

Financial statements and report of independent certified
public accountants

**Oklahoma City Industrial and Cultural Facilities
Trust**

June 30, 2012 and 2011

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Oklahoma City Industrial and Cultural Facilities Trust

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of Financial Statements and Financial Analysis

The Oklahoma City Industrial and Cultural Facilities Trust (the "Trust") presents its financial statements for fiscal year 2012, with comparative data presented for fiscal year 2011. The emphasis of discussions concerning these statements will be for the current year. There are three financial statements presented: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. This discussion and analysis of the Trust's financial statements provides an overview of its financial activities for the year.

Statements of Net Assets

The Statements of Net Assets present the Assets, Liabilities and Net Assets (assets minus liabilities) as of the end of the fiscal year. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the Trust.

From the data presented, readers of the Statements of Net Assets are able to determine the assets available to continue the operations of the Trust. They are also able to determine how much the Trust owes vendors and lenders. Finally, the Statements of Net Assets provide a picture of the net assets (assets minus liabilities) and their availability for expenditure by the Trust.

Total Assets of the Trust decreased by \$582,209. This decrease was primarily due to a decrease in the building project net of depreciation of \$236,798.

Total Liabilities for the year increased by \$2,936, due to the increase in accounts payable and accrued liabilities. The combination of the decrease in total assets and the increase in total liabilities nets to a decrease in net unrestricted assets of \$585,145.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets reports how the Trust's net assets changed during the fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. The change in net assets was a loss of \$585,145, a decrease of \$117,862. This change was attributable to a decrease in revenues of \$23,052, primarily from a decrease in administrative fees of \$12,742 and an increase in expenses of \$94,810, primarily from an increase in management fees of \$45,000, an increase in Journal Record Building expenses of \$24,146 and an increase in professional and trust fees of \$31,032.

Oklahoma City Industrial and Cultural Facilities Trust

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Statement of Cash Flows

The final statements presented by the Trust are the Statements of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Trust during the year. The statement is divided into four parts.

The first part deals with operating cash flows and shows the net cash provided and used by the operating activities of the Trust. The second section reflects cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The third section reflects the cash flows from financing activities and shows the proceeds received and payments made for financing activities. The fourth section reconciles the net cash used or provided to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets. The decrease in cash and cash equivalents of \$318,281 for fiscal 2012 is primarily the result of cash provided by investing activities of \$8,730 offset by cash used in operating activities of \$327,011.

Economic Outlook

During fiscal year 2008, the Trust began leasing activities on completed space in the Journal Record Building and will manage the operations of the building, which will consist primarily of housing a memorial museum and renting space to other parties.



Catherine O'Connor, General Manger



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Report of Independent Certified Public Accountants

Board of Trustees
Oklahoma City Industrial and Cultural Facilities Trust

We have audited the accompanying statements of net assets of Oklahoma City Industrial and Cultural Facilities Trust (the "Trust", an Oklahoma public trust) as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oklahoma City Industrial and Cultural Facilities Trust as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i and ii be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The Combining Statements of Trust Funds and Changes in Trust Funds Administered and the Statement of Bonds and Lease Payable – Trust Funds Administered as of June 30, 2012 on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary 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 audits of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Grant Thornton LLP

Oklahoma City, Oklahoma
December 13, 2012

Oklahoma City Industrial and Cultural Facilities Trust

STATEMENTS OF NET ASSETS

June 30,

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 615,941	\$ 934,222
Due from trust funds administered	13,980	13,980
Accounts receivable	9,136	27,536
Note receivable	3,011	11,741
Building project - at cost, net of depreciation of \$1,304,723 and \$1,067,925 at June 30, 2012 and 2011	<u>11,170,461</u>	<u>11,407,259</u>
Total assets	11,812,529	12,394,738
LIABILITIES AND NET ASSETS		
Accounts payables and accrued liabilities	74,687	71,751
Notes payable	<u>4,324,133</u>	<u>4,324,133</u>
Total liabilities	<u>4,398,820</u>	<u>4,395,884</u>
Net assets:		
Net assets, unrestricted	<u>\$ 7,413,709</u>	<u>\$ 7,998,854</u>

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

Oklahoma City Industrial and Cultural Facilities Trust

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30,

	2012	2011
Revenues:		
Interest income	\$ 450	\$ 896
Oil and gas revenue	6,722	7,260
Administrative fees	19,102	31,844
Rental income	171,562	174,738
Other	32	6,182
Total revenues	197,868	220,920
Expenses:		
Contributions	100	600
Professional and trust fees	61,393	30,361
Journal Record Building	386,528	362,382
Office rental	-	1,200
Utility expense	9,483	7,851
Office expense	9,559	11,497
Parking lot expense	34,152	37,514
Depreciation expense	236,798	236,798
Management fees	45,000	-
Total expenses	783,013	688,203
CHANGE IN NET ASSETS	(585,145)	(467,283)
Unrestricted net assets at beginning of year	7,998,854	8,466,137
Unrestricted net assets at end of year	\$ 7,413,709	\$ 7,998,854

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

Oklahoma City Industrial and Cultural Facilities Trust

STATEMENTS OF CASH FLOWS

Year ended June 30,

	<u>2012</u>	<u>2011</u>
(Decrease) increase in cash and cash equivalents		
Cash flows from operating activities:		
Interest received	\$ 450	\$ 896
Oil and gas revenue	6,722	7,260
Administrative fees and other	37,534	35,933
Rental income	171,562	174,738
Payments to vendors and suppliers	<u>(543,279)</u>	<u>(450,648)</u>
Net cash used in operating activities	(327,011)	(231,821)
Cash flows from investing activities:		
Receipts on note receivable	8,730	8,304
Cash flows from financing activities:		
Proceeds from note payable	<u>-</u>	<u>300,000</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(318,281)	76,483
Cash and cash equivalents at beginning of year	<u>934,222</u>	<u>857,739</u>
Cash and cash equivalents at end of year	<u>\$ 615,941</u>	<u>\$ 934,222</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ (585,145)	\$ (467,283)
Adjustments to reconcile excess of change in net assets to net cash used in operating activities:		
Depreciation expense	236,798	236,798
Decrease (increase) in accounts receivable	18,400	(2,093)
Increase in accounts payable and accrued liabilities	<u>2,936</u>	<u>757</u>
Net cash used in operating activities	<u>\$ (327,011)</u>	<u>\$ (231,821)</u>

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

Oklahoma City Industrial and Cultural Facilities Trust

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

The Oklahoma City Industrial and Cultural Facilities Trust (the "Trust") is an Oklahoma public trust and an agency of the State of Oklahoma. The Trust was created on December 15, 1962 to promote the development of industrial, manufacturing, medical, civic, cultural and educational activities of The City of Oklahoma City (the "City") and the State of Oklahoma. The Trust was created under the provisions of Title 60, Oklahoma Statutes and other applicable statutes and laws. The City is the beneficiary of the Trust and will receive all residual trust funds and assets upon termination of the Trust.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Operations

The Trust arranges bond and loan financing through trustee banks to industrial, manufacturing, medical, civic, cultural and educational enterprises located principally in Oklahoma City for the purpose of constructing, purchasing, expanding or otherwise improving the facilities required by such enterprises.

2. Basis of Accounting

The Trust accounts for its operation as an enterprise fund. Enterprise funds are accounted for on the flow of economic resources measure focus and use the accrual basis of accounting, similar to private business enterprises. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 20, the Trust applies all relevant GASB pronouncements as well as Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

3. Administrative Fees

The Trust receives administrative fees from certain projects. Such fees are based upon a percentage of the project's bonds outstanding (1/12th to 1/8th of 1%) or are fixed amounts as determined by the Trust indenture.

4. Income Taxes

The Trust is exempt from federal income taxes under section 115 of the Internal Revenue Code; accordingly, no provision has been made for income taxes.

5. Cash and Cash Equivalents

The Trust considers all highly liquid debt instruments purchased with a maturity of three months or less and money market mutual funds to be cash equivalents. Investments in the Goldman Sachs Financial Government Obligations Fund and The One Group U.S. Treasury Security Money Market Fund included in cash equivalents totaled \$601,987 and \$893,456 at June 30, 2012 and 2011, respectively.

Oklahoma City Industrial and Cultural Facilities Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

6. Accounts Receivable

Accounts receivable are recorded at the amount management expects to collect from outstanding balances. The Trust provides an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Based on this assessment, no allowance for doubtful accounts was required at June 30, 2012 or 2011.

7. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes; accordingly, actual results could differ from those estimates.

NOTE B - DUE FROM TRUST FUNDS ADMINISTERED

The Trust was due \$13,980 and \$13,980 at June 30, 2012 and 2011, respectively from trust funds administered for administrative fees earned.

NOTE C - JOURNAL RECORD BUILDING PROJECT

On March 17, 1998, the Trust entered into an agreement with the City to undertake the acquisition and improvement of the Journal Record Building, which was damaged in the bombing of the Alfred P. Murrah Federal Building on April 19, 1995. The Trust manages the operations of the building, which consists primarily of housing a memorial museum and renting space to other parties.

The required funding for this project was provided by the City through a United States Housing and Urban Development ("HUD") Community Development Block Grant. This funding was made in the form of a nonrecourse loan to the Trust and in the form of a grant, which does not require repayment. These funds are to be advanced as expenditures are incurred and appropriate draw requests are presented to the City.

Under the agreement, the Trust is entitled to receive funds only to the extent that funds are made available to the City by HUD. Under no circumstances is the City required to provide funding from other sources. Additionally, under the agreement, the Trust makes no representation that the aforementioned funding is sufficient to complete the project. In the event this funding is not sufficient to complete the project, the Trust may request additional funding from the City; however, the City is under no obligation to agree to such a request.

The proceeds from the grant and note are designated to provide for the ongoing operation, maintenance and leasing of the Journal Record Building and ancillary facilities. Subsequent to the original agreement, this note has been amended multiple times. At June 30, 2011, the grant amount was \$12,184,867 and the loan amount was \$4,324,133. During 2012, the note was amended increasing the total amount on the loan to \$4,924,133 and the total amount of the funds available to the project to \$17,109,000. The nonrecourse loan is in the form of a 20-year promissory note, which bears interest at 2% and is secured by a mortgage on the building and is repayable solely from cash flows from the project.

Oklahoma City Industrial and Cultural Facilities Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012 and 2011

NOTE C - JOURNAL RECORD BUILDING PROJECT - CONTINUED

In the event of default under this agreement, the primary remedies of the City are to terminate further advances and declare the note immediately due and commence collection/foreclosure proceedings. Furthermore, the City has agreed to look solely to the Trust's interest in the project as the source of security for payment and will not seek a deficiency or other monetary judgment against the Trust.

The Trust has entered into a lease agreement with the Oklahoma City National Memorial Institute for the Prevention of Terrorism for approximately 18% of the Journal Record Building. The lease term commenced on January 1, 2004, and expires December 31, 2013, with equal monthly installments of \$9,030 over a ten-year period.

The future minimum lease payments to be received are as follows:

Fiscal year ending June 30	<u>Amount</u>
2013	\$ 108,360
2014	<u>54,180</u>
	<u>\$ 162,540</u>

Major classes of property consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Building and improvements	\$ 10,425,184	\$ 10,425,184
Less accumulated depreciation	<u>1,304,723</u>	<u>1,067,925</u>
	9,120,461	9,357,259
Land	<u>2,050,000</u>	<u>2,050,000</u>
	<u>\$ 11,170,461</u>	<u>\$ 11,407,259</u>

Building and improvements are depreciated over the estimated useful life of 40 years.

NOTE D - NOTE RECEIVABLE

On October 15, 2002, the Trust completed the sale of approximately 6% of the Journal Record Building to the Oklahoma City National Memorial Trust for a purchase price of \$71,760. Under the purchase agreement, the Memorial Trust signed a promissory note in the amount of \$71,760, with an interest rate of 5% annually, payable to the Trust in equal monthly installments of \$761 over a ten-year period. At June 30, 2012 and 2011, the note receivable had an outstanding balance of \$3,011 and \$11,741, respectively. The future payments to be received are as follows at June 30, 2012:

Fiscal year ending June 30	<u>Amount</u>
2013	\$ <u>3,011</u>
	<u>\$ 3,011</u>

Oklahoma City Industrial and Cultural Facilities Trust

NOTE E - CONDUIT DEBT OBLIGATIONS

From time to time, the Trust has issued industrial revenue bonds and leasing obligations to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds and leasing obligations are secured by the property financed and are payable solely from payments received on underlying mortgage loans or leasing agreements. Upon repayment of the bonds and leasing obligations, ownership of the acquired facilities transfers to the private-sector entity. The Trust is not obligated in any manner for repayment of the bonds or leasing obligations; accordingly, the bonds and leasing obligations are not reported as liabilities in the accompanying financial statements.

As of June 30, 2012, there were 3 series of industrial revenue bonds and leasing obligations outstanding with an aggregate principal amount payable of \$42,695,000.

NOTE F - SUBSEQUENT EVENTS

The Trust has evaluated events or transactions that occurred subsequent to June 30, 2012 through December 13, 2012, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

Oklahoma City Industrial and Cultural Facilities Trust

COMBINING STATEMENTS OF TRUST FUNDS AND CHANGES IN TRUST FUNDS ADMINISTERED

June 30, 2012

	Total (memorandum only)	City-County Health Department	SSM Health Care	Air Cargo
Assets				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Project fund	-	-	-	-
Sinking fund	-	-	-	-
Interest fund	627,527	427	-	627,100
Reserve fund	82,000	82,000	-	-
Revenue fund	-	-	-	-
Accrued interest receivable	-	-	-	-
Unamortized bond issue costs	-	-	-	-
Total assets	709,527	82,427	-	627,100
Liabilities				
Accrued bond interest payable	156,745	545	-	156,200
Bonds payable	42,695,000	55,000	37,800,000	4,840,000
Total liabilities	42,851,745	55,545	37,800,000	4,996,200
NET OBLIGATIONS	\$ 42,142,218	\$ (26,882)	\$ 37,800,000	\$ 4,369,100
Increase in net obligations				
Interest expense	510,514	7,910	190,204	312,400
Amortization expense	-	-	-	-
Administrative and trustee fees	94,081	-	93,414	667
Unamortized bond issue costs	-	-	-	-
Distributions	604,595	7,910	283,618	313,067
Decrease in net obligations	705	38	-	667
Earnings on cash and temporary investments	1,949,691	3,684	1,633,618	312,389
Payments received from borrower	1,950,396	3,722	1,633,618	313,056
NET INCREASE (DECREASE) IN NET OBLIGATIONS	(1,345,801)	4,188	(1,350,000)	11
Net obligations at beginning of year	43,488,019	(31,070)	39,150,000	4,369,089
Net obligations at end of year	\$ 42,142,218	\$ (26,882)	\$ 37,800,000	\$ 4,369,100

Oklahoma City Industrial and Cultural Facilities Trust

STATEMENT OF BONDS AND LEASE PAYABLE - TRUST FUNDS ADMINISTERED

June 30, 2012

Indentures	Interest rate	Principal maturity date	Principal amount of bond issued	Bonds retired prior to July 1, 2011	Balance July 1, 2011	2012 Activity		Balance June 30, 2012
						Retired	Additions	
Air Cargo	5.75% to 6.75%	January 1, 2023	\$ 4,840,000	-	4,840,000	-	-	\$ 4,840,000
City-County Health Department	4.25% to 6%	April 1, 2000 - 2014	820,000	695,000	125,000	70,000	-	55,000
SSM Health Care - 1998 B	Variable	June 1, 1999 - 2019	73,495,000	34,345,000	39,150,000	1,350,000	-	37,800,000
			<u>\$ 79,155,000</u>	<u>\$ 35,040,000</u>	<u>\$ 44,115,000</u>	<u>\$ 1,420,000</u>	<u>\$ -</u>	<u>\$ 42,695,000</u>



Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters

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Board of Trustees
Oklahoma City Industrial and Cultural Facilities Trust

We have audited the basic financial statements of Oklahoma City Industrial and Cultural Facilities Trust (the "Trust") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Trust's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, the Oklahoma State Auditor and Inspector and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Oklahoma City, Oklahoma
December 13, 2012