended April 30, 2022

OKLAHOMA ORDNANCE WORKS AUTHORITY (A Public Trust)

**Single Audit Report
For the Fiscal Year Ended April 30, 2022**

Table of Contents

Page(s):

Independent Auditor's Report on Schedule of Expenditures of Federal Awards	1
<u>Additional Information:</u>	
Schedule of Expenditures of Federal Awards	2
Notes to the Schedule of Expenditures of Federal Awards	3
Schedule of Findings and Questioned Costs	4 - 5
<u>Compliance Reports:</u>	
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 <i>Government Auditing Standards</i>	6
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance	7 - 8

Independent Auditor's Report and Financial Statements:

A copy of Oklahoma Ordnance Works Authority's financial statements for the fiscal year ended April 30, 2022 accompanies this report. The "Independent Auditor's Report," based on an audit of financial statements performed in accordance with *Government Auditing Standards* are hereby incorporated for reference



Independent Auditor's Report on Schedule of Expenditures of Federal Awards

To the Board of Trustees of the
Oklahoma Ordnance Works Authority
Pryor Creek, Oklahoma

We have audited the accompanying financial statements of the business-type activities of OKLAHOMA ORDNANCE WORKS AUTHORITY (hereafter also referred to as "the Authority"), a public trust created under the laws of the State of Oklahoma, as of and for the fiscal year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We issued our report thereon dated October 19, 2022 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hood & Associates CPAs, P.C.

Hood and Associates Certified Public Accountants, P.C.
Tulsa, Oklahoma
October 19, 2022

ADDITIONAL INFORMATION

OKLAHOMA ORDNANCE WORKS AUTHORITY**Schedule of Expenditures of Federal Awards****For the Fiscal Year Ended April 30, 2022**

<u>Federal Grantor/Pass-through and Grantor Program:</u>	<u>Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Transportation, Federal Aviation Administration:				
Program:				
<u>Airport Improvement Program ("AIP")</u> (See Note G)				
Grant for designated airport improvement program for:				
Extend Parallel Taxiway to South End of Runway 18-36				
AIP grant number: 3-40-0082-014-2020	20.106	N/A	N/A	<u>\$ 1,180,022</u>
Total U.S. Department of Transportation, Federal Aviation Administration				<u>1,180,022</u>
U.S. Department of Commerce, Economic Development Administration:				
Program:				
Oklahoma State University				
New Product Development Center				
Economic Development Cluster				
Economic adjustment assistance - Title II, Section 209	11.307	N/A	N/A	<u>280,299</u>
Total U.S. Department of Commerce, Economic Development Administration				<u>280,299</u>
Total expenditures of federal awards				<u><u>\$ 1,460,321</u></u>

See accompanying notes to schedule of expenditures of federal awards.

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)

Notes to the Schedule of Expenditures of Federal Awards
As of and For the Fiscal Year Ended April 30, 2022

NOTE 1 - ORGANIZATION:

Oklahoma Ordnance Works Authority is the recipient of certain federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies, are included on the accompanying Schedule of Expenditures of Federal Awards.

NOTE 2 – BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Oklahoma Ordnance Works Authority and is presented on the accrual basis of accounting. The information presented in this schedule is in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation* (CFR) Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 – LOCAL GOVERNMENT CONTRIBUTIONS:

Local cost sharing, as defined by Title 2 CFR Part 200, Subpart D, Section 200.306 is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

NOTE 4 – ADDITIONAL AUDITS:

Grantor agencies reserve the right to conduct additional audits of the Authority's grant programs for economy and efficiency and program results that may result in disallowed costs to Oklahoma Ordnance Works Authority. However, management of the Authority does not believe such audits would result in any disallowed costs that would be material to the Authority's financial position at April 30, 2022.

NOTE 5 – INDIRECT COST RATE:

The Authority does not allocate indirect costs, and therefore has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

OKLAHOMA ORDINANCE WORKS AUTHORITY
(A Public Trust)

Schedule of Findings and Questioned Costs
As of and For the Fiscal Year Ended April 30, 2022

Section 1: SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1.	Financial Statements: Type of Audit Report Issued on the Basic Financial Statements of the Auditee:	Unmodified
2.	<u>Internal Control over Financial Reporting:</u> Were there any material weaknesses in internal control reported at the financial statement level?	No material weaknesses in internal control were identified at the financial statement level.
3.	<u>Internal Control over Financial Reporting:</u> Were there any significant deficiencies in internal control reported at the financial statement level?	No significant deficiencies in internal control were identified at the financial statement level.
4.	<u>General Compliance:</u> Was there any reported material non-compliance at the financial statement level?	The audit did not disclose any instances of non-compliance, which would be material to the basic financial statements.
5.	Federal Awards: <u>Internal Control over Major Programs:</u> Were there any material weaknesses in internal control reported for major federal programs?	No material weaknesses in internal control were identified.
6.	<u>Internal Control over Major Programs:</u> Were there any significant deficiencies in internal control reported for major federal programs?	No significant deficiencies in internal control were identified.
7.	Type of Audit Report Issued on Compliance for Major Programs	Unmodified
8.	Are there any reportable findings under 2 CFR § 200.516(a)?	No
9.	<u>Major Programs:</u> Assistance Listing Number: 20.106	U.S. Department of Transportation, Federal Aviation Administration
10.	Dollar Threshold Used to Distinguish Between Type A and Type B Programs	Type A: > \$ 750,000 Type B: All others
11.	Did the Auditee Qualify as a Low-Risk Auditee under 2 CFR §200.520?	No

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)
Schedule of Findings and Questioned Costs – (Continued)
As of and For the Fiscal Year Ended April 30, 2022

Section 2. FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

None

Summary Schedule of Prior Audit Findings

None

Section 3. FEDERAL AWARD FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH THE UNIFORM GUIDANCE
--

None

Summary Schedule of Prior Audit Findings

None



**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on Audit of
Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Trustees of
Oklahoma Ordnance Works Authority
Pryor, 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 the business-type activities of OKLAHOMA ORDNANCE WORKS AUTHORITY ("the Authority"), a public trust created under the laws of the State of Oklahoma, as of and for the fiscal year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise OKLAHOMA ORDNANCE WORKS AUTHORITY's basic financial statements, and have issued our report thereon dated October 19, 2022.

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") to determine the 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 Authority'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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the 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 non-compliance 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hood & Associates CPAs, P.C.

Hood and Associates Certified Public Accountants, P.C.
Tulsa, Oklahoma
October 19, 2022



**Independent Auditor's Report on Compliance for A Major Program
and on Internal Control Over Compliance Required by The Uniform Guidance**

To the Board of Trustees of
Oklahoma Ordnance Works Authority
Pryor, Oklahoma

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited Oklahoma Ordnance Works Authority's (hereafter also referred to as "the Authority") compliance with the types of compliance requirements subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended April 30, 2022. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Oklahoma Ordnance Works Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the fiscal year ended April 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

**Independent Auditor's Report on Compliance for A Major Program
and on Internal Control Over Compliance Required by The Uniform Guidance – (Continued)**

Auditor's Responsibilities for the Audit of Compliance – (Continued)

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Hood & Associates CPAs, P.C.

Hood and Associates Certified Public Accountants, P.C.
Tulsa, Oklahoma
October 19, 2022

**FOR REFERENCE - FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)**

Financial Statements
and
Independent Auditor's Report

For the Fiscal Years Ended April 30, 2022 and 2021

OKLAHOMA ORDNANCE WORKS AUTHORITY (A Public Trust)

Table of Contents

Page(s):

Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 7
<u>Basic Financial Statements:</u>	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to the Basic Financial Statements	11 - 25
<u>Additional Supplementary Information:</u>	
Supplemental Schedules of Revenues, Expenses and Changes in Net Position - by Division	26 - 27
<u>Required Supplementary Information - (Unaudited):</u>	
Supplemental Schedules – Oklahoma Public Employees Retirement System:	
Schedule of Proportionate Share of the Net Pension Liability	28
Schedule of Employer Contributions	28
Schedule of Total OPEB Liability	29
Schedule of Changes in Total OPEB Liability and Related Ratios	29
Schedule of State Awards	30
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 <i>Government Auditing Standards</i>	31



Independent Auditor's Report

To the Board of Trustees of the
Oklahoma Ordnance Works Authority
Pryor Creek, Oklahoma

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of OKLAHOMA ORDNANCE WORKS AUTHORITY (hereafter also referred to as the "Authority"), a public trust created under the laws of the State of Oklahoma, as of and for the fiscal years ended April 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Oklahoma Ordnance Works Authority as of April 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal years 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America. 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 and *Government 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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.

Independent Auditor's Report – (Continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Oklahoma Ordnance Works 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 Oklahoma Ordnance Works 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" on pages three (3) through six (6) 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 Government 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 audits 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Oklahoma Ordnance Works Authority's basic financial statements. The accompanying combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report.

Independent Auditor's Report – (Continued)

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022 on our consideration of Oklahoma Ordnance Works Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Oklahoma Ordnance Works Authority's internal control over financial reporting and compliance.

Hood & Associates CPAs, P.C.

Hood and Associates Certified Public Accountants, P.C.
Tulsa, Oklahoma
October 19, 2022



OKLAHOMA ORDNANCE WORKS AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of OKLAHOMA ORDNANCE WORKS AUTHORITY's (the "Authority," an Oklahoma Public Trust) annual financial report presents our discussion and analysis of the Authority's financial performance for the fiscal year ended April 30, 2022. Please read this discussion and analysis in conjunction with the Independent Auditor's Report and the Authority's basic financial statements and footnotes, which follow this section.

OVERVIEW OF THE AUTHORITY'S BASIC FINANCIAL STATEMENTS

The Authority's annual financial report consists of four parts; (1) Management's discussion and analysis (this section), (2) Basic financial statements (3) Accompanying notes to the basic financial statements and, when applicable, (4) Required supplementary information ("RSI"). The basic financial statements are provided to the Auditor of the State of Oklahoma, as the Authority is structured as a Public Trust whose ultimate beneficiary is the State of Oklahoma. The remainder of this overview section of management's discussion and analysis explains the structure and contents of the Authority's basic financial statements.

