

**AMENDED**

AGENDA  
SPECIAL MEETING OF  
OKLAHOMA CITY INDUSTRIAL & CULTURAL FACILITIES TRUST  
THURSDAY, DECEMBER 7, 2023  
105 N. Hudson Avenue, Suite 101  
Oklahoma City, OK  
2:00 P.M.

The following agenda items may include actions, approvals, disapprovals and voting as desired by the Trustees of the Oklahoma City Industrial & Cultural Facilities Trust (“Trust”):

- 790 Call to Order.
- 791 Consider and Approve Minutes of Special Meeting held Monday, August 29, 2022.
- 792 Consider and Approve Resolution Electing and Appointing Officers of the Trust and Authorizing its Officers to Act for and on behalf of the Trust.
- 793 Report and Receive Oklahoma City Industrial & Cultural Facilities Trust, a Component Unit of the City of Oklahoma City, Oklahoma Auditor’s Reports and Financial Statements June 30, 2022.
- 794 Report and Receive Oklahoma City Industrial & Cultural Facilities Trust, a Component Unit of the City of Oklahoma City, Oklahoma Auditor’s Reports and Financial Statements June 30, 2023 and 2022.
- 795 Report and Receive Quarterly Financial Statements for the Oklahoma City Industrial & Cultural Facilities Trust for period(s) ended September 30, 2023.
- 796 Consider and Approve Trust Budget for FY 2023-24.
- 797 Approval of engagement of HSPG & Associates, P.C. for independent audit of the Trust for Fiscal Year ending June 30, 2024 (“Audit”) with a fee for services of \$16,500, and in furtherance thereof, authorizing the Chair (or in the absence of the Chair, a Vice-Chair) and General Manager, or any one of them (“Officers”), to execute an Engagement Letter for and on behalf of the Trust; and, as determined necessary by the Officers, authorizing the Officers to engage another firm for the Audit and to execute an Engagement Letter in furtherance thereof for and on behalf of the Trust.
- 798 Consider and Approve annual compensation of \$28,000 for services provided to the Trust by The Alliance for Economic Development of Oklahoma City (“Alliance”) for fiscal year ending June 30, 2023, and further authorizing the Chair, Vice-Chair and General Manager, or any one of them, to enter into Agreement(s) for Economic Development Services with the Alliance for and on behalf of the Trust, to include amendment and extension of existing contracts with the Alliance.

- 799 Consider and Approve Joint Resolution of The City of Oklahoma City, the Oklahoma City Economic Development Trust, and the Oklahoma City Industrial and Cultural Facilities Trust transferring \$10,000,000 of General Obligation Limited Tax Bond Proceeds and/or Investment Proceeds, and/or other Economic Development funds to the Oklahoma City Industrial and Cultural Facilities Trust for the purpose of acquiring and creating one or more Economic Development Mega Sites.
- 800 Consider and Approve Resolution Authorizing the Chair and Vice-Chair, or the General Manager in the absence of the Chair and Vice-Chair, to execute contracts in furtherance of the acquisition of one or more Economic Development Mega Sites.
- 801 Report from General Manager.
- 802 Adjournment.

**MINUTES OF A SPECIAL MEETING  
OF THE  
OKLAHOMA CITY INDUSTRIAL & CULTURAL FACILITIES TRUST  
MONDAY, AUGUST 29, 2022, 3:00 P.M.  
ALLIANCE CONFERENCE ROOM  
105 N. HUDSON, Ste. 101  
OKLAHOMA CITY, OK 73102**

TRUSTEES PRESENT: Robert H. Alexander, Jr., Chairman  
J. Larry Nichols, Trustee  
Lindy Ritz, Trustee

TRUSTEES ABSENT: Clayton I. Bennett, Trustee  
David Rainbolt, Trustee

OTHER PRESENT: Kenton Tsoodle; The Alliance  
Cassi Poor; The Alliance  
Olen Cook; The Alliance  
Laurie Barton; The Alliance  
Shira Lucky; The Alliance  
John Michael Williams; Williams, Box, Forshee & Bullard  
Sean Donahue, Myrna Latham, and Genevieve Quick;  
representatives of JRB Citizen LLC

PRESIDING: Robert H. Alexander, Jr., Chairman

Oklahoma City Industrial and Cultural Facilities Trust met at 105 N. Hudson, Ste. 101, Oklahoma City, Oklahoma, pursuant to public notice thereof in writing, delivered to the City Clerk. Notice of the meeting and agenