

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Independent Auditor's Reports and Financial Statements
June 30, 2016 and 2015



Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
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Independent Auditor's Report

Board of Trustees
Oklahoma City Industrial and Cultural Facilities Trust
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Oklahoma City Industrial and Cultural Facilities Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma, which are comprised of the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the basic financial statements.

Management's Responsibility 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.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2016, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
November 11, 2016

Oklahoma City Industrial and Cultural Facilities Trust

A Component Unit of the City of Oklahoma City, Oklahoma

Management's Discussion and Analysis

Years Ended June 30, 2016 and 2015

Introduction

This management's discussion and analysis of the financial performance of Oklahoma City Industrial and Cultural Facilities Trust (the Trust), a discretely presented component unit of the City of Oklahoma City, Oklahoma (the City), provides an overview of the Trust's financial activities for the years ended June 30, 2016 and 2015. It should be read in conjunction with the accompanying financial statements of the Trust.

Financial Highlights

- Cash and cash equivalents increased by \$72,567 and decreased by \$15,427 in 2016 and 2015, respectively.
- The City provided \$400,000 in 2015 to help fund the operations of the Journal Record Building. The Trust will return the unused portion of \$122,882 to the City in 2016.
- The Trust finalized the sale of the Journal Record Building for approximately \$4.39 million.
- The Trust's net position increased by \$38,248 in 2016 and by \$1,656,614 in 2015.

Using This Annual Report

The Trust's financial statements consist of three statements—a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Trust. The Trust accounts for its operations as an enterprise fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, similar to private business enterprises.

Statements of Net Position

The statements of net position present the assets, deferred outflows, liabilities, deferred inflows and net position. The purpose of the statements of net position 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 position 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.

Total assets of the Trust decreased by \$57,406 in 2016 and \$219,681 in 2015. In 2016, capital assets decreased by \$4.39 million and the note receivable increased by \$4.25 million due to the sale of the Journal Record Building on July 9, 2015. The changes to capital assets and the note receivable were offset by an increase in current assets. The decrease in 2015 was a result of an additional impairment loss recorded in connection with the sale.

Capital assets decreased by \$4.39 million in 2016 and \$210,966 in 2015. The 2016 decrease was the direct result of the sale of the Journal Record Building, and the decrease in 2015 was due to impairment losses on the building. Debt related to the building decreased in 2015 by \$1,168,962 and was unchanged in 2016. The 2015 decrease was the result of debt forgiveness by the City.

Total liabilities decreased in 2016 by \$94,653 and increased by \$1,876,295 in 2015. Accounts payable was reduced by \$56,757, and the amount due to the City decreased by \$37,897 in 2016. In 2015, the decrease was a result of the City's forgiveness of \$879,500 in accrued interest and a portion of the notes payable related to the Journal Record Building of \$1,168,962.

Table 1: Condensed Statements of Net Position

	2016	2015	Change	% Change	2014	Change	% Change
Current assets	\$ 1,072,674	\$ 996,217	\$ 76,457	8%	\$ 1,004,932	\$ (8,715)	-1%
Note receivable	4,255,171	-	4,255,171	100%	-	-	0%
Capital assets	953,266	5,342,300	(4,389,034)	100%	5,553,266	(210,966)	-4%
Total assets	6,281,111	6,338,517	(57,406)	-1%	6,558,198	(219,681)	-3%
Note payable	4,255,171	4,255,171	-	0%	5,424,133	(1,168,962)	-22%
Accrued interest	-	-	-	0%	879,500	(879,500)	-100%
Current liabilities	126,572	221,225	(94,653)	-43%	49,058	172,167	351%
Total liabilities	4,381,743	4,476,396	(94,653)	-2%	6,352,691	(1,876,295)	-30%
Net investment in capital assets	953,266	1,087,129	(133,863)	-12%	1,229,133	(142,004)	-12%
Unrestricted (deficit)	946,102	774,992	171,110	22%	(1,023,626)	1,798,618	-176%
Net position	\$ 1,899,368	\$ 1,862,121	\$ 37,247	2%	\$ 205,507	\$ 1,656,614	806%

Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position report how the Trust's net position changed during the fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. For the years ended June 30, 2016 and 2015, the change in net position was a gain of \$37,247 and \$1,656,614, respectively. The 2015 gain was primarily driven by the debt forgiveness by the City offset by an additional impairment loss.

Table 2: Condensed Statements of Revenues, Expenses and Changes in Net Position

	2016	2015	Change	% Change	2014	Change	% Change
Rental income	\$ 61,813	\$ 65,272	\$ (3,459)	-5%	\$ 132,766	\$ (67,494)	-51%
Other	16,388	18,231	(1,843)	-10%	21,734	(3,503)	-16%
Total revenues	78,201	83,503	(5,302)	-6%	154,500	(70,997)	-46%
Professional and trust fees	40,333	77,011	(36,678)	-48%	81,444	(4,433)	-5%
Journal Record Building	18,471	362,155	(343,684)	-95%	360,545	1,610	0%
Parking lot expense	6,565	33,796	(27,231)	-81%	34,527	(731)	-2%
Depreciation expense	-	-	-	0%	236,798	(236,798)	-100%
Management fees	26,251	25,000	1,251	5%	50,000	(25,000)	-50%
Administrative and general expense	8,016	5,644	2,372	42%	19,130	(13,486)	-70%
Total office expenses	99,636	503,606	(403,970)	-80%	782,444	(278,838)	-36%
Nonoperating income (expenses)	58,682	2,076,717	(2,018,035)	-97%	(5,248,799)	7,325,516	-140%
Change in net position	\$ 37,247	\$ 1,656,614	\$ (1,619,367)	-98%	\$ (5,876,743)	\$ 7,533,357	-128%

Economic Factors

The Trust owns and leases the parking lot adjacent to the Journal Record Building. The Trust sold the commercial unit and initiated a lease for the parking lot (with an option to purchase) on July 9, 2015. The sale resulted in an impairment loss to the Trust, which was recorded in the accompanying 2015 financial statements. The Trust financed the sale of the building. Future principal payments on the note will be used to reduce the debt owed to the City. Interest received on the note will capitalize a revolving loan fund for use in future economic development projects.

Contacting the Trust's Management

This financial report is designed to provide a general overview of the Trust's finances, comply with finance-related laws and regulations and demonstrate commitment to public accountability. If you have any questions about this report or would like to request additional information, please contact the Trust's general manager at 105 N. Hudson, Suite 101, Oklahoma City, Oklahoma 73102.

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Statements of Net Position
June 30, 2016 and 2015

Assets

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 1,033,059	\$ 960,492
Due from trust funds administered	15,000	-
Accounts receivable	3,830	14,167
Interest receivable	20,785	-
Prepaid and other	-	21,558
	1,072,674	996,217
Total current assets	1,072,674	996,217
Note Receivable	4,255,171	-
	953,266	5,342,300
Capital Assets	953,266	5,342,300
	6,281,111	6,338,517
Total assets	6,281,111	6,338,517

Liabilities and Net Position

Current Liabilities		
Accounts payable and accrued liabilities	3,690	60,446
Due to the City	122,882	160,779
	126,572	221,225
Total current liabilities	126,572	221,225
Note Payable	4,255,171	4,255,171
	4,381,743	4,476,396
Total liabilities	4,381,743	4,476,396
Net Position		
Net investment in capital assets	953,266	1,087,129
Unrestricted	946,102	774,992
	\$ 1,899,368	\$ 1,862,121
Total net position	\$ 1,899,368	\$ 1,862,121

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Rental income	\$ 61,813	\$ 65,272
Administrative fees	16,000	16,000
Oil and gas revenue	-	2,183
Interest income	388	48
	78,201	83,503
Operating Expenses		
Expenses related to the operation of the Journal Record Building	18,471	362,155
Professional and trust fees	40,333	77,011
Management fees to the Alliance for Economic Development of Oklahoma City	26,251	25,000
Parking lot expense	6,565	33,796
Office expense	8,016	5,644
	99,636	503,606
	(21,435)	(420,103)
Nonoperating Income (Expenses)		
Interest income on notes receivable	20,785	-
Contribution from the City	37,897	239,221
Gain on forgiveness of debt	-	2,048,462
Impairment loss on the Journal Record Building	-	(210,966)
	58,682	2,076,717
Change in Net Position	37,247	1,656,614
Net Position, Beginning of Year	1,862,121	205,507
Net Position, End of Year	\$ 1,899,368	\$ 1,862,121

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Rental income	\$ 61,813	\$ 65,272
Oil and gas revenue	-	2,183
Administrative fees and others	11,337	29,098
Interest received	388	48
Payments to vendors and suppliers	(134,834)	(512,028)
Net cash used in operating activities	(61,296)	(415,427)
Noncapital Financing Activities		
Contribution from the City	-	400,000
Net cash provided by noncapital financing activities	-	400,000
Capital and Related Financing Activities		
Proceeds from the sale of capital assets	133,863	-
Net cash provided by capital and related financing activities	133,863	-
Net Increase (Decrease) in Cash and Cash Equivalents	72,567	(15,427)
Cash and Cash Equivalents, Beginning of Year	960,492	975,919
Cash and Cash Equivalents, End of Year	\$ 1,033,059	\$ 960,492
Reconciliation of Change in Operating Loss to Net Cash Used in (Provided by) Operating Activities		
Operating loss used in operating activities	\$ (21,435)	\$ (420,103)
Increase (decrease) in accounts receivable	(4,663)	13,098
Increase (decrease) in prepaid and other	21,558	(19,810)
Increase (decrease) in accounts payable and accrued liabilities	(56,756)	11,388
Net cash used in operating activities	\$ (61,296)	\$ (415,427)
Supplemental Cash Flows Information		
Capital assets sold in exchange for note receivable	\$ 4,255,171	\$ -

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant 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, Oklahoma (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.

Operations

The Trust arranges bond and loan financing through trustee banks to industrial, manufacturing, medical, civic, cultural and educational enterprises located principally in the City for the purpose of constructing, purchasing, expanding or otherwise improving the facilities required by such enterprises. In March 1998, the Trust acquired the Journal Record Building, which was damaged in the Alfred P. Murrah Federal Building bombing on April 19, 1995, to rehabilitate and restore the building. The building was sold in July 2015. The Trust maintains ownership of the adjacent parking lot which is currently leased to the new owner.

Basis of Accounting

The Trust accounts for its operations as an enterprise fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, similar to private business enterprises. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from nonexchange transactions are recognized when all applicable eligibility requirements are met. The Trust first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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 those estimates.

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.

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2016 and 2015

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, 2016 or 2015.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation, if any, is computed using a straight-line method over the estimated useful life of the asset. At June 30, 2016 and 2015, capital assets consisted of assets held for sale or land and were not being depreciated.

Long-Lived Asset Impairment

The Trust accounts for the impairment of capital assets using the guidance provided in Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Statement No. 42 is a two-step process of identifying potential impairments and testing for impairment. Asset impairment, as defined by Statement No. 42, is a significant, unexpected decline in the service utility of a capital asset. Governments generally hold capital assets because of the services the capital assets provide; consequently, capital asset impairments affect the service utility of the assets. Governments may also acquire assets to redevelop economically depressed areas and are often willing to sell those properties at a price below the carrying value of the assets, which includes both acquisition and improvement costs. The Journal Record Building is a property acquired by the Trust in part because of its historical significance and in part as a plan to redevelop the area in which the building was located. The Journal Record Building was improved and operated by the Trust as rental property for several years. In fiscal year 2014, the Trust made the decision to sell the Journal Record Building. As a result of this decision, the Trust reclassified this capital asset as an asset held for sale and recorded an impairment loss of \$210,966 in the year ended June 30, 2015. The building was sold on July 9, 2015 (see *Notes 4 and 6* for details).

Net Position

The net position of a governmental entity is classified in four components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Trust, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Trust, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Oklahoma City Industrial and Cultural Facilities Trust
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Notes to Financial Statements
June 30, 2016 and 2015

There was no restricted net position at June 30, 2016 and 2015.

Administrative Fees

The Trust receives administrative fees from certain projects. Such fees are based on 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.

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.

Note 2: Deposits and Investments

Custodial risk is the risk that, in the event of the failure of a counterparty, the Trust will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Trust or are held by a counterparty or the counterparty's trust department, but not in the name of the Trust.

The policy of the Trust is to require all deposits be maintained in accounts which are fully insured or collateralized. As of June 30, 2016 and 2015, the Trust had no uninsured or uncollateralized deposits. The Trust requires investment collateral be held by a third-party custodian with whom the Trust has a current custodial agreement in the Trust's name.

Investments in the Goldman Sachs Financial Government Obligations Fund, included in cash equivalents, totaled \$898,894 and \$916,012 at June 30, 2016 and 2015, respectively. The investment has ratings of AAAM and Aaa-mf by Standard & Poor's Ratings Group and Moody's Investors Service, Inc., respectively, and a weighted-average duration of 34 days.

Note 3: Due from Trust Funds Administered

The Trust was due \$15,000 and \$0 at June 30, 2016 and 2015, respectively, from trust funds administered for administrative fees earned.

Note 4: Capital Assets and Related Note Payable

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 managed the operations of the building, which consisted primarily of housing a memorial museum and renting space to other parties, from that time until the sale of the building on July 9, 2015.