Basic Financial Statements

The Authority is considered a proprietary enterprise fund for purposes of governmental fund classification. As such, the Authority's financial statements are presented in a format which is similar to the format of that of a private, for-profit business entity.

Required Financial Statements:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows

Accounting Basis and Measurement Focus:

- Accrual accounting and economic resource management focus

Type of Asset and Liability Information:

- All assets and liabilities, both financial and capital, and short-term and long-term

Type of Inflow/Outflow Information:

- All revenues ("inflows") received, and expenses ("outflows") incurred during the fiscal year, regardless of when cash is actually received or paid

Notes to the Basic Financial Statements

The footnotes that accompany the basic financial statements of the Authority provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The footnotes follow the basic financial statements in the accompanying financial report of the Authority.

OKLAHOMA ORDNANCE WORKS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Continued)

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following comparative condensed financial statements provide a brief overview of the Oklahoma Ordnance Works Authority's financial and operating results over the past three fiscal years:

Comparative Condensed Statements of Net Position

	April 30, 2022	April 30, 2021	April 30, 2020	\$ Change FY 2022 over 2021	Percent Change
<u>Assets:</u>					
Current assets	\$ 34,021,553	\$ 45,908,333	\$ 36,967,739	\$ (11,886,780)	-26%
Investments in marketable securities	78,579,925	84,242,121	100,709,747	(5,662,196)	-7%
Property and equipment, net	88,680,831	76,542,229	67,119,098	12,138,602	16%
Other non-current assets	1,776,207	54,139		1,722,068	NM
Total assets	\$ 203,058,516	\$ 206,746,822	\$ 204,796,584	\$ (3,688,306)	-2%
<u>Liabilities:</u>					
Current liabilities	\$ 646,904	\$ 654,326	\$ 365,629	\$ (7,422)	-1%
Long-term liabilities	165,038	1,030,236	111,296	(865,198)	-84%
Total liabilities	\$ 811,942	\$ 1,684,562	\$ 476,925	\$ (872,620)	-52%
<u>Deferred Outflows and Inflows:</u>					
Deferred outflows of resources	\$ 133,393	\$ 517,754	\$ 6,894	\$ (384,361)	-74%
Deferred inflows of resources	\$ 1,937,749	\$ 51,468	\$ 126,643	\$ 1,886,281	NM
<u>Net Position:</u>					
Net position, unrestricted and restricted	\$ 200,607,256	\$ 205,528,546	\$ 204,199,910	\$ (4,921,290)	1%

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

	Fiscal Year Ended April 30, 2022	Fiscal Year Ended April 30, 2021	Fiscal Year Ended April 30, 2020	\$ Change FY 2022 over 2021	Percent Change
<u>Revenues:</u>					
Total operating revenues	\$ 17,707,735	\$ 15,508,434	\$ 13,945,675	\$ 2,199,301	14%
<u>Expenses:</u>					
Operating expenses	6,703,244	6,279,245	5,294,620	423,999	7%
General and administrative expenses	5,339,666	4,760,463	4,080,509	579,203	12%
Total expenses	12,042,910	11,039,708	9,375,129	1,003,202	9%
Income from operations	5,664,825	4,468,726	4,570,546	1,196,099	27%
<u>Other income/(loss), non-operating:</u>					
Interest income	1,603,157	2,199,160	3,465,645	(596,003)	-27%
Gain or (loss), disposals of assets	865,882	1,590,389	102,322	(724,507)	-46%
OPERS Plan pension/OPEB adjustment	481,661	25,112	76,342	456,549	NM
Unrealized gain/(loss) on investments	(7,841,777)	(1,630,675)	3,902,604	(6,211,102)	NM
Total other income/(loss), non-operating	(4,891,077)	2,183,986	7,546,913	(7,075,063)	NM
<u>Other expenses, non-operating:</u>					
Depreciation expense	5,695,038	4,999,338	4,470,205	695,700	14%
OPERS Plan pension/OPEB adjustment	-	303,878		(303,878)	NM
Total other expenses, non-operating	5,695,038	5,303,216	4,470,205	391,822	7%
Changes in net position	\$ (4,921,290)	\$ 1,349,496	\$ 7,647,254	\$ (6,270,786)	NM

* The acronym "NM" indicates that the percentage change calculation is not meaningful.

OKLAHOMA ORDNANCE WORKS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Continued)

FINANCIAL ANALYSIS OF OKLAHOMA ORDNANCE WORKS AUTHORITY

Asset and Debt Administration

At the end of April 30, 2022, the balance of total current assets was \$34,021,553, a decrease of \$11,886,780 from the previous fiscal year. Included within current assets at April 30, 2022, was the Authority's operating cash position of \$25,610,343 and the Authority's certificate of deposit position of \$6,195,550. For the fiscal year ended April 30, 2022, the total balance of the Authority's investments in marketable securities decreased to a total of \$78,579,925. Included within the overall decrease in the total value of the Authority's holdings in investments in marketable securities was a current year unrealized loss in the fair market value of the Authority's holdings in GNMA and corporate bonds of \$(7,581,247) for the fiscal year ended April 30, 2022. The reason for the unrealized gain was largely due to an increase in interest rates during the Authority's fiscal year, with further interest rate increases being indicated in the future by the U.S. Federal Reserve. The Authority's stated investment policy is to hold all investments to their full maturity date(s) and as such, unrealized losses are viewed as being only temporary decreases in capital. The Authority has historically focused on primarily purchasing GNMA bonds with higher levels of projected pre-payments of principal. Even though GNMA bond purchases tend to have durations of twenty to thirty years, the Authority's focus on principal pre-payments is an attempt to keep durations on investment holdings as short as possible. It should be noted that increases in interest rates will slow mortgage pre-payments, which will increase anticipated duration of the investment portfolio. Overall, total assets decreased by \$(3,688,306) or (1.8)%, to an April 30, 2022, total of \$203,058,516.

As in the previous year, the Authority's total current liabilities at April 30, 2022, were minimal in comparison to total current assets. Total current liabilities, consisting of accounts payable and various accrued liabilities at April 30, 2022 were \$646,904 as compared to a balance of \$654,326 at April 30, 2021.

Revenues, Expenses and Changes in Net Position

At April 30, 2022, the Authority's total operating revenues were \$17,707,735, which represents an increase of \$2,199,301 or 14% over the previous fiscal year. Total operating revenues for the fiscal year ended April 30, 2022 are higher in all categories of operating revenues, particularly building rental income and airport income. However, it should be noted that airport income increased over the previous fiscal year due to non-regular operating income of non-recurring federal government grants for certain projects for the Authority's airport. In terms of non-operating revenues, interest income on investments in marketable securities decreased from the previous fiscal year due to lower interest rates on purchases of new investments.

As discussed previously, also included in the Authority's total revenues from all sources, both operating and non-operating, is an adjustment for a current year decline in value of \$(7,581,247) in the fair market valuation of the Authority's investments. All the Authority's investments are fixed income securities that are held to maturity, with market values that are primarily impacted by changes in interest rates. Despite the fact that the Authority has historically never sold an investment prior to full maturity, the Authority is required to mark all investments to their fair market values for financial reporting purposes. *Accounting principles generally accepted in the United States of America* ("US GAAP") and *Government Auditing Standards* issued by the Governmental Accounting Standards Board ("GASB") require that investments, despite management's intended holding periods for such investments, be adjusted to their fair market values in order to fairly present the current market value of investments. As such, total annual revenues are impacted by fluctuations in the market value of investments. Hypothetically, if the market valuation adjustment were removed, the Authority would have recognized a total change in net position of \$2,920,487 as compared to the actual change in net position of \$(4,921,290) for the fiscal year ended April 30, 2022.

At April 30, 2022, total direct operating expenses were \$6,703,244, an increase of \$423,999 or 7% over the previous fiscal year. The primary expense categories that contributed to the increase in total operating expenses were power and other utilities costs. At April 30, 2022, total general and administrative expenses were \$5,339,666, an increase of \$579,203 over the previous fiscal year. The Authority's general and administrative expenses saw increases in several categories, with professional fees, advertising and marketing, insurance and continuing education and training center showing increases.

Overall, the total net position as of April 30, 2022 decreased over the prior year, to a total of \$200,607,256 for fiscal year ended April 30, 2022 as compared to net position of \$205,528,546 for fiscal year ended April 30, 2021, a decrease of \$(4,921,290) or approximately (2)%.

