Financial Statements and Report of Independent Certified Public Accountants

Oklahoma Industries Authority, Oklahoma County

June 30, 2017 and 2016

Contents

Oklahoma Industries Authority, Oklahoma County

Management's Discussion and Analysis

Overview of Financial Statements and Financial Analysis

Oklahoma Industries Authority presents its financial statements for fiscal year 2017, with comparative data presented for fiscal year 2016. The emphasis of discussions concerning these statements will be for the current year. There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expense and Changes in Net Position and the Statements of Cash Flows. This discussion and analysis of the Authority's financial statements provides an overview of its financial activities for the year.

Statements of Net Position

The Statements of Net Position presents the Assets, Liabilities, and Net Position as of the end of the fiscal year. The purpose of the Statements of Net Position is to present to the readers of the financial statements a fiscal snapshot of the Oklahoma Industries Authority.

From the data presented, readers of the Statements of Net Position are able to determine the assets available to continue the operations of the Authority as well as determine how much the Authority owes vendors. Finally, the Statements of Net Position provides a picture of the net position and their availability for expenditure by the Authority.

Total Assets of the Authority decreased by $1,231,726. This decrease was primarily due to a decrease in total investments of $1,364,014, offset by an increase in cash of $679,330, a $66,006 increase in notes and accounts receivable and an increase in accumulated depreciation of $617,953.

Total Liabilities for the year decreased by $1,852,186. The most significant cause for the decrease was a decrease in the Maintenance, Repair and Overhaul Technology Center (MROTC) loan payable of $1,725,757. Other changes included a $72,412 decrease in accounts payable and a decrease in deferred revenue of $54,017. The combination of the decrease in total assets and the decrease in total liabilities nets to an increase in total net position of $620,460.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues and Expenses reports the Authority's change in net position during the fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. The change in net position decreased $1,315,137. This decrease was primarily due to a $938,920 decrease in other non-operating revenues, net of other non-operating expenses. Operating revenues and expenses both decreased slightly. Grant revenue decreased by $216,666, while changes to expenses included a $205,693 increase in professional services offset by a decrease in grant expenses of $276,973 and interest expense of $100,904.

Oklahoma Industries Authority, Oklahoma County

Statement of Cash Flows

The final statement presented by the Authority is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Authority during the year. The statement is divided into five parts.

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The first part deals with operating cash flows and shows the net cash used and provided by the operating activities of the Authority. The second and third sections reflect the cash flows from financing activities and shows the proceeds received and payments made for financing activities. The fourth section reflects cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used and provided by operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position. Operating cash flows decreased by $36,961 due primarily to an increase in expenses in fiscal 2017. Financing cash flows decreased by $1,087,513 primarily due to the decrease in the proceeds from sale of trackage. Noncapital financing cash flows decreased due to an increase in distributions to other governments. Investing cash flows decreased by $83,682 due primarily to an increase in proceeds from sales of investments and a decrease in related investment earnings, offset by changes to appropriated cash.

Economic Outlook

The Authority derives the majority of its operating revenues from MROTC revenue, grant revenue and lease rentals. MROTC revenue remains unchanged year-to-year and grant revenue will continue to fluctuate based on grant supported project activity. While investment balances decreased during fiscal year 2017, corresponding income increased due to rising interest rates. Investment balances are projected to increase over the next few years as maturities are reinvested and rates continue to rise. Other revenue trends are expected to continue in future years.

Catherine O’Connor, General Manger

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Trustees
Oklahoma Industries Authority, Oklahoma County

Report on the financial statements

We have audited the accompanying financial statements of Oklahoma Industries Authority, Oklahoma County (the "Authority", an Oklahoma Public Trust) which comprise the statements of net position as of June 30, 2017 and 2016 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 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 opinions 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 audits 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 Authority'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 Authority'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma Industries Authority, Oklahoma County as of June 30, 2017 and 2016, 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 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. 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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Statements of Trust Funds and Changes in Trust Funds Administered and the Schedule of Bonds Payable – Trust Funds Administered on pages 16 through 18 are presented for purposes of additional analysis and are 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 audit 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. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 19, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Grant Thornton LLP