Oklahoma City Industrial and Cultural Facilities Trust
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The required funding for this project was provided by the City through a United States Department of 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.

The proceeds from the loan were designated to provide for improvement to and ongoing operation, maintenance and leasing of the Journal Record Building and ancillary facilities. Subsequent to the original agreement, this loan has been amended multiple times. During fiscal year 2016, the loan was not amended as negotiations to sell the Journal Record Building were underway. Instead, the Trust received a cash inflow of \$400,000 from the City to continue operations during the sale negotiations. As a result of the pending sale of the Journal Record Building, the Trust recognized an impairment loss of \$210,966 in 2015.

A new amendment was signed July 9, 2015, the day of the sale. As a result of the settlement terms agreed to prior to June 30, 2015, the note payable was written down to the amount of principal required to be paid to the City, which resulted in a gain on forgiveness of debt of \$2,048,462 being recognized in 2015. At June 30, 2015, the loan amount was \$4,255,171.

The Trust signed a purchase agreement on March 5, 2014, to sell the Journal Record Building. The buyer had a 120-day contingency/review period, which ended August 5, 2014, with a 30-day extension option, which they exercised on August 5, 2014, extending the contingency/review period to September 4, 2014. A second extension was agreed upon on September 4, 2014, moving the end of the review period to October 6, 2014. The closing date was to be no later than 30 days after the expiration of the contingency/review period or such other time as may be mutually agreed to in writing by the parties. On June 22, 2015, a second amendment was signed to set the closing date of the sale to no later than July 8, 2015.

During July 2015, the Trust sold the Journal Record Building for approximately \$4,400,000 through multiple transactions. In addition, the loan agreement between the Trust and the City was amended to forgive the debt over and above the sales price in addition to any unpaid and accrued interest. The loan has a balance of approximately \$4,255,000 and is interest free, maturing in 2045. As part of the sale, the Trust established a note receivable of approximately \$4,255,000 from the buyer, which bears interest at rates established in the note agreement and matures in 2045. Future principal payments from the note receivable will be used to pay the principal due to the note payable due to the City. Interest earned from the note receivable will remain with the Trust and is required to be used for future economic development.

Capital assets consisted of the following at June 30:

	2016	2015
Nondepreciable capital assets		
Held for sale	\$ -	\$ 4,600,000
Land	953,266	953,266
Total nondepreciable capital assets	\$ 953,266	\$ 5,553,266

Oklahoma City Industrial and Cultural Facilities Trust
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Future principal payments on the note payable and future receipts on note receivable consist of the following at June 30:

Year Ending June 30,	Long-Term Debt Principal	Note Receivable		Total
		Principal	Interest *	
2016-2020	\$ -	\$ -	\$ 106,000	\$ 106,000
2021-2025	851,000	851,000	94,000	945,000
2026-2030	851,000	851,000	253,000	1,104,000
2031-2035	851,000	851,000	179,000	1,030,000
2036-2040	851,000	851,000	104,000	955,000
2041-2045	851,171	851,171	30,000	881,171
	<u>\$ 4,255,171</u>	<u>\$ 4,255,171</u>	<u>\$ 766,000</u>	<u>\$ 5,021,171</u>

* Rate of interest on note receivable interest is set at 0.5% for years 1-10. Beginning in year 11, the rate of interest will be recalculated yearly to equal 50% of the prime rate published in the Wall Street Journal July 9th of each year through the maturity of the loan.

Note 5: 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, 2016 and 2015, there were three series of industrial revenue bonds and leasing obligations outstanding with an aggregate principal amount payable of approximately \$21,720,000 and \$33,667,000, respectively.

Note 6: Leases

As part of the purchase agreement described in *Note 4*, the buyer of the Journal Record Building agreed to lease the Journal Record Building parking lot at \$60,563 per year for a lease term of 99 years commencing on the possession date. The buyer has the option to purchase the parking lot at the appraised value of \$1,275,000 for the first 10 years and at amounts specified in the ground lease agreement after that. The buyer will be allowed to construct a multi-story parking garage on the parking lot and make other improvements, such as retail, office and/or residential space.

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

Board of Trustees
Oklahoma City Industrial and Cultural Facilities Trust
Oklahoma City, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Oklahoma City Industrial and Cultural Facilities Trust (the Trust), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated November 11, 2016.

Internal Control over Financial Reporting

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Trust's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 Trust'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Board of Trustees
Oklahoma City Industrial and Cultural Facilities Trust

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
November 11, 2016

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2016

Reference Number	Finding
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No matters are reportable.