OKLAHOMA ORDNANCE WORKS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Continued)

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The Authority's "management's discussion and analysis" has been designed to provide its readers with a general overview of the Authority's finances and objectives. If you have any questions about this report or need additional information, please contact:

OKLAHOMA ORDNANCE WORKS AUTHORITY
DbA, MID AMERICA INDUSTRIAL PARK
Attention: Ms. Stephanie Hammock, Director of Finance
P.O. Box 945
Pryor Creek, Oklahoma 74362

OKLAHOMA ORDNANCE WORKS AUTHORITY

(A Public Trust)

Statements of Net Position

April 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (Notes A and B)	\$ 25,610,343	\$ 36,793,345
Certificates of deposit (Notes A and B)	6,195,550	7,249,874
Accounts receivable, net of allowance for doubtful accounts (Note A)	1,080,181	877,495
Grant funds receivable, federal awards (Note G)	780,938	659,620
Accrued interest income receivable	215,596	230,333
Inventory, chemicals (Note A)	136,208	94,316
Prepaid expenses and other current assets	2,737	3,350
Total current assets	<u>34,021,553</u>	<u>45,908,333</u>
Non-current assets:		
Investments in marketable securities (Notes A and B):		
Investments in marketable securities, GNMA bonds	68,999,500	73,991,255
Investments in marketable securities, corporate bonds	9,580,425	10,250,866
Total investments in marketable securities, at fair market value	<u>78,579,925</u>	<u>84,242,121</u>
Property, plant and equipment, at historical acquisition cost (Notes A and C):		
Industrial park facilities, net of accumulated depreciation	50,925,622	31,068,752
Water plant facilities, net of accumulated depreciation	11,333,831	12,742,201
Waste treatment facilities, net of accumulated depreciation	9,092,686	9,391,270
Construction in progress, non-depreciable	17,328,692	23,340,006
Total property, plant and equipment, net of accumulated depreciation	<u>88,680,831</u>	<u>76,542,229</u>
Other non-current assets:		
Net pension asset/benefit - restricted (Note I)	1,611,169	
Net post-employment benefits ("OPEB") asset/benefit (Note I)	165,038	54,139
Total assets	<u>\$ 203,058,516</u>	<u>\$ 206,746,822</u>
<u>Deferred Outflows of Resources</u>		
Deferred outflows, pension plan (Note I)	118,720	490,408
Deferred outflows, post-employment benefits (Note I)	14,673	27,346
Total deferred outflows of resources	<u>133,393</u>	<u>517,754</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 147,982	\$ 240,331
Accrued liabilities (Note D)	498,922	413,995
Total current liabilities	<u>646,904</u>	<u>654,326</u>
Long-term liabilities:		
Net pension liability (Note I)		1,030,236
Total liabilities	<u>646,904</u>	<u>1,684,562</u>
<u>Deferred Inflows of Resources</u>		
Deferred inflows, pension plan (Note I)	1,837,259	5,630
Deferred inflows, post-employment benefits (Note I)	100,490	45,838
Total deferred inflows of resources	<u>1,937,749</u>	<u>51,468</u>
<u>Net Position</u>		
Net position (Note E):		
Net position, unrestricted	110,315,256	128,986,317
Net position, invested in capital assets	88,680,831	76,542,229
Net position, restricted for pension benefits	1,611,169	
Total net position	<u>\$ 200,607,256</u>	<u>\$ 205,528,546</u>

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

OKLAHOMA ORDNANCE WORKS AUTHORITY

(A Public Trust)

Statements of Revenues, Expenses and Changes in Net Position

For the Fiscal Years Ended April 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues, operating:		
Water sales	\$ 9,941,082	\$ 9,325,013
Building rentals and other rental income (Note F)	3,405,731	2,806,683
Waste treatment income	2,605,398	2,570,574
Airport income, including federal grant awards (Note G)	1,579,082	806,164
Miscellaneous income	176,442	
Total operating revenues	<u>17,707,735</u>	<u>15,508,434</u>
Expenses:		
Operating expenses, direct:		
Power	1,493,123	1,133,673
Chemicals	1,474,426	1,499,713
Wages, payroll taxes and employee benefits	1,338,418	1,248,885
General maintenance	1,198,825	1,229,073
Laboratory, permits and testing	582,782	610,716
Buildings and grounds; Airport, Expo Center and Russell Hunt Lodge	236,453	222,332
Utilities, heat and lights	235,097	120,576
Water	88,559	175,731
Housekeeping and security	33,327	34,095
Other operating expenses	22,234	4,451
Total operating expenses, direct	<u>6,703,244</u>	<u>6,279,245</u>
General and administrative expenses:		
Administrative salaries, payroll taxes and employee benefits	2,434,072	2,446,263
Professional fees, other	644,583	449,964
Advertising and marketing	609,596	524,610
Insurance	524,410	368,159
Professional fees, legal	503,584	291,527
STEM, net of grant proceeds of \$32,000 and \$100,000, respectively	165,791	265,896
Workforce development	128,648	184,673
Continuing education and training center	103,391	11,747
Telephone and communications	96,132	82,240
Office supplies and software	46,652	72,960
Travel, meals and entertainment	21,669	18,834
Professional fees, engineering	20,103	16,572
Other general and administrative expenses	41,035	27,018
Total general and administrative expenses	<u>5,339,666</u>	<u>4,760,463</u>
Income from operations	<u>5,664,825</u>	<u>4,468,726</u>
Other income, non-operating:		
Interest income	1,603,157	2,199,160
Gain or (loss) on sales of assets	865,882	1,590,389
OPERS Plan pension/OPEB adjustment, income	481,661	25,112
Unrealized gain or (loss), fair market value of investments	(7,841,777)	(1,630,675)
Total other income, non-operating	<u>(4,891,077)</u>	<u>2,183,986</u>
Other expenses, non-operating:		
Depreciation expense	5,695,038	4,999,338
OPERS Plan pension/OPEB adjustment, expense	-	303,878
Total other expenses, non-operating	<u>5,695,038</u>	<u>5,303,216</u>
Changes in net position	<u>(4,921,290)</u>	<u>1,349,496</u>
Net position, beginning of fiscal year, as previously reported	204,937,565	204,199,910
Prior period adjustments (Note A)	590,981	(20,860)
Net position, beginning of fiscal year, as restated	<u>205,528,546</u>	<u>204,179,050</u>
Net position, end of fiscal year	<u>\$ 200,607,256</u>	<u>\$ 205,528,546</u>

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

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)
Statements of Cash Flows
For the Fiscal Years Ended April 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Cash flows from operating activities:</u>		
Cash received from industrial park customers and grants	\$ 17,707,735	\$ 14,873,926
Cash paid to suppliers and employees	(12,400,878)	(10,703,767)
Interest income	<u>1,603,157</u>	<u>2,199,160</u>
Net cash provided by or (used in) operating activities	<u>6,910,014</u>	<u>6,369,319</u>
<u>Cash flows from investing activities:</u>		
Proceeds from redemptions, net of purchases of certificates of deposit	1,054,324	13,210,710
Proceeds from sales of assets	865,272	1,565,677
Proceeds from redemptions, net of (purchases) of investments	(2,179,581)	14,836,951
(Purchases) of property, plant and equipment and construction in progress	<u>(17,833,031)</u>	<u>(14,422,869)</u>
Net cash provided by or (used in) investing activities	<u>(18,093,016)</u>	<u>15,190,469</u>
Net increase or (decrease) in cash and cash equivalents	(11,183,002)	21,559,788
Cash and cash equivalents, beginning of fiscal year	<u>36,793,345</u>	<u>15,233,557</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$ 25,610,343</u></u>	<u><u>\$ 36,793,345</u></u>
 Reconciliation of changes in net position to net cash provided by operating activities:		
Changes in net position, net of non-cash items *	<u>\$ 2,438,826</u>	<u>\$ 2,672,208</u>
 Adjustments to reconcile changes in net position to net cash provided by or (used in) operating activities:		
Depreciation expense	5,695,038	4,999,338
(Gain) or loss on sales of assets	(865,882)	(1,590,389)
 <u>Changes in assets and liabilities:</u>		
(Increase) or decrease in accounts receivable	(202,686)	(32,953)
(Increase) or decrease in grant funds receivable, federal awards	(121,318)	
(Increase) or decrease in accrued interest income receivable	14,737	63,641
(Increase) or decrease in inventory, chemicals	(41,892)	36,807
(Increase) or decrease in prepaid expenses and other current assets	613	609
Increase or (decrease) in accounts payable	(92,349)	120,706
Increase or (decrease) in accrued liabilities	<u>84,927</u>	<u>99,352</u>
Total adjustments and changes in assets and liabilities	<u>4,471,188</u>	<u>3,697,111</u>
Net cash provided by or (used in) operating activities	<u><u>\$ 6,910,014</u></u>	<u><u>\$ 6,369,319</u></u>

* Non-cash items consist of: (1) Unrealized investment gain/(loss) of \$(7,841,777) and \$(1,630,375), (2) OPERS net pension (asset)/liability and OPEB (asset)/liability adjustments of \$481,661 and \$25,112, respectively for the fiscal years ended April 30, 2022 and 2021.

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

OKLAHOMA ORDNANCE WORKS AUTHORITY

(A Public Trust)

Notes to the Basic Financial Statements As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Origin of the Authority and Nature of Activities

OKLAHOMA ORDNANCE WORKS AUTHORITY (hereafter also referred to as the "Authority") was established to stimulate the economy of northeast Oklahoma by attracting additional industrial investments and employment to the Mid-America Industrial Park located near Pryor, Oklahoma. The Authority's revenues are derived from the operation of a water plant, waste treatment plant, the sale or lease of the Authority's buildings or land and interest income earned on the Authority's investment holdings, and, at certain times, loans made to industrial park tenants. The Authority's customers consist of municipalities, rural water districts and industries located in northeastern Oklahoma. Sales to these customers are made on account. The Authority is not subject to federal or state income taxes and is organized as a Public Trust whose ultimate beneficiary is the State of Oklahoma. The State of Oklahoma considers the Authority to be a related organization.

Basis of Accounting and Financial Statement Presentation

The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is considered to be a proprietary enterprise fund for purposes of governmental fund classification. Such funds are used to account for a government's activities that are similar to those of the private sector. As a result, the basic financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with U.S. GAAP as applied to governmental units. This basis of accounting requires that revenue be recognized when earned and expenses be recognized when incurred, regardless of actual receipt or payment of cash.

Revenues and expenses are classified as operating or non-operating according to the following criteria: Operating revenues include activities that have the characteristics of an exchange transaction (i.e., transactions where essentially equal value is exchanged. Non-operating revenues include activities that have the characteristics of non-exchange transactions such as investment income which is defined as non-operating revenue by GASB Statement No. 9, *"Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Government Entities that use Proprietary Fund Accounting"* and GASB Statement No. 34, *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments"*. Operating expenses include activities that have the characteristics of an exchange transaction. Non-operating expenses include activities that have the characteristics of non-exchange transactions not meeting the above definition for operating expenses.

Cash and Cash Equivalents

For purposes of the accompanying financial statements, cash and cash equivalents consist of all highly liquid bank depository account holdings available for current use with original maturities of three (3) months or less, when initially purchased. Cash and cash equivalents consist of checking and money market accounts which are carried at historical acquisition cost that approximates fair market value.

Certificates of Deposit

Certificates of deposit owned by the Authority have durations in excess of three months, when initially purchased. Certificates of deposit are carried at their respective fair market values, which approximate their historical acquisition costs plus accrued interest, if applicable.