Oklahoma City, Oklahoma
December 19, 2017

Oklahoma Industries Authority, Oklahoma County

STATEMENTS OF NET POSITION

June 30,

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	$ 4,844,071	$ 4,882,232
Investments	-	605,730
Accrued interest receivable	2,387	920
Prepaid insurance	6,072	1,980
Due from other trusts	-	1,020
Accounts receivable	3,609	1
Total current assets	4,856,139	5,491,883
Appropriated assets:		
Cash and cash equivalents	764,430	46,939
Accrued interest receivable	375	9
Investments	284,147	1,042,431
	1,048,952	1,089,379
Noncurrent assets:		
Notes receivable	62,398	-
	62,398	-
Property, plant and equipment – at cost:		
Industrial property	2,835,486	2,835,486
Industrial equipment	57,936	57,936
Office equipment	41,961	41,961
Building MROTC	28,482,739	28,482,739
Land – MROTC	697,000	697,000
Land – Boeing	1,362,845	1,362,845
Land	401,263	401,263
	33,879,230	33,879,230
Less accumulated depreciation	6,888,275	6,270,322
	26,990,955	27,608,908
Total assets	32,958,444	34,190,170
LIABILITIES AND NET POSTITION		
Current liabilities:		
Account payable and accrued liabilities	27,354	99,766
Current portion of MROTC loan payable	1,832,927	1,725,738
Current portion of deferred revenues	54,017	54,017
Total current liabilities	1,914,298	1,879,521
Non-current liabilities:		
Deferred revenue	2,161,927	2,215,944
MROTC loan payable	12,099,625	13,932,571
Total liabilities	16,175,850	18,028,036
Net position:		
Net investment in capital assets	13,058,404	11,950,599
Unrestricted:		
Appropriated	1,048,952	1,089,379
Unappropriated	2,675,238	3,122,156
Total net position	$ 16,782,594	$ 16,162,134

The accompanying notes are an integral part of these statements.

Oklahoma Industries Authority, Oklahoma County

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30,

	2017	2016
Revenues:		
Lease rentals	$ 247,202	$ 237,351
Administrative fees	69,664	70,920
Grant revenue	-	216,666
MROTC revenue	2,693,280	2,693,281
Other	-	160
Total operating revenues	3,010,146	3,218,378
Expenses:		
Depreciation	617,953	617,953
Insurance	7,031	9,556
Professional services	478,470	272,777
Management and trustee fees	38,020	15,793
Office rental	-	2,025
Printing and office supplies	1,083	1,214
Interest	898,507	999,411
Grant	-	276,973
Other	28,300	6,153
Total operating expenses	2,069,364	2,201,855
Net earnings from operations	940,782	1,016,523
Investment income	27,678	28,154
Other non-operating revenues	-	1,876,248
Other non-operating expenses	-	(937,328)
Distributions for the benefit of other government	(348,000)	(48,000)
	(320,322)	919,074
CHANGE IN NET POSITION	620,460	1,935,597
Total net position at beginning of year	16,162,134	14,226,537
Total net position at end of year	$ 16,782,594	$ 16,162,134

The accompanying notes are an integral part of these statements.

Oklahoma Industries Authority, Oklahoma County

STATEMENTS OF CASH FLOWS

Year ended June 30,	2017	2016
Increase in cash and cash equivalents		
Cash flows from operating activities:		
Lease rental payment received	**$ 247,202**	$ 237,351
Administrative fees received	**69,664**	70,920
Grant, MROTC, and other revenue received	**2,636,675**	2,656,380
Operating expenses paid	**(1,527,915)**	(1,502,064)
Net cash provided by operating activities	**1,425,626**	1,462,587
Cash flow from noncapital financing activities:		
Distributions and return of funds due to other trusts	**(348,000)**	(48,000)
Net cash used in noncapital financing activities	**(348,000)**	(48,000)
Cash flows from capital and related financing activities:		
MROTC loan payments	**(1,725,757)**	(1,624,852)
Purchase of land	**-**	(14,710)
Net proceeds from sale of trackage	**-**	938,920
Advances under notes receivable	**(62,398)**	-
Net cash used in capital and related financing activities	**(1,788,155)**	(700,642)
Cash flows from investing activities:		
Change in appropriated cash	**(717,491)**	249,686
Proceeds from sales of investments	**1,357,092**	433,178
Interest received on investments	**32,767**	73,186
Net cash provided by investing activities	**672,368**	756,050
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(38,161)**	1,469,995
Cash and cash equivalents at beginning of year	**4,882,232**	3,412,237
Cash and cash equivalents at end of year	**$ 4,844,071**	$ 4,882,232
Reconciliation of net earnings from operations to net cash provided by operating activities:		
Net earnings from operations	**$ 940,782**	$ 1,016,523
Adjustment to reconcile net earnings from operation to net cash provided by operating activities:		
Depreciation	**617,953**	617,953
Amortization of deferred revenue	**(54,017)**	(54,017)
(Increase) decrease in:		
Prepaid insurance	**(4,092)**	6,622
Accounts receivable and other	**(2,588)**	16,957
(Decrease) increase in:		
Accounts payable and accrued liabilities	**(72,412)**	75,216
Deferred revenue	**-**	(216,667)
Net cash provided by operating	**$ 1,425,626**	$ 1,462,587
NONCASH INVESTING TRANSACTIONS		
Change in fair value of investments	**$ (6,922)**	**$** (45,930)

