

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, 2017 and 2016



Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
June 30, 2017 and 2016

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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 financial statements of the Oklahoma City Industrial and Cultural Facilities Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2017 and 2016, and the related notes to the basic financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

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 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 entity'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 entity'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, 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 16, 2017, 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 16, 2017

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, 2017 and 2016

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, 2017 and 2016. It should be read in conjunction with the accompanying financial statements of the Trust.

Financial Highlights

- Cash and cash equivalents decreased by \$616,668 and increased by \$762,567 in 2017 and 2016, respectively.
- Investments increased \$500,068 in 2017.
- 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 2017.
- The Trust finalized the sale of the Journal Record Building for approximately \$4.39 million in 2016.
- The Trust's net position increased by \$9,456 and \$37,247 in 2017 and 2016, respectively.

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.

Statement of Net Position

The statements of net position presents the assets, deferred outflows, liabilities, deferred inflows and net position. The purpose of the statement 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 statement 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 \$113,601 and \$57,406 in 2017 and 2016, respectively. 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. In 2016, the changes to capital assets and the note receivable were offset by an increase in current assets.

Total liabilities decreased in 2017 and 2016 by \$123,057 and \$94,653, respectively. Accounts payable and accrued liabilities were reduced by \$175, and the amount due to the City decreased by \$122,882 in 2017. In 2016, accounts payable and accrued liabilities were reduced by \$56,757, and the amount due to the City decreased by \$37,897.

Table 1: Condensed Statements of Net Position

	2017	2016	Change	% Change	2015	Change	% Change
Current assets	\$ 959,073	\$ 1,072,674	\$ (113,601)	-11%	\$ 996,217	\$ 76,457	8%
Note receivable	4,255,171	4,255,171	-	0%	-	4,255,171	0%
Capital assets	953,266	953,266	-	0%	5,342,300	(4,389,034)	-82%
Total assets	6,167,510	6,281,111	(113,601)	-2%	6,338,517	(57,406)	-1%
Current liabilities	3,515	126,572	(123,057)	-97%	221,225	(94,653)	-43%
Note payable	4,255,171	4,255,171	-	0%	4,255,171	-	0%
Total liabilities	4,258,686	4,381,743	(123,057)	-3%	4,476,396	-	0%
Net investment in capital assets	953,266	953,266	-	0%	1,087,129	(133,863)	-12%
Unrestricted	955,558	946,102	9,456	1%	774,992	171,110	22%
Net position	\$ 1,908,824	\$ 1,899,368	\$ 9,456	0%	\$ 1,862,121	\$ 37,247	2%

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, 2017 and 2016, the change in net position was a gain of \$9,456 and \$37,247, respectively.

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

	2017	2016	Change	% Change	2015	Change	% Change
Rental income	\$ 60,562	\$ 61,813	\$ (1,251)	-2%	\$ 65,272	\$ (3,459)	-5%
Other	18,147	16,388	1,759	11%	18,231	(1,843)	-10%
Total operating revenues	78,709	78,201	508	1%	83,503	(5,302)	-6%
Professional and trust fees	49,392	40,333	9,059	22%	77,011	(36,678)	-48%
Journal Record Building	-	18,471	(18,471)	-100%	362,155	(343,684)	-95%
Parking lot expense	2,235	6,565	(4,330)	-66%	33,796	(27,231)	-81%
Management fees	26,250	26,251	(1)	0%	25,000	1,251	5%
Administrative and general expense	12,652	8,016	4,636	58%	5,644	2,372	42%
Total operating expenses	90,529	99,636	(9,107)	-9%	503,606	(403,970)	-80%
Nonoperating revenue (expenses)	21,276	58,682	(37,406)	-64%	2,076,717	(2,018,035)	-97%
Change in net position	\$ 9,456	\$ 37,247	\$ (27,791)	-75%	\$ 1,656,614	\$ (1,619,367)	-98%

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. 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, 2017 and 2016

Assets

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 416,391	\$ 1,033,059
Investments	500,068	-
Due from trust funds administered	15,000	15,000
Accounts receivable	-	3,830
Interest receivable	22,190	20,785
Prepaid and other	5,424	-
Total current assets	959,073	1,072,674
Note Receivable	4,255,171	4,255,171
Capital Assets	953,266	953,266
Total assets	6,167,510	6,281,111

Liabilities and Net Position

Current Liabilities		
Accounts payable and accrued liabilities	3,515	3,690
Due to the City	-	122,882
Total current liabilities	3,515	126,572
Note Payable	4,255,171	4,255,171
Total liabilities	4,258,686	4,381,743
Net Position		
Net investment in capital assets	953,266	953,266
Unrestricted	955,558	946,102
Total net position	\$ 1,908,824	\$ 1,899,368

