

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, 2015 and 2014



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 comprise the statements of net position as of June 30, 2015 and 2014, 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, 2015 and 2014, 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 October 22, 2015, 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
October 22, 2015

Oklahoma City Industrial and Cultural Facilities Trust

A Component Unit of the City of Oklahoma City, Oklahoma

Management's Discussion and Analysis

June 30, 2015 and 2014

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, 2015 and 2014. It should be read in conjunction with the accompanying financial statements of the Trust.

Financial Highlights

- Cash and cash equivalents decreased in 2015 by \$15,427 and increased in 2014 by \$99,909.
- The Trust was advanced \$500,000 on its note payable in 2014.
- 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 \$160,779 to the City in 2016.
- The Trust's net position increased in 2015 by \$1,656,614 and decreased in 2014 by \$5,876,743.

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 \$219,681 in 2015 and \$5,266,722 in 2014. The decrease in 2015 was a result of an additional impairment loss recorded in connection with the July 9, 2015, sale of the Journal Record Building. The 2014 decrease was primarily a result of an impairment loss of \$5,143,599, recorded to reflect the Journal Record Building's net realizable value, or estimated selling price, on the statements of net position.

Capital assets decreased by \$210,966 in 2015 and \$5,380,397 in 2014. Both decreases were due to impairment losses on the Journal Record Building. Debt related to the building increased in 2014 by \$500,000 and decreased in 2015 by \$1,168,962. In 2014, the City advanced \$500,000 to fund building operations. The 2015 decrease was the result of debt forgiveness by the City.

Total liabilities decreased in 2015 by \$1,876,295 and increased in 2014 by \$610,021, respectively. In 2015, the decrease was a result of the City's forgiveness of \$879,500 in accrued interest and a portion of the note payable relating to the Journal Record Building of \$1,168,962. The 2014 increase was primarily the result of the advance of \$500,000 on the note payable used to fund expenses associated with the operation of the Journal Record Building.

Table 1: Condensed Statements of Net Position

	2015	2014	Change	% Change	2013	Change	% Change
Current and other assets	\$ 996,217	\$ 1,004,932	\$ (8,715)	-1%	\$ 891,257	\$ 113,675	13%
Capital assets	5,342,300	5,553,266	(210,966)	-4%	10,933,663	(5,380,397)	-49%
Total assets	6,338,517	6,558,198	(219,681)	-3%	11,824,920	(5,266,722)	-45%
Note payable	4,255,171	5,424,133	(1,168,962)	-22%	4,924,133	500,000	10%
Accrued interest	-	879,500	(879,500)	-100%	774,300	105,200	14%
Other liabilities	221,225	49,058	172,167	351%	44,237	4,821	11%
Total liabilities	\$ 4,476,396	\$ 6,352,691	\$ (1,876,295)	-30%	\$ 5,742,670	\$ 610,021	11%
Net investment in capital assets	\$ 1,087,129	\$ 1,229,133	\$ (142,004)	-12%	\$ 6,609,530	\$ (5,380,397)	-81%
Unrestricted (deficit)	774,992	(1,023,626)	1,798,618	-176%	(527,280)	(496,346)	94%
Net position	\$ 1,862,121	\$ 205,507	\$ 1,656,614	806%	\$ 6,082,250	\$ (5,876,743)	-97%

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, 2015 and 2014, the change in net position was a gain of \$1,656,614 and a loss of \$5,876,743, 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