The accompanying notes are an integral part of these statements.

Oklahoma Industries Authority, Oklahoma County

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

The Oklahoma Industries Authority, Oklahoma County (the "Authority") is an Oklahoma public trust and an agency of the State of Oklahoma. It was created on December 15, 1966 to promote and encourage the general development of Oklahoma County under the provisions of Title 60, Oklahoma Statutes, and other applicable statutes and laws. Oklahoma County, Oklahoma (the "County") is the beneficiary of this trust and will receive all residual trust funds and assets upon termination of the trust.

The following is a summary of the more significant accounting policies consistently followed in the preparation of the Authority's financial statements.

1. Operations

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

2. Basis of Presentation

The Authority 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.

3. Income Taxes

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

4. Property, Plant and Equipment

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives of five to 50 years, principally using the straight-line method. Costs incurred during construction of long lived assets are recorded as construction-in-progress and are not depreciated until placed in service. The Authority capitalizes interest as a component of capital assets constructed for its own use. There was no construction-in-progress during 2017 and 2016.

5. Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less, money market mutual funds and deemed accounts to be cash equivalents. The Authority maintains its cash and cash equivalents in accounts, some of which are not fully insured by the Federal Depository Insurance Company ("FDIC"). The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

6. Investments

Investments are stated at fair value, based upon quoted prices for governmental debt securities, with changes in fair value included in investment income in the statement of revenues, expenses and changes in net position.

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.

8. Deferred Revenue

Grant revenues received for the Maintenance, Repair and Overhaul Technology Center (MROTC) project were deferred while construction of the facility was in progress. Revenue is recognized over the useful life of the facility. Grant revenues received for other projects will be deferred and revenue recognized on a systematic basis over the periods which they are intended to benefit. The Authority receives grant revenues from the City of Oklahoma City for improving surrounding roads and access to the Tinker Air Force Base. When the revenue is received, it is deferred and will not be recognized in the Statement of Revenues, Expenses and Changes in Net Position until the related grant expenses are incurred.

9. Accounting for Long-Lived Assets

The Authority reviews long-lived assets for impairment whenever indicators of impairment are present to determine if the carrying amounts exceed the estimated future net cash flows to be realized. Impairment losses are recognized based on the estimated fair value of the asset. No long-lived asset impairments were recorded in 2017 or 2016.

10. Notes Receivable

Notes receivables are carried at their estimated collectible amounts. Interest income on loans receivable is recognized when received. Any notes receivable are evaluated for collectability based on past credit history and the customer's current financial condition. No allowance for doubtful accounts is considered necessary at June 30, 2017.

11. Reclassifications

Certain balances in the 2016 financial statements have been reclassified to conform with the 2017 financial statement presentation. There was no change to the total net position or changes in net position as a result of these reclassifications.

NOTE B – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At June 30, 2017 and 2016, the carrying amounts of the Authority's cash and cash equivalents held at one financial institution were $4,844,071 and $4,882,232, respectively.

At June 30, the Authority had the following investments:

	2017	2016
U.S. Government securities	$ -	$ 306,126
U.S. Treasury strips	-	299,604
	$ -	$ 605,730

The Authority's investments are categorized as to credit risk as either (1) insured or registered, or securities held by the Authority or its agent in the Authority's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Authority's name. At June 30, 2017 and 2016, the Authority's investments are considered a type (2) credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE C – NOTE RECEIVABLE

During 2017, the Company entered into a loan agreement with Progress OKC to finance the audio visual and stage equipment for a historical auditorium and related facilities. Interest on the note receivable (effective rate of 3.0% at June 30, 2017) is payable monthly and principal is due upon maturity on February 7, 2019, unless paid in full without penalty before that date. Any delinquent payment will cause an interest rate of 10% per annum to be applied to the balance of the note. As of June 30, 2017, the total balance due to the Company was $62,398.