Accounts Receivable

Accounts receivable due from park tenants are related to water sales and rental income and are recorded when invoices are issued. Accounts receivable due from park tenants are presented in the accompanying "Statements of Net Position" net of an allowance for doubtful accounts, if applicable. The allowance for doubtful accounts is estimated based on the Authority's historic collection experience(s) with various customers. At April 30, 2022 and 2021, management of the Authority did not believe that an allowance for doubtful accounts was necessary.

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)
Notes to the Basic Financial Statements
As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued):

Inventory

The Authority records inventory of chemical products and materials at their respective historical acquisition costs using the first-in, first-out method.

Investments in Marketable Securities

The Authority's investment policy statement allows for investments in various fixed income securities, which are carried at fair market value based upon published market quotations. While these securities have traditionally been held to maturity by the Authority, they are subject to significant fluctuations in fair market value during the holding period(s) due to long-term maturities of the respective fixed income securities that are purchased by the Authority. In a rising interest rate environment, it is likely that fixed income securities with long-term maturities will sustain significant unrealized losses until their respective full maturity dates.

Property and Equipment, Net of Accumulated Depreciation

Property and equipment are recorded at historical acquisition cost, net of accumulated depreciation. Depreciation of property and equipment is determined by using the straight-line method, calculated over the estimated useful lives of the respective classes of assets, which currently range from five (5) to forty (40) years. The Authority's practice is to consider capitalization for individual property and equipment items with values of \$1,000 or greater. Lesser amounts are expensed. Routine repairs and maintenance costs for property and equipment are expensed as incurred. Construction in progress represents costs accumulated for various construction projects that were not yet completed at the end of the Authority's fiscal year.

Management of the Authority reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted expected cash flows. Future events could cause the Authority to conclude that impairment indicators exist and that long-lived assets may be impaired.

Donated Property

The Authority is eligible to participate in federal and state grant programs. Property donated to the Authority under such programs is carried at estimated fair value when donated. Property acquired with grant proceeds is recorded at cost and is depreciated in the same manner as property acquired with the Authority's funds.

Income Tax

By Oklahoma state statute, the Authority is exempt from Federal and Oklahoma state income taxes. Accordingly, no provision for income taxes has been made within the accompanying financial statements.

The Authority accounts for uncertain tax positions in accordance with the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. Using the guidance of FASB ASC 740, income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will "more likely than not" be sustained upon examination by the taxing authorities. As of April 30, 2021, and 2020, the Authority believes that all tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Authority's financial statements. Accordingly, the Authority has not recorded any reserves or related accruals for uncertain income tax positions at April 30, 2022 and 2021, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates that were used.

OKLAHOMA ORDNANCE WORKS AUTHORITY

(A Public Trust)

Notes to the Basic Financial Statements As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued):

Advertising and Marketing Costs

The Authority expenses advertising costs in the period in which they are incurred. Total advertising and marketing costs were \$609,596 and \$524,610 for fiscal years ended April 30, 2022 and 2021, respectively.

Prior Period Adjustment

Prior period adjustments were made to net position for the fiscal year ended April 30, 2021, for the following: (1) An adjustment to an accrued liability balance for certain amounts of the Authority's Pathfinder contributions which had not been allocated to operating expenses, thereby the adjustment increased expenses by \$68,639 and (2) An adjustment to accrue grant fund receivables and increase airport income federal grant awards by \$659,620 for funds expended by the Authority during the fiscal year ended April 30, 2021 that were awaiting reimbursement from the Federal Aviation Administration at the end of the fiscal year.

Date of Management's Review and Subsequent Events

Management of the Authority has evaluated subsequent events through October 19, 2022, which is the date that the financial statements were available for issuance. Management did not note any subsequent events that required recognition or disclosure in the accompanying financial statements and footnotes.

NOTE B - BANK DEPOSITS AND INVESTMENTS:

Bank Deposits - Carrying Amounts

All bank deposits are held with financial institutions and are included in the accompanying "Statements of Net Position" as cash and cash equivalents and certificates of deposit. The carrying amounts of these deposits totaled \$31,804,692 and \$44,043,219 for the fiscal years ended April 30, 2022, and 2021, respectively. The financial institution balances for these deposits totaled \$33,176,898 and \$44,320,038 for the fiscal years ended April 30, 2022 and 2021, respectively. Any differences between the carrying amounts and the financial institution balances are due to outstanding checks and/or outstanding deposits.

Bank Deposits - Custodial Credit Risk

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 or investments that are held in the possession of an outside party. The Authority's investment policy requires collateralization of all demand deposit accounts and certificates of deposit. The Authority also minimizes custodial credit risk by pre-qualifying the custodial or depository institutions, brokers/dealers, intermediaries and advisors with which the Authority will do business. The Authority's demand deposits, and certificates of deposit held at financial institutions are currently insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. At April 30, 2022 and 2021, the Authority held deposits which were in excess of FDIC insurance limits with various financial institutions. The Authority has obtained collateral agreements for certain of these deposits whereby the excess deposits are collateralized by securities held by the pledging financial institutions. However, at April 30, 2022, a balance of \$22,491,024 of cash and cash equivalents, awaiting reinvestment, was held in two brokerage money market accounts. The brokerage money market accounts are not covered by FDIC insurance, are un-collateralized and are therefore exposed to custodial credit risk. The primary underlying investments of the brokerage money market accounts are indicated by the investment companies as consisting of U.S. treasury securities, which are backed by the "full faith and credit" of the U.S. government.

Investments

As of the Authority's fiscal year end of April 30, 2022, the Authority's investments in marketable securities were as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Credit Quality</u>	<u>Date to Maturity</u>
GNMA bonds	\$ 68,999,499	\$ 74,736,300	"Full faith and credit of the U.S. government" Investment grade, not less than BBB+ rated	21 Years
Corporate bonds	<u>9,580,426</u>	<u>9,750,769</u>		5 Years
Total investments	<u>\$ 78,579,925</u>	<u>\$ 84,487,069</u>		

OKLAHOMA ORDINANCE WORKS AUTHORITY

(A Public Trust)

Notes to the Basic Financial Statements As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE B - BANK DEPOSITS AND INVESTMENTS - (Continued):

Investments - Investment Policy Statement

The Authority has adopted a formal investment policy statement. The primary objective of the Authority's investment policy statement is safety of principal and as such, the Authority is limited to holding investments with some form of U.S. Government guarantee for at least 90% of its overall portfolio and/or investment grade corporate bonds with a credit rating of at least BBB+ for no more than 10% of its overall portfolio. Under the terms of the Authority's investment policy statement, the standard of care to be used shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Additionally, the Authority's stated investment objective is to hold all investments to full maturity, thus minimizing the effect of temporary market fluctuations.

Investments - Risks and Uncertainties

The Authority maintains a significant portion of its total assets in fixed income securities. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the accompanying "Statements of Net Position."

Investments - Issuer Credit Risk and Credit Quality

Issuer credit risk is the risk that an issuer or other counterparty to an investment will default and not fulfill its obligations. In order to address issuer credit risk and overall credit quality of investments, the Authority has a formal, written investment policy statement that defines which securities are suitable for investment. The Authority is guided by the terms of its investment policy statement and invests primarily (at least 90% of its portfolio) in securities which are backed by the full faith and credit and/or implicit guarantee of the U.S. government or investment grade corporate bonds (no more than 10% of its portfolio) with a credit rating of at least BBB+. As such, the Authority has attempted to reduce issuer credit risk to a reasonably low level.

Investments - Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's stated investment objective is to hold all investments to maturity and as such, the Authority believes that fair value gains or losses should be only of a temporary, unrealized nature. However, over the short to intermediate term, the value of the Authority's portfolio of investments is directly affected by interest rate fluctuations and *significant unrealized losses may occur due to the long-term durations of these investments*, as noted below. A hypothetical example of how an investment in fixed-income marketable securities would be impacted by an increase in interest rates is as follows:

<u>HYPOTHETICAL EXAMPLE:</u> U.S. Treasury obligation: \$1,000,000 Treasury bond, 4% Yield	Impact on Fair Value of Basis Point ("Bps") Increase of - Estimated:		
	<u>100 Bps</u>	<u>200 Bps</u>	<u>300 Bps</u>
	\$971,993	\$944,919	\$918,742

The example above only assumes changes in interest rates of exactly one hundred (100), two hundred (200) and three hundred (300) basis points. The length of time to maturity or "duration," as noted below, would directly affect the above example as would bid/ask spreads, both of which are not factored into this example.

Investments - Duration Risk and Duration to Maturity

The Authority's investments in bonds are long-term bonds, most of which are up to thirty years in duration, when initially purchased. However, the investments in GNMA bonds have the potential for early redemption due to pre-payment of the underlying mortgages and management of the Authority has historically relied on pre-payments of GNMA bond investments as a means to re-invest at current interest rates. However, this puts the Authority at risk, in that in a rising interest rate environment these longer term GNMA/mortgage-backed securities may not experience similar historical rates of repayments as homeowners may decide to remain in their homes longer and would also not have any incentive to refinance the underlying mortgages.

OKLAHOMA ORDINANCE WORKS AUTHORITY

(A Public Trust)

Notes to the Basic Financial Statements As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE B - BANK DEPOSITS AND INVESTMENTS - (Continued):

Investments - Duration Risk and Duration to Maturity – (Continued)

It should be noted that while the Authority's stated investment objective is to hold all investments to full maturity, if the Authority were forced to redeem fixed income securities prior to redemption, losses could be recognized due to the long-term nature of maturities in the GNMA bonds that it holds. In the case of the Authority's investments in GNMA bonds, valuations are impacted by interest rate fluctuations and by factors other than interest rates including relatively thin trading volumes and wide spreads of "bid" vs. "ask" prices.

Investments - Concentration of Investment Issuer Credit Risk

The Authority's investments in marketable securities are diversified to some degree to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of specific class of securities. However, the Authority has a significant concentration in GNMA bonds.