	2015	2014	Change	% Change	2013	Change	% Change
Rental income	\$ 65,272	\$ 132,766	\$ (67,494)	-51%	\$ 173,379	\$ (40,613)	-23%
Other	18,231	21,734	(3,503)	-16%	11,010	10,724	97%
Total revenues	83,503	154,500	(70,997)	-46%	184,389	(29,889)	-16%
Professional and trust fees	77,011	81,444	(4,433)	-5%	45,960	35,484	77%
Journal Record Building	362,155	360,545	1,610	0%	379,735	(19,190)	-5%
Parking lot expense	33,796	34,527	(731)	-2%	35,374	(847)	-2%
Depreciation expense	-	236,798	(236,798)	-100%	236,798	-	0%
Management fees	25,000	50,000	(25,000)	-50%	25,000	25,000	100%
Administrative and general expense	5,644	19,130	(13,486)	-70%	18,681	449	2%
Total operating expenses	503,606	782,444	(278,838)	-36%	741,548	40,896	6%
Nonoperating income (expense)	2,076,717	(5,248,799)	7,325,516	-140%	(95,483)	(5,153,316)	5397%
Change in net position	\$ 1,656,614	\$ (5,876,743)	\$ 7,533,357	-128%	\$ (652,642)	\$ (5,224,101)	800%

Economic Factors

The Trust owns and operates the Journal Record Building's commercial unit and adjacent parking lot. A Request for Proposals to purchase and redevelop the properties was issued in December 2012. A Purchase and Development Agreement was signed in March 2013 and the Trust sold the commercial unit and leased 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 and 2014 financial statements.

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, 2015 and 2014

Assets

	2015	2014
Current Assets		
Cash and cash equivalents	\$ 960,492	\$ 975,919
Due from trust funds administered	-	15,000
Accounts receivable	14,167	12,265
Prepaid and other	21,558	1,748
	996,217	1,004,932
Capital Assets		
	5,342,300	5,553,266
Total assets	6,338,517	6,558,198

Liabilities and Net Position

Current Liabilities		
Current portion of note payable	-	769,000
Accounts payable and accrued liabilities	60,446	49,058
Due to the City of Oklahoma City	160,779	-
Accrued interest	-	879,500
	221,225	1,697,558
Note Payable		
	4,255,171	4,655,133
Total liabilities	4,476,396	6,352,691
Net Position		
Net investment in capital assets	1,087,129	1,229,133
Unrestricted (deficit)	774,992	(1,023,626)
Total net position	\$ 1,862,121	\$ 205,507

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, 2015 and 2014

	2015	2014
Operating Revenues		
Rental income	\$ 65,272	\$ 132,766
Administrative fees	16,000	16,000
Oil and gas revenue	2,183	5,684
Interest income	48	50
	83,503	154,500
Operating Expenses		
Expenses related to the operation of the Journal Record Building	362,155	360,545
Professional and trust fees	77,011	81,444
Management fees to the Alliance for Economic Development of Oklahoma City	25,000	50,000
Parking lot expense	33,796	34,527
Office expense	5,644	11,069
Utility expense	-	8,061
Depreciation expense	-	236,798
	503,606	782,444
Operating Loss	(420,103)	(627,944)
Nonoperating Income (Expenses)		
Contribution from the City of Oklahoma City	239,221	-
Interest expense	-	(105,200)
Gain on forgiveness of debt	2,048,462	-
Impairment loss on the Journal Record Building	(210,966)	(5,143,599)
	2,076,717	(5,248,799)
Change in Net Position	1,656,614	(5,876,743)
Net Position, Beginning of Year	205,507	6,082,250
Net Position, End of Year	\$ 1,862,121	\$ 205,507

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, 2015 and 2014

	2015	2014
Operating Activities		
Rental income	\$ 65,272	\$ 132,766
Oil and gas revenue	2,183	5,684
Administrative fees and others	29,098	3,735
Interest received	48	50
Payments to vendors and suppliers	(512,028)	(542,326)
Net cash used in operating activities	(415,427)	(400,091)
Noncapital Financing Activities		
Proceeds from note payable	-	500,000
Contribution from the City of Oklahoma City	400,000	-
Net Increase (Decrease) in Cash and Cash Equivalents	(15,427)	99,909
Cash and Cash Equivalents, Beginning of Year	975,919	876,010
Cash and Cash Equivalents, End of Year	\$ 960,492	\$ 975,919
Reconciliation of Change in Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (420,103)	\$ (627,944)
Adjustments to reconcile excess of change in net assets to net cash used in operating activities		
Depreciation expense	-	236,798
(Increase) decrease in accounts receivable	13,098	(12,265)
Decrease in prepaid and other	(19,810)	(1,501)
Increase in accounts payable and accrued liabilities	11,388	4,821
Net cash used in operating activities	\$ (415,427)	\$ (400,091)

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2015 and 2014

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 Oklahoma 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.

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 government-mandated nonexchange transactions (principally, federal and state grants and county appropriations) 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, 2015 and 2014

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, 2015 or 2014.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair 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, 2015 and 2014, 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 has reclassified this capital asset as an asset held for sale and recorded an impairment loss of \$5,143,599 in the year ended June 30, 2014, and an additional impairment loss of \$210,966 for the year ended June 30, 2015. The building was sold on July 9, 2015 (see *Notes 4 and 6* for details).

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2015 and 2014

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.

There were no restricted net positions at June 30, 2015 and 2014.

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 to be maintained in accounts which are fully insured or collateralized. As of June 30, 2015 and 2014, the Trust had no uninsured or uncollateralized deposits. The Trust requires that 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 \$916,012 and \$946,568 at June 30, 2015 and 2014, 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 51 days.

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2015 and 2014

Note 3: Due from Trust Funds Administered

The Trust was due \$0 and \$15,000 at June 30, 2015 and 2014, 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 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 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. At June 30, 2014, the loan amount was \$5,424,133. Of this amount, \$4,324,133 was attributed to the acquisition and improvements to the building. 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. During fiscal year 2015, 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 of Oklahoma City to continue operations during the sales negotiations. All principal and interest amounts owed under the agreement and its amendments were deferred until after December 31, 2014. 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. See *Note 6* for more detail.

In the event of default under this loan agreement, the primary remedies of the City are to terminate further advances and declare the loan 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.

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2015 and 2014

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 shall be no later than 30 days after the expiration of the contingency/review period or such other time as may be mutually agreed 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 (See *Note 6*).

As part of the purchase agreement, the buyer 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.

As a result of the pending sale of the Journal Record Building, the Trust recognized an impairment loss of \$5,143,599 in 2014 as a result of adjusting the value of the building to the expected net realizable value of \$4,600,000, which was the non-contingent portion of the purchase price per the purchase agreement between the Trust and the buyer in 2014. The adjustment consisted of the write off of \$6,921,918 of the cost of the building and \$1,778,319 of the accompanying accumulated depreciation as the Journal Record Building will be considered an asset held for sale as of June 30, 2014, and will no longer be a depreciable asset. The second amendment also adjusted the selling price of the building to account for the sale of part of the basement to the Oklahoma City National Memorial Foundation. This sale resulted in an additional loss impairment of \$210,966 in 2015.

Capital assets consist of the following at June 30:

	2015	2014
Nondepreciable capital assets		
Held for sale	\$ 4,389,034	\$ 4,600,000
Land	953,266	953,266
Total nondepreciable capital assets	\$ 5,342,300	\$ 5,553,266

Oklahoma City Industrial and Cultural Facilities Trust
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Notes to Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014, there were three series of industrial revenue bonds and leasing obligations outstanding with an aggregate principal amount payable of approximately \$33,667,398 and \$36,803,155, respectively.

Note 6: Subsequent Event

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 an approximate balance of \$4,300,000 and is interest free, maturing in 2045. As part of the sale, the Trust established a note receivable of approximately \$4,300,000 from one of the buyers, which bears interest at rates established in the note agreement and matures in 2045. Interest earned from the note receivable is required to be used for future economic development.

**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, 2015, 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 October 22, 2015.

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
October 22, 2015

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, 2015

Reference Number	Finding
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No matters are reportable.