NOTE D - CONDUIT DEBT OBLIGATIONS AND OTHER LEASING ARRANGEMENTS

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

As of June 30, 2017, there were 9 series of industrial revenue bonds outstanding, with an aggregate principal amount payable of $127,063,082.

Certain of the Authority's lease arrangements contain an option for the lessees to acquire the leased property at the end of the lease terms at appraised fair value. Rental payments received in connection with such properties are accounted for by the "operating method" and investments in these properties, together with other unleased properties, are reported as industrial property and equipment in the financial statements.

NOTE D - CONDUIT DEBT OBLIGATIONS AND OTHER LEASING ARRANGEMENTS - CONTINUED

The Authority entered into an agreement as the lessor to lease a building for five years, beginning in March 2011, for $16,958 per month. An amendment was created to extend the lease for a period of 5 years, commencing on December 20, 2015 increasing rent payments to $18,600 per month.

Future minimum lease payments to be received under these leases are as follows at June 30, 2017:

Fiscal year ending June 30		
2018	$	223,200
2019		223,200
2020		223,200
2021		111,600
	$	781,200

NOTE E - APPROPRIATED ASSETS

Appropriated assets are held for projects and activities that benefit the State of Oklahoma and Oklahoma County. Approximately $48,000 for each year ended June 30, 2017 and 2016, of the appropriated assets and the earnings on these investments, were contributed to an organization that benefits the county and have been reported as distributions. In 2016, approximately $217,000 of appropriated funds were distributed to fund improvements around Tinker Air force Base as required by the grant that funded the improvements.

Appropriated cash and cash equivalents consist of $764,430 and $46,939 that are invested in one money market fund at June 30, 2017 and 2016, respectively, which is not federally insured. Appropriated investments consist of certificates of deposits and U.S. government securities in the amounts of $284,147 and $1,042,431 at June 30, 2017 and 2016, respectively. The Authority has not experienced any issues in such accounts and believes it is not exposed to any significant credit risk.

NOTE F – FAIR VALUE MEASUREMENTS

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date; Level 2 inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for an asset or liability.

The Authority has the following recurring fair value measurements as of June 30, 2017 and 2016:

June 30, 2017	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Appropriated assets				
U.S. Government securities	-	284,147	-	284,147
Total Appropriated assets	$ -	$ 284,147	$ -	$ 284,147

NOTE F – FAIR VALUE MEASUREMENTS - CONTINUED

June 30, 2016	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Investments				
U.S. Government securities	$ -	$ 306,126	$ -	$ 306,126
U.S. Treasury strips	-	299,604	-	299,604
Total investments	-	605,730	-	605,730
Appropriated assets				
U.S. Government securities	-	291,068	-	291,068
Total Appropriated assets	$ -	$ 291,068	$ -	$ 291,068

U.S. Government securities and U.S. Treasury strips are valued on the basis of evaluated prices provided by independent pricing services when such processes are believed to reflect the fair market value of such securities and are classified within Level 2 of the fair value hierarchy.

NOTE G - COMMITMENTS AND CONTINGENCIES

From time to time, the Authority is engaged in lawsuits either as plaintiff or defendant which arise in the conduct of its business, which, in the opinion of management and based upon advice of counsel, would not have a material effect on the Authority's financial position or results of operations.

NOTE H - MROTC PROJECT

During 2005, the Authority entered into an agreement with Boeing Company (Boeing) and MROTC Development Partners LLC (MDP) to provide for the construction of a 156,254 square foot MROTC near Tinker Air Force Base for maintenance and repair of airplanes which was completed in 2009. The total project cost approximately $28 million. Initial financing for the project was provided by a bank construction loan and two Federal EDI-Special Project Grants. Upon completion of the project in 2009, the construction loan was converted to a long-term note payable in the form of a lease-back mortgage. The loan bears interest at 6.04% and payments of $218,688 are due monthly with $438,689 due at maturity on October 14, 2023. The grant revenue received for this project was deferred and is being recognized over the useful life of the facility. Deferred revenue for the MROTC project was approximately $2,216,000 and $2,270,000 at June 30, 2017 and 2016, respectively.