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, 2017 and 2016

	2017	2016
Operating Revenues		
Rental income	\$ 60,562	\$ 61,813
Administrative fees	16,000	16,000
Investment income	2,147	388
Total operating revenues	78,709	78,201
Operating Expenses		
Expenses related to the operation of the Journal Record Building	-	18,471
Professional and trust fees	49,392	40,333
Management fees to the Alliance for Economic Development of Oklahoma City	26,250	26,251
Parking lot expense	2,235	6,565
Office expense	12,652	8,016
Total operating expenses	90,529	99,636
Operating Loss	(11,820)	(21,435)
Nonoperating Revenues		
Interest income on note receivable	21,276	20,785
Contribution from the City	-	37,897
Total nonoperating revenues	21,276	58,682
Change in Net Position	9,456	37,247
Net Position, Beginning of Year	1,899,368	1,862,121
Net Position, End of Year	\$ 1,908,824	\$ 1,899,368

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, 2017 and 2016

	2017	2016
Operating Activities		
Rental income	\$ 60,562	\$ 61,813
Administrative fees and other	19,830	11,337
Interest received	1,759	388
Payments to vendors and suppliers	(96,128)	(134,834)
Net cash used in operating activities	(13,977)	(61,296)
Noncapital Financing Activities		
Reimbursements to the City	(122,882)	-
Net cash used in noncapital financing activities	(122,882)	-
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
Investing Activities		
Purchase of investments	(501,085)	-
Interest income on note receivable	21,276	-
Net cash used in investing activities	(479,809)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(616,668)	72,567
Cash and Cash Equivalents, Beginning of Year	1,033,059	960,492
Cash and Cash Equivalents, End of Year	\$ 416,391	\$ 1,033,059
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (11,820)	\$ (21,435)
(Increase) decrease in accounts receivable	3,442	(4,663)
(Increase) decrease in prepaid and other	(5,424)	21,558
Decrease in accounts payable and accrued liabilities	(175)	(56,756)
Net cash used in operating activities	\$ (13,977)	\$ (61,296)
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, 2017 and 2016

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 (GAAP) 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, 2017 and 2016

Investment and Investment Income

Investments in negotiable certificates of deposit are carried at fair value. Fair value is determined from quoted market prices. Investment income consists of interest income and the net change for the year in the fair value of the investments carried at fair value.

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, 2017 or 2016.

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 the straight-line method over the estimated useful life of the asset. At June 30, 2017 and 2016, capital assets consisted of land which was 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*. GASB Statement No. 42 is a two-step process of identifying potential impairments and testing for impairment. Asset impairment, as defined by GASB 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. There were no impairments for the years ended June 30, 2017 and 2016.

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
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2017 and 2016

There was no restricted net position at June 30, 2017 and 2016.

Classification of Revenues

The Trust has classified its revenues as either operating or nonoperating according to the characteristics of exchange versus nonexchange transactions.

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 bond document.

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

Deposits

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, 2017 and 2016, 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.

Deposits of the Trust at June 30, 2017 and 2016, were approximately \$156,000 and \$134,000, respectively.

Investments

The Trust's investments at June 30, 2017, consisted of a money market mutual fund and negotiable certificates of deposit.

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2017 and 2016

Investments in the Goldman Sachs Financial Government Obligations Fund, included in cash equivalents, totaled approximately \$261,000 and \$899,000 at June 30, 2017 and 2016, 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 28 days and 34 days at June 30, 2017 and 2016, respectively.

Investments in negotiable certificates of deposit consist of four certificates of deposit with a par value of \$125,000 each at June 30, 2017. The certificates of deposit's fair value was \$500,068 at June 30, 2017.

The Trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Trust's recurring fair value measurements as of June 30, 2017, are its certificates of deposit, which are valued using Level 2 inputs. The fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced prepayments, defaults, cumulative loss projections and cash flows.

The Trust does not have a formal investment policy.

Note 3: Due from Trust Funds Administered

The Trust was due \$15,000 at June 30, 2017 and 2016, 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.

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 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 to continue operations during the sale negotiations.

Oklahoma City Industrial and Cultural Facilities Trust
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2017 and 2016

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:

	2017	2016
Nondepreciable capital assets		
Land	\$ 953,266	\$ 953,266

Future principal payments on the note payable and future receipts on the note receivable consist of the following at June 30, 2017:

Year Ending June 30,	Long-Term	Note Receivable		
	Debt Principal	Principal	Interest *	Total
2018	\$ -	\$ -	\$ 21,000	\$ 21,000
2019	-	-	21,000	21,000
2020	-	-	21,000	21,000
2021	-	-	21,000	21,000
2022	170,000	170,000	21,000	191,000
2023–2027	851,000	851,000	179,000	1,030,000
2028–2032	851,000	851,000	434,000	1,285,000
2033–2037	851,000	851,000	306,000	1,157,000
2038–2042	851,000	851,000	179,000	1,030,000
2043–2045	681,171	681,171	51,062	732,233
	\$ 4,255,171	\$ 4,255,171	\$ 1,254,062	\$ 5,509,233

* Rate of interest on note receivable is set at 0.50% 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, with a floor of 3.00% and a ceiling of 5.00%.

Oklahoma City Industrial and Cultural Facilities Trust
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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, 2017 and 2016, there were three series of industrial revenue bonds and leasing obligations outstanding with an aggregate principal amount payable of approximately \$13,411,000 and \$21,720,000, 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, 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 basic financial statements, and have issued our report thereon dated November 16, 2017.

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 of the financial statements, 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 or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. 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 no 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 16, 2017

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, 2017

Reference Number	Finding
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No matters are reportable.