Investments – Fair Value Measurements

Prior to fiscal 1999, the Authority recorded its investments at amortized cost, recording amortization of discount or premium monthly. During fiscal 1999, the Authority adopted GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires governmental entities to report certain investments at fair market value. Accordingly, the investments in marketable securities held by the Authority are recorded at fair market value in the accompanying "Statements of Net Position" and consisted of the following at April 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Investments, registered in the Authority's name and held by brokerage firms	\$ 78,562,159	\$ 84,217,643
Investments, registered, and held in certificate form by the Authority	<u>17,766</u>	<u>24,478</u>
Total investments in marketable securities	<u>\$ 78,579,925</u>	<u>\$ 84,242,121</u>

Investments – Fair Value Hierarchy

The Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 820, "Fair Value Measurements", defines fair value under accounting principles generally accepted in the United States of America, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. This standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price), in the principal or most advantageous market for the asset or liability, in an orderly transaction value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). The three levels of the fair value hierarchy under ASC 820 are described as follows:

"Level 1" Fair Value Measurements

Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date. All of the Authority's investments could be considered to be "Level 1" investments.

"Level 2" Fair Value Measurements

Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

OKLAHOMA ORDINANCE WORKS AUTHORITY
(A Public Trust)

Notes to the Basic Financial Statements
As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE B - BANK DEPOSITS AND INVESTMENTS - (Continued):

"Level 3" Fair Value Measurements

Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. While the Authority's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair market value measurement at the reporting date.

NOTE C – PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION:

Property, plant and equipment and the related depreciable lives thereof, net of accumulated depreciation, for the fiscal years ended April 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Property, plant and equipment, at historical acquisition cost:		
<u>Industrial park facilities:</u>		
Buildings	\$ 49,508,178	\$ 29,207,554
Undeveloped land (non-depreciable)	8,408,071	7,577,063
Airport property and improvements	8,590,013	8,590,013
Streets and other improvements	7,236,911	5,905,235
Machinery and equipment	2,027,626	2,019,646
STEM	1,075,443	1,075,443
Automobiles, trucks, and tractors	625,835	619,585
Computer equipment	582,807	582,807
Furniture and fixtures	406,334	406,334
Industrial park facilities, land (non-depreciable)	71,390	71,390
Accumulated depreciation	<u>(27,606,986)</u>	<u>(24,986,318)</u>
Total industrial park facilities, net	<u>50,925,622</u>	<u>31,068,752</u>
<u>Water plant and related facilities:</u>		
Equipment	21,669,053	21,618,955
Distribution system	14,501,978	14,423,978
Building and facilities	5,670,837	5,402,114
Water plant land (non-depreciable)	31,421	31,421
Accumulated depreciation	<u>(30,539,458)</u>	<u>(28,734,267)</u>
Total water plant facilities, net	<u>11,333,831</u>	<u>12,742,201</u>
<u>Waste treatment facilities:</u>		
Waste treatment plant and collection system	25,317,992	24,362,406
Landfill	46,161	46,161
Accumulated depreciation	<u>(16,271,467)</u>	<u>(15,017,297)</u>
Total waste treatment facilities, net	<u>9,092,686</u>	<u>9,391,270</u>
<u>Other property and equipment, non-depreciable:</u>		
Construction in progress (non-depreciable)	<u>17,328,692</u>	<u>23,340,006</u>
Property, plant and equipment, net	<u>\$ 88,680,831</u>	<u>\$ 76,542,229</u>

OKLAHOMA ORDINANCE WORKS AUTHORITY
(A Public Trust)

Notes to the Basic Financial Statements
As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE D - COMPENSATED ABSENCES:

The Authority's policy is to permit employees to accumulate earned but unused paid time off or accrued leave. Liabilities are recorded for unused accrued leave that the Authority will pay in the form of compensation upon each employee's termination or retirement. The Authority allows employees to carry forward unused paid time off to the next calendar year based on their position and continuous years of service with the Authority. For employees with zero to five (5) years of continuous service, the maximum allowable carry forward amount to the next calendar year is thirty (30) days, or two hundred and forty (240) hours. For employees with five (5) years or more of continuous service, the maximum allowable carry forward amount to the next calendar year is thirty (30) days, or two hundred and forty (240) hours. For those employees with thirty (30) or more years of continuous service and certain executive staff employees, the maximum allowable carry forward is ninety (90) days, or seven hundred and twenty (720) hours. At April 30, 2022 and 2021, total accrued leave was \$141,708 and \$184,138, respectively, which is included within the caption "accrued liabilities" on the accompanying "Statements of Net Position".

NOTE E - NET POSITION:

The Authority's "net position" at April 30, 2022 and 2021 totaled \$200,607,256 and \$205,528,546, respectively. The various net position captions included within the accompanying "Statement of Net Position" are further described and classified as follows:

Net Position, Unrestricted

Consist of operating funds over which the Board of Trustees retains full control to use in achieving any of its authorized purposes. While these funds are considered to be unrestricted for future use, the Authority has a formal "capital improvements budget" related to anticipated future projects and expansion within the industrial park for which a significant amount of these funds has been set aside. See further explanation within the following footnote under the caption "capital improvements budget."

Net Position, Invested in Capital Assets

Consist of the Authority's total historical investment in property and equipment assets within the industrial park ("capital assets"). The net position, invested in capital assets is recorded at the historical acquisition cost of property, plant and equipment, net of accumulated depreciation.

Net Position, Restricted

Consist of operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. The Authority is legally or contractually obligated to spend these funds in accordance with the restriction imposed by third parties. Under GASB requirements, a restriction of net assets only exists under either of the following conditions: a restriction externally imposed by a creditor, grantor or contributor, or a restriction imposed by law through enabling legislation. When an expense is incurred that can be paid using restricted or unrestricted resources, the Authority's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. None of the Authority's net position is considered to be restricted at this time.

Capital Improvements Budget

A significant amount of the balance listed under the caption of "net position, unrestricted" will be needed to finance future capital improvements within the industrial park. Under the Authority's five-year capital budget plan, management of the Authority estimates that a total of \$117,194,050 will be needed to complete scheduled capital improvement projects for upcoming fiscal years ending April 30, 2023 through 2027 as per Management's internal projections at April 30, 2022. The estimated costs for the scheduled capital improvement projects under the five-year plan are broken down by functional areas as follows; Water and waste treatment plant projects - \$53,905,258, Operational projects - \$1,168,792, Park expansion and development projects - \$58,300,000 and Recoverable buildings - \$3,820,000. Following is a listing of anticipated annual capital improvements projects for the five fiscal years ending after April 30, 2022; 2023 - \$81,398,280, 2024 - \$27,473,800, 2025 - \$7,252,320, 2026 - \$120,900 and 2027 - \$948,750.

OKLAHOMA ORDINANCE WORKS AUTHORITY

(A Public Trust)

Notes to the Basic Financial Statements

As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE F - BUILDING RENTAL INCOME AND OTHER OPERATING LEASE INCOME:

For the fiscal years ended April 30, 2022 and 2021, the Authority recognized building rental and other rental income of \$3,405,731 and \$2,806,683, respectively. Following is a listing of anticipated future minimum rental income payments receivable under the non-cancelable operating leases in effect for the five fiscal years ending after April 30, 2022: 2023 - \$1,782,095, 2024 - \$1,111,513, 2025 - \$877,299, 2026 - \$833,929 and 2027 - \$785,597. As such, total future minimum payments receivable under the non-cancelable operating leases for fiscal years ending April 30, 2023 to 2027 are anticipated to be at least \$5,390,433. A significant amount of building rental and other operating lessor income is also earned by the Authority on lease agreements which are on a month-to-month basis with various industrial park tenants. For industrial park tenants with month-to-month rental agreements, the current total monthly rental income is \$151,622 and the total anticipated annual income related to month-to-month rental agreements is \$1,819,128.

Included within the building rentals and operating lease totals listed above are below-market lease agreements that the Authority has entered into with various educational institutions operated by the state of Oklahoma. The building rental payments due from the educational institutions are set at nominal annual amounts (ranging from \$1 per year to \$10 per year) in order to encourage investments in the education and training of current and potential future employees of industrial park tenants.

NOTE G - EXPENDITURES OF FEDERAL AWARDS, AIRPORT IMPROVEMENT PROGRAM:

During the fiscal years ended April 30, 2022 and 2021, the Authority received certain grant funds from the Federal Aviation Administration ("FAA") for use on the Authority's airport under the FAA's "Airport Improvement Program. The U.S. Office of Management and Budget Uniform Guidance (formerly "OMB" Circular A-133) and *Government Auditing Standards* require audits of annual expenditures of federal awards in excess of \$750,000 in a single fiscal year period. As the Authority's expenditures of federal awards exceeded \$750,000 for the fiscal year ended April 30, 2022, audit procedures under the Single Audit Act were required. See accompanying Single Audit for the results of this audit. Total funds expended by the Authority related to federal grant awards for the Airport Improvement Program were \$1,180,022 and \$677,281 for the fiscal years ended April 30, 2022 and 2021, respectively.