Future minimum debt service requirements for the note payable are as follows at June 30, 2017:

Fiscal year ending June 30	Principal	Interest	Total
2018	$ 1,832,927	$ 791,345	$ 2,624,272
2019	1,946,731	677,521	2,624,252
2020	2,067,624	556,628	2,624,252
2021	2,196,025	428,228	2,624,253
2022	2,332,399	291,853	2,624,252
2023-2024	3,556,846	162,284	3,719,130
	$ 13,932,552	$ 2,907,859	$ 16,840,411

NOTE H - MROTC PROJECT - CONTINUED

The MROTC facility has been leased by MDP and is subleased to Boeing. The lease term began August 14, 2008 and ends on October 14, 2058. The amount of the lease includes an amount equal to the debt service plus an annual administrative fee.

Future minimum rental payments to be received under this lease are as follows at June 30, 2017:

Fiscal year ending June 30	
2018	$ 2,639,252
2019	2,639,252
2020	2,639,252
2021	2,639,252
2022	2,639,252
Thereafter	4,709,311
	$ 17,905,571

NOTE I – LONG-TERM LIABILITIES

Long-term liability activity was as follows for the years ended June 30:

	2017				
	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within one year
Deferred revenue	$ 2,269,961	$ -	$ (54,017)	$ 2,215,944	$ 54,017
MROTC loan payable	15,658,309	-	(1,725,757)	13,932,552	1,832,927
Total	$ 17,928,270	$ -	$ (1,779,774)	$ 16,148,496	$ 1,886,944

	2016				
	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due within one year
Deferred revenue	$ 2,540,645	$ -	$ (270,684)	$ 2,269,961	$ 54,017
MROTC loan payable	17,283,161	-	(1,624,852)	15,658,309	1,725,738
Total	$ 19,823,806	$ -	$ (1,895,536)	$ 17,928,270	$ 1,779,755

NOTE J - OTHER NON-OPERATING REVENUE AND EXPENSES

In February 2015, the Authority facilitated the acquisition of the Burlington Northern Santa Fe (BNSF) Railyard adjacent to Tinker Air Force base for the U.S. Department of the Air Force KC-46A Program site. The $44 million acquisition was funded by $23.5 million in General Obligation-Limited Tax bond funds provided by the Oklahoma City Economic Development Trust, $12.5 million in Oklahoma County general obligation bond funds and $8 million from the U.S. Air Force KC-46A Military Construction Appropriations.

As part of the transaction, the U.S. Department of the Air Force granted the Authority the right to salvage and sell approximately 91,000 feet of rail lines, tracks and rail ties (trackage) from the property. The agreement allowed the Authority access to the property to remove the trackage between April and August of 2015. The Authority issued a Request for Proposal in March 2015 and entered into a contract with PRC Environmental for the removal and sale of the trackage. The proceeds from the sale of the trackage totaled $1,876,248 and expenses were $937,328 resulting in net non-operating revenue of $938,920 for the year ended June 30, 2016.

In 2012, the Authority authorized the payment of $300,000 to the State of Oklahoma, for the purpose of completing the American Indian Cultural Center and Museum in Oklahoma County. Funding of the pledge was subject to the commitment of $40,000,000 in additional funds from the State of Oklahoma. The State of Oklahoma's commitment was satisfied during the year and the OIA funded its pledge in February 2017.

NOTE K - RELATED PARTY TRANSACTIONS

In May 2015, the Authority entered into a real estate purchase contract with Oklahoma County, Oklahoma, a related party to purchase the land located at Southeast 59th Street and Air Depot Road in Oklahoma City, Oklahoma at a cost of $1,348,135. The Authority purchased the land with the intent to lease the property to Boeing for the purpose of expanding Boeing's operations. A lease agreement with Boeing was entered into on June 1, 2015 for a 15 year term and base rent of $1 per year with the option for Boeing to extend the lease or to purchase the property at the end of the lease term for a base price of $630,000 which increases by 2% each year during the lease term. In addition to the purchase option, the Authority will earn a development fee of $360,000 upon the completion of certain development obligations as defined in the agreement.

NOTE L - SUBSEQUENT EVENTS

The Authority has evaluated events or transactions that occurred subsequent to June 30, 2017 through December 19, 2017, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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Board of Trustees
Oklahoma Industries Authority, Oklahoma County

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 financial statements of Oklahoma Industries Authority, Oklahoma County (the "Authority") which comprise the statement of net positions as of June 30, 2017, 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 financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 19, 2017.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to design 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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Compliance and other matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Oklahoma City, Oklahoma
December 19, 2017