NOTE H - NON-RECOURSE DEBT:

In the past, the Authority assisted some of its tenants in obtaining long-term financing through the issuance of industrial revenue bonds. Long-term debt incurred by the Authority is repaid from tenant leases which are payable in amounts equal to the long-term debt service requirements. These long-term financing arrangements are not general obligations of the Authority, and it is the opinion of management and its legal counsel that, in the case of default by the borrower(s), the Authority has no responsibility for repayment of such financing arrangements. In accordance with the *American Institute of Certified Public Accountants Audit Guide, Audits of State and Local Governmental Units*, the non-recourse debt financing and the related lease receivables, interest income and interest expense have been excluded from the financial statements. Following is a summary of non-recourse debt at April 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Ralston Purina facility financing - \$1,725,000, 6.5% Series 1996 bonds payable on September 1, 2026, solely from Ralston Purina plant rental revenues	<u>\$ 1,725,000</u>	<u>\$ 1,725,000</u>
Total non-recourse debt, not required to be included within the "Statements of Net Position" of the Authority	<u>\$ 1,725,000</u>	<u>\$ 1,725,000</u>

OKLAHOMA ORDINANCE WORKS AUTHORITY

(A Public Trust)

Notes to the Basic Financial Statements As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE I - RETIREMENT PLANS:

The Authority's employees were eligible to participate in three retirement plans during the fiscal years ended April 30, 2022 and 2021. The plans currently available to the Authority's personnel include one defined benefit pension plan and two defined contribution plans. The defined benefit pension plan is available through the Oklahoma Public Employees Retirement System. The defined contribution plans include an Internal Revenue Code Section 457 Plan and the Oklahoma State Employees Deferred Compensation Plan/OPERS "Pathfinder" Plan. A summary of significant data for each of the retirement plans is as follows:

Oklahoma Public Employees Retirement Plan ("OPERS")

General Information about the Oklahoma Public Employees Retirement Plan and Plan Description

The Authority is a participant in the State of Oklahoma Public Employees Retirement Plan (hereafter also referred to as "OPERS") which is a cost-sharing multiple-employer defined benefit pension plan, administered by the Oklahoma Public Employees Retirement System, which is a component unit of the State of Oklahoma. The Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68, effective January 1, 2015. At that time, the opening net position of fiscal year ended April 30, 2016 was restated. The table below shows the pension plan data as reported in the Authority's basic financial statements for the fiscal years ended April 30, 2022 and 2021:

<u>As of and for the Fiscal Years Ended:</u>	<u>April 30, 2022</u>	<u>April 30, 2021</u>
Deferred Outflows of Resources	\$ 118,720	\$ 490,408
Deferred Inflows of Resources	\$ 1,837,259	\$ 5,630
Net Pension (Asset) or Liability	\$ (1,611,169)	\$ 1,030,236

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of OPERS and additions to/deductions from OPERS and fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

OPERS was established by the State of Oklahoma in accordance with the Oklahoma state statutes and provides retirement, disability and death benefits to its beneficiaries, primarily state, county and local government agency employees. The benefits provided are established and may be amended by the legislature of the State of Oklahoma. Title 74 of the Oklahoma Statutes, Sections 901 through 943, as amended, assigns the authority for management and operation of OPERS to the OPERS Board of Trustees.

Effective November 1, 2015, the Oklahoma Legislature enacted legislation requiring a defined contribution system be established by OPERS for most state employees first employed by a participating State employer on or after November 1, 2015 and ceasing the acceptance of any new participants to the defined benefit retirement plan. Therefore, employees whose first date of employment with the Authority (or other participating state agency) is on or before November 1, 2015 are eligible to participate in OPERS. Those employees of the Authority (or other participating state agency) whose first date of employment is after November 1, 2015, are covered by the Oklahoma State Defined Contribution System ("Pathfinder").

OPERS issues a publicly available financial report that includes financial statements and required supplementary information for OPERS. That annual report may be obtained online at www.opers.ok.gov, by writing to Oklahoma Public Employees Retirement System, P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007, or by calling (800) 733-9008.

Vesting

OPERS requires eight years of credited service (including six full years of full-time equivalent employment) to be eligible to vest.

OKLAHOMA ORDINANCE WORKS AUTHORITY

(A Public Trust)

Notes to the Basic Financial Statements As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE I - RETIREMENT PLANS – (Continued):

Benefits Provided

Employees who became a participant in the OPERS Plan before November 1, 2011, can begin receiving full, unreduced retirement benefits at the age of sixty-two with six full years of full-time equivalent employment; or when the sum of the member's age and years of service equals eighty when membership began before July 1, 1991; or when the sum of the member's age and years of service equals ninety when membership began on or after July 1, 1992. Employees who became a participant in the OPERS Plan on or after November 1, 2011, can begin receiving full, unreduced retirement benefits at the age of sixty-five with six full years of full-time equivalent employment; or when the member is at least sixty years of age, and the sum of the member's age and years of service equals ninety. Employees may retire at age sixty (fifty-five when membership began before November 1, 2011) and receive reduced benefits with at least ten years of participating service. Members who choose early retirement will receive a permanent actuarial reduction in benefits based on the age at retirement. The benefit on or after normal retirement, payable for life, is 2% of final average compensation, multiplied by years of credited service. For members who have elected the "Step-up option," a 2.5% multiplier is applied to the "stepped-up" full years.

Contributions

OPERS Plan participants and the Authority are required to contribute to the OPERS Plan at rate(s) set by state statute. The contribution rates for each member category of the OPERS Plan are established and may be amended by the Oklahoma Legislature, based on actuarial calculations which are performed to determine the adequacy of such contribution rates. The current employer retirement contribution rate for participating state agencies for the fiscal year ended April 30, 2022 is unchanged from the previous fiscal year ended April 30, 2021 at 16.5% of salary. Employees who participate in the OPERS Plan make contributions of 3.5% of salary or 6.41% of salary if enrolled in the "step-up" plan election. Under the "step-up" plan election, OPERS Plan participants have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91%, which is actuarially determined. The "step-up" plan election is available for all state, county, and local government employees, except for elected officials and hazardous duty members.

Liabilities and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plan

At April 30, 2022, based on the OPERS Plan's "schedule of employer allocations", the Authority's proportionate share of the "net pension (asset) or liability" of the OPERS Plan was calculated as being a net pension asset of \$(1,611,169). The "net pension (asset) or liability" was measured as of the OPERS Plan's fiscal year end of June 30, 2021. The OPERS Plan's fiscal year end of June 30, 2021 is hereafter referred to as "the measurement date". The total pension liability used to calculate net pension liability was determined by an actuarial valuation of the OPERS Plan as of July 1, 2021. The Authority's respective proportion of the OPERS Plan's net pension liability was based on the Authority's share of contributions to the OPERS Plan relative to the contributions of all participating employers. At the measurement date, the Authority's proportion percentage was .12004290%, based on the OPERS Plan's stated, "employer allocation percentage". Based on the measurement date calculations, for the Authority's fiscal year ended April 30, 2022, the Authority's financial statements are required under GASB Statement No. 68 to report deferred outflows of resources and deferred inflows of resources related to pensions. As of the Authority's fiscal year end of April 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Pension Plan Measurement Date – June 30, 2021:	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 40,511
Changes in assumptions	118,720	
Net differences between projected and actual earnings on pension plan investments	<u>-</u>	<u>1,796,748</u>
Totals:	<u><u>\$ 118,720</u></u>	<u><u>\$ 1,837,259</u></u>

OKLAHOMA ORDINANCE WORKS AUTHORITY

(A Public Trust)

Notes to the Basic Financial Statements

As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE I - RETIREMENT PLANS – (Continued):

Actuarial Assumptions

As per the Oklahoma Public Employees Retirement Plan, the total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	July 1, 2021
Measurement date of net pension liability:	June 30, 2021
Actuarial cost method:	Entry age
Asset valuation method for contributions:	Five year moving average of expected and actual market values
Asset valuation method for assets under GASB 68:	Fair value of assets
Long-term expected rate of return:	6.5% for 2021 and 2020
Discount rate:	6.5% for 2021 and 2020
Payroll growth/salary increases:	3.5% to 9.25% per year for 2021 and 2020
Inflation:	2.5%
Mortality Rates:	Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are set back one year, and female rates are set forward two years.
Post-retirement adjustments:	No annual post-retirement benefit increases

The actuarial assumptions used in the July 1, 2021 valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2019. The experience study report is dated May 13, 2020.

Long Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as used in the June 30, 2019 experience study, are summarized in the following table:

<u>Asset Class:</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equity	34.0%	4.7%
U.S. Small Cap Equity	6.0%	5.8%
International Developed Equity	23.0%	6.5%
Emerging Market Equity	5.0%	8.5%
Core Fixed Income	25.0%	.5%
Long Term Treasuries	3.5%	0.0%
U.S. TIPS	3.5%	.3%
Totals	<u>100.0%</u>	

Pension Plan Fiduciary Net Position

Detailed information about the Oklahoma Public Employees Retirement Plan, the Plan's June 30, 2021 Annual Comprehensive Financial Report, the Plan's actuarial valuation and fiduciary net position is available in separately issued financial statements available at <https://www.operators.ok.gov/financial/reports.shtml>.

OKLAHOMA ORDINANCE WORKS AUTHORITY

(A Public Trust)

Notes to the Basic Financial Statements **As of and For the Fiscal Years Ended April 30, 2022 and 2021**

NOTE I - RETIREMENT PLANS – (Continued):

Oklahoma Ordinance Works Authority Deferred Compensation Plan

The Authority also offers a deferred compensation plan (hereafter referred to as “the 457 Plan”) created in accordance with Internal Revenue Code Section 457. The 457 Plan, available to certain employees of the Authority, permits them to defer a portion of their salary to future years, subject to current limits imposed by the Internal Revenue Code. Under an amendment and restatement of the 457 Plan dated February 23, 2016, those employees of the Authority whose first date of employment is on or before November 1, 2015 and have no prior participation in the OPERS Plan are eligible to participate in the 457 Plan. Those employees who do not meet these criteria must participate in the Oklahoma Public Employees Retirement Defined Contribution Plan (“Pathfinder”). The compensation deferred is available to employees upon termination, retirement, death, or unforeseeable emergency. All assets and income of the deferred compensation plan are held in trust for the exclusive benefit of the participants. During October of 2000, the Authority also adopted an Internal Revenue Code Section 401(a) plan. This plan became effective in January of 2001 and was further amended in 2013. Under this plan, the Authority matches employee contributions to the 457 plan as follows; (1) a \$2 employer match for each \$1 contributed to the 457 Plan until the participant’s aggregate contribution since the beginning of the of the 457 Plan year equals \$1,200, (2) then, \$1.50 for each \$1 thereafter contributed during the remainder of the year to the 457 Plan until the participant’s aggregate contribution since the beginning of the 457 Plan year equals \$3,200, (3) then, \$.50 for each \$1 thereafter contributed during the remainder to the year to the 457 Plan until the participant’s aggregate contribution since the beginning of the 457 Plan year equals the maximum annual contribution limits, pursuant to Section 415(d) of the Internal Revenue Code. As per Internal Revenue Code regulations for 457 Plans, certain employees of the Authority may contribute a maximum of \$20,500 to the 457 Plan for the 2021 calendar year, plus a maximum of \$6,500 in “catch up” contributions for those employees who are age fifty (50) or older.

Oklahoma Public Employees Retirement System Defined Contribution Plan (“Pathfinder”)

Effective November 1, 2015, Oklahoma Legislature enacted legislation requiring a Defined Contribution System be established by OPERS for most state employees first employed by a participating State employer on or after November 1, 2015. Employees of the Authority who first become employees after November 1, 2015 and have no prior participation in OPERS must participate in the mandatory Defined Contribution Plan (“Pathfinder”) created in accordance with Internal Revenue Code Section 401(a) and 457(b) and chapter 40 of Title 590 of the Oklahoma Statutes. The Defined Contribution Plan is known as “Pathfinder.” Pathfinder and its related Trust(s) are intended to meet the requirements of the Internal Revenue Code and are administered by OPERS. The Board of Trustees of OPERS may amend Pathfinder and its related Trust but no amendment shall authorize or permit any part of the Trust for Pathfinder to be used or diverted to purposes other than for the exclusive benefit of the Pathfinder participants and their beneficiaries. Contribution rates are established by Oklahoma Statute and may be amended by the Oklahoma Legislature. For the Pathfinder plan, employees must make mandatory employee contributions of 4.5% of pre-tax salary to the 401(a) plan and may make additional voluntary contributions to the 457(b) Plan, subject to the maximum deferral limit allowed under the Code. Employees are vested 100% for all employee contributions. The Authority must make mandatory contributions of 6% of the employee’s pre-tax salary and 7% if the employee elects to participate in the 457(b) plan. Employees become vested for the employer contributions based on an established vesting schedule. The amount of the Authority’s contributions for Pathfinder for the fiscal years ended April 30, 2022 and 2021, were \$41,331 and \$30,587, respectively.

Additionally, in order to reduce the liabilities of the OPERS defined benefit plan, the Authority is required to contribute the difference between the established 16.5% defined benefit employer contribution rate and the amount required to match the participating employees’ contribution in the defined contribution plan. For the previous fiscal year ended April 30, 2021, the Authority had \$43,435 of contributions to meet the additional contribution requirements of the Pathfinder plan. For the fiscal year ended April 30, 2022, the Authority reports \$58,426 of contributions to meet the additional contribution requirements of the Pathfinder plan.

OKLAHOMA ORDINANCE WORKS AUTHORITY

(A Public Trust)

Notes to the Basic Financial Statements As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE J – OTHER POST-EMPLOYMENT BENEFITS:

Summary of Significant Accounting Policies for Post-employment Benefits Other than Pensions (“OPEB”)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the Authority’s share of the net OPEB liability of the Oklahoma Public Employees Retirement System (“OPERS”) and additions to/deductions from the net OPEB liability have been determined on the same basis as they are reported by the OPERS plan.

General Information about the OPEB Plan

The Authority is a participant in the Oklahoma Public Employees Retirement System (hereafter also referred to as “OPERS”) which is a cost-sharing multiple-employer defined benefit plan, administered by the Oklahoma Public Employees Retirement System, which is a component unit of the State of Oklahoma. OPERS was established by the State of Oklahoma in accordance with the Oklahoma state statutes and provides post-employment health insurance benefits, as well as retirement, disability and death benefits to its beneficiaries, primarily state, county and local government agency employees. The benefits provided are established and may be amended by the legislature of the State of Oklahoma. Title 74 of the Oklahoma Statutes, Sections 901 through 943, as amended, assigns the authority for management and operation of OPERS to the OPERS Board of Trustees.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information for OPERS. That annual report may be obtained online at www.opers.ok.gov, by writing to Oklahoma Public Employees Retirement System, P.O. Box 53007, Oklahoma City, Oklahoma 73152-3007, or by calling (800) 733-9008.

OPEB Liabilities, OPEB Expense, Deferred Outflows/Inflows of Resources Related to OPEB

The Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (“OPEB”). The implementation of this Statement required recognition within the financial statements, the Authority’s portion of “net post-employment benefits liability,” related to participation in the Oklahoma Public Employees Retirement System. The table below shows the OPEB data as reported in the basic financial statements of the Authority for the fiscal years ended April 30, 2022 and 2021:

For the Fiscal Years Ended:	April 30, 2022	April 30, 2021
Deferred Outflows of Resources	\$ 14,673	\$ 27,346
Deferred Inflows of Resources	\$ 100,490	\$ 45,838
Net Post-Employment Benefits (“OPEB”) (Asset)/Liability	\$ (165,038)	\$ (54,139)

For purposes of measuring the net post-employment benefits liability, deferred outflows and inflows of resources, and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of OPERS and additions to/deductions from OPERS and fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Liabilities and Deferred Outflows/Inflows of Resources Related to OPERS OPEB Plan

At April 30, 2022, based on an OPERS “schedule of employer allocations”, OPERS reported that the Authority’s proportionate share of the “net OPEB liability/(asset)” of the OPERS Plan was \$(165,038). The “net OPEB liability/(asset)” was measured as of OPERS’ fiscal year end of June 30, 2021. The OPERS fiscal year end of June 30, 2021 is hereafter referred to as “the measurement date”. The total OPEB liability used to calculate net OPEB liability was determined by an actuarial valuation of the OPERS Plan as of July 1, 2021. The Authority’s respective proportion of the OPERS Plan’s net OPEB liability was based on the Authority’s share of contributions to the OPERS Plan relative to the contributions of all participating employers. At the measurement date, the Authority’s proportion percentage was .12004290%, based on OPERS stated “employer allocation percentage”. Based on the measurement date calculations, for the Authority’s fiscal year ended April 30, 2022, the Authority’s financial statements are required under GASB Statement No. 75 to report deferred outflows of resources and deferred inflows of resources related to OPEB.

OKLAHOMA ORDINANCE WORKS AUTHORITY

(A Public Trust)

Notes to the Basic Financial Statements

As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE J – OTHER POST-EMPLOYMENT BENEFITS – (Continued):

Liabilities and Deferred Outflows/Inflows of Resources Related to OPERS' OPEB Plan – (Continued)

As of the Authority's fiscal year end of April 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS' OPEB Plan Measurement Date – June 30, 2021:	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 53,498
Changes in assumptions	14,673	46,992
Net differences between projected and actual earnings on OPEB plan investments	-	-
Totals:	<u>\$ 14,673</u>	<u>\$ 100,490</u>

Actuarial Assumptions

As per the Oklahoma Public Employees Retirement System, the total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	July 1, 2021
Measurement date of net pension liability:	June 30, 2021
Actuarial cost method:	Entry age
Asset valuation method for contributions:	Five year moving average of expected and actual market values
Asset valuation method for assets under GASB 68:	Fair value of assets
Long-term expected rate of return:	6.5% for 2021 and 2020
Discount rate:	6.5% for 2021 and 2020
Payroll growth/salary increases:	3.5% to 9.25% per year for 2021 and 2020
Inflation:	2.5%
Mortality Rates:	Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are set back one year, and female rates are set forward two years.
Post-retirement adjustments:	No annual post-retirement benefit increases

The actuarial assumptions used in the July 1, 2021 valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2019. The experience study report is dated May 13, 2020.

Long Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as used in the June 30, 2019 experience study, are summarized in the following table:

<u>Asset Class:</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equity	34.0%	4.7%
U.S. Small Cap Equity	6.0%	5.8%
International Developed Equity	23.0%	6.5%
Emerging Market Equity	5.0%	8.5%
Core Fixed Income	25.0%	.5%
Long Term Treasuries	3.5%	0.0%
U.S. TIPS	3.5%	.3%
Totals	<u>100.0%</u>	

OKLAHOMA ORDINANCE WORKS AUTHORITY
(A Public Trust)

Notes to the Basic Financial Statements
As of and For the Fiscal Years Ended April 30, 2022 and 2021

NOTE J – OTHER POST-EMPLOYMENT BENEFITS – (Continued):

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5% of net investment expenses for 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from System members and the employers will be made at the current contribution rate as set out in Oklahoma state statute. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future OPEB benefit payments of current System members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determined does not use a municipal bond rate.

NOTE K - COMMITMENTS AND CONTINGENCIES:

In the normal course of business, the Authority makes and receives commitments for purchases of power, water, chemicals and other materials and supplies inventory. In addition, in the normal course of business the Authority enters into agreements which commit the Authority to provide varying amounts of water and waste treatment services to its customers. Management of the Authority does not believe that the honoring of these commitments will have any material, adverse effect on the Authority.

The Authority has been operating under a revised wastewater discharge permit, OPDES permit #OK0034568, with the Oklahoma Department of Environmental Quality ("ODEQ") for the Authority's wastewater treatment plant. The Authority's renewed permit was effective on March 1, 2019 and it expires on February 29, 2024. The renewed permit allows for 697 pounds of waste treatment discharge per day into the Grand Neosho River from June 1 to October 30 each year and allows for the volume limits allowed by the Authority's old permit, 1,584 pounds of waste treatment discharge into the Grand Neosho River, during the remainder of the year.

NOTE L – RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus ("COVID-19") can be characterized as a pandemic. As a result, uncertainties have arisen that may negatively impact the Authority. The occurrence and extent of such an impact will depend on future developments, including (1) the duration and spread of the virus, (2) possible future government quarantine measures, (3) voluntary and precautionary restrictions on travel or meetings, (4) the effects on the financial markets and (5) the effects on the overall economy, all of which is uncertain.

The total financial impact of COVID-19 on the Authority cannot be determined at this time.

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)
Supplemental Schedules of Revenues, Expenses and
Changes in Net Position - by Division
For the Fiscal Years Ended April 30, 2022 and 2021

Administration (Includes Maintenance and Workforce Development)

	<u>2022</u>	<u>2021</u>
Revenues, operating:		
Building rentals and other rental income	\$ 3,405,731	\$ 2,806,683
Airport income, including federal grant awards (Note G)	1,579,082	806,164
Miscellaneous income	176,442	
Total operating revenues	<u>5,161,255</u>	<u>3,612,847</u>
Expenses:		
Operating expenses, direct:		
Wages, payroll taxes and employee benefits	362,690	386,704
Utilities, heat and lights	197,343	105,425
General maintenance	100,973	123,197
Buildings and grounds; Expo Center	92,707	83,145
Buildings and grounds; Airport	91,621	85,375
Buildings and grounds; Other	46,904	28,263
Housekeeping and security	33,327	34,095
Buildings and grounds; Russell Hunt Lodge	5,221	7,259
Laboratory, permits and testing	1,411	2,339
Water	450	490
Other operating expenses	16,887	2,081
Total operating expenses, direct	<u>949,534</u>	<u>858,373</u>
General and administrative expenses:		
Administrative salaries, payroll taxes and employee benefits	784,958	1,058,449
Professional fees, other	640,949	430,255
Advertising and marketing	609,596	524,610
Professional fees, legal	502,769	286,825
Insurance	354,501	248,918
STEM, net of grant proceeds (See Schedule of State Awards)	165,791	265,896
Workforce development	128,648	184,673
Continuing education and training center	96,211	10,624
Telephone and internet	63,276	52,162
Office supplies and software	41,778	66,851
Travel, meals and entertainment	16,668	18,691
Professional fees, engineering	1,200	1,000
Other general and administrative expenses	37,700	24,672
Total general and administrative expenses	<u>3,444,045</u>	<u>3,173,626</u>
Income or (loss) from operations	<u>767,676</u>	<u>(419,152)</u>
Other income, non-operating:		
Interest income	1,603,157	2,199,160
Gain or (loss) on sales of assets	865,882	1,590,389
OPERS Plan pension/OPEB adjustment, income	481,661	25,112
Unrealized gain or (loss) in fair value of investments in marketable securities	(7,841,777)	(1,630,675)
Other expenses, non-operating:		
Depreciation expense	2,635,677	2,022,339
OPERS Plan pension/OPEB adjustment, expense		303,878
Changes in net position	<u><u>\$ (6,759,078)</u></u>	<u><u>\$ (561,383)</u></u>

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

OKLAHOMA ORDINANCE WORKS AUTHORITY
(A Public Trust)
Supplemental Schedules of Revenues, Expenses and
Changes in Net Assets - by Division
For the Fiscal Years Ended April 30, 2022 and 2021

Water Plant and Waste Treatment Plant - Operations

	<u>2022</u>	<u>2021</u>
Revenues, operating:		
Water and waste treatment sales	\$ 12,546,480	\$ 11,895,587
Expenses:		
Operating expenses, direct:		
Power	1,493,123	1,133,673
Chemicals	1,474,426	1,499,713
General maintenance	1,097,852	1,105,876
Wages, payroll taxes and employee benefits	975,728	862,181
Laboratory, permits and testing	581,371	608,377
Water	88,109	175,241
Utilities, heat and lights	37,754	15,151
Buildings and grounds	-	18,290
Other operating expenses	5,347	2,370
Total operating expenses, direct	5,753,710	5,420,872
General and administrative expenses:		
Administrative salaries, payroll taxes and employee benefits	1,649,114	1,387,814
Insurance	169,909	119,241
Telephone and internet	32,856	30,078
Professional fees, engineering	18,903	15,572
Continuing education and training	7,180	1,123
Travel, meals and entertainment	5,001	143
Office supplies and software	4,874	6,109
Professional fees, other	3,634	19,709
Professional fees, legal	815	4,702
Other general and administrative expenses	3,335	2,346
Total general and administrative expenses	1,895,621	1,586,837
Income or (loss) from operations	4,897,149	4,887,878
Other income, non-operating:		
Gain or (loss) on disposals of assets	-	-
Other expenses, non-operating:		
Depreciation expense	3,059,361	2,976,999
Changes in net position	\$ 1,837,788	\$ 1,910,879

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

OKLAHOMA ORDNANCE WORKS AUTHORITY
(A Public Trust)

Supplemental Schedules - Oklahoma Public Employees' Retirement Plan - (Unaudited)
For the Fiscal Years Ended April 30, 2022 and 2021

Schedule of Proportionate Share of the Net Pension (Asset) or Liability - (Unaudited)

Oklahoma Ordinance Works Fiscal Year Ending:	Proportion of the Net Pension (Asset)/Liability	Proportionate Share of the Net Pension (Asset)/Liability	Covered Payroll	Proportionate Share of the Net Pension (Asset)/ Liability as a % of Covered Payroll
April 30, 2022	0.12004290%	\$ (1,611,169)	\$ 1,698,313	-94.87%
April 30, 2021	0.11547613%	\$ 1,030,236	\$ 1,840,269	55.98%
April 30, 2020	0.11800712%	\$ 157,171	\$ 1,940,422	8.10%
April 30, 2019	0.12304536%	\$ 226,467	\$ 1,973,596	11.47%
April 30, 2018	0.12304536%	\$ 656,261	\$ 1,950,965	33.64%
April 30, 2017	0.11265250%	\$ 405,193	\$ 2,034,795	19.91%
April 30, 2016	0.10647974%	\$ 383,063	\$ 1,955,306	19.59%

Schedule of Employer Contributions - (Unaudited)

Oklahoma Ordinance Works Fiscal Year Ending:	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency or (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
April 30, 2022	\$ 280,222	\$ 280,222	\$ -	\$ 1,698,313	16.50%
April 30, 2021	\$ 303,645	\$ 303,645	\$ -	\$ 1,840,269	16.50%
April 30, 2020	\$ 320,170	\$ 320,170	\$ -	\$ 1,940,422	16.50%
April 30, 2019	\$ 325,643	\$ 325,643	\$ -	\$ 1,973,596	16.50%
April 30, 2018	\$ 321,909	\$ 321,909	\$ -	\$ 1,950,965	16.50%
April 30, 2017	\$ 335,741	\$ 335,741	\$ -	\$ 2,034,795	16.50%
April 30, 2016	\$ 322,625	\$ 322,625	\$ -	\$ 1,955,306	16.50%

Notes to the Schedules:

Net Pension Liability

Net pension liability is the liability of the Oklahoma Public Employees' Retirement Plan. Under GASB Statement No. 68, the Authority is required to reflect a proportionate share of net pension liability within its financial statements.

Presentation of Pension Data

The amounts determined for each fiscal year of the Authority listed above were determined by the Oklahoma Public Employees Retirement Plan as of the Plan's most recent audited June 30 fiscal year-end, June 30, 2021.

The Authority is required to present the last ten fiscal years of data; however, until a full ten-year trend of data is compiled, GASB Statement No. 68 allows the presentation for those years for which information is available.

Changes in Benefit Terms

There were no changes of benefit terms for any participating employer in the Oklahoma Public Employees' Retirement Plan.

Changes in Assumptions

There were no changes in assumptions.

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

OKLAHOMA ORDINANCE WORKS AUTHORITY

(A Public Trust)

Supplemental Schedules - Oklahoma Public Employees' Retirement/OPEB - (Unaudited) For the Fiscal Years Ended April 30, 2022 and 2021

Schedule of Total OPEB (Asset) or Liability

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net other post-employment benefits ("OPEB") (asset)/liability balances at beginning of year:	\$ (54,139)	\$ (45,875)	\$ (15,026)
Total OPEB expense or (income offset)	(25,082)	(25,112)	(24,729)
Change in deferred outflows of resources	14,673	20,452	(4,062)
Changes in deferred inflows of resources	(100,490)	(3,604)	(2,058)
Net change in OPEB (asset)/liability	(110,899)	(8,264)	(30,849)
Total post-employment benefits ("OPEB") (asset)/liability, end of year	<u>\$ (165,038)</u>	<u>\$ (54,139)</u>	<u>\$ (45,875)</u>

Schedule of Changes in Total OPEB Liability and Related Ratios

Covered employee payroll	\$ 1,698,313	\$ 1,840,269	\$ 1,940,422
Total OPEB (asset)/liability as a percentage of covered employee payroll	-9.72%	-2.94%	-2.36%

Notes to the Schedules:

Covered employee payroll

OPEB liability is the liability of the Oklahoma Public Employees Retirement System. Under GASB Statement No. 75, the Authority is required to reflect a proportionate share of OPEB liability within its financial statements.

Presentation of OPEB Data

The amounts determined for each fiscal year were determined by the Oklahoma Public Employees Retirement System as of the retirement system's most recent audited financial statements for the fiscal year ended, June 30, 2021.

The Authority is required to present the last ten fiscal years of data; however, until a full ten-year trend of data is compiled, information for only those years for which it is available are shown.

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

OKLAHOMA ORDNANCE WORKS AUTHORITY

Supplemental Schedule of State Awards

For the Fiscal Year Ended April 30, 2022

<u>Grantor Agency/Program Title:</u>	<u>Revenues Recognized</u>	<u>Current Year Expenditures</u>
Oklahoma Center for the Advancement of Science and Technology: MAIP Intern Program - 2021	<u>\$ 32,000</u>	<u>\$ 32,000</u>
Total state awards	<u>\$ 32,000</u>	<u>\$ 32,000</u>

The accompanying notes are an integral part of these 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 of the
Oklahoma Ordnance Works Authority
Pryor Creek, 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 the business-type activities of OKLAHOMA ORDNANCE WORKS AUTHORITY ("the Authority"), a public trust created under the laws of the State of Oklahoma, as of and for the fiscal years ended April 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise OKLAHOMA ORDNANCE WORKS AUTHORITY's basic financial statements, and have issued our report thereon dated October 19, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the 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 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 Authority'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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the 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 non-compliance 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hood & Associates CPAs, P.C.

Hood and Associates Certified Public Accountants, P.C.
Tulsa, Oklahoma
October 19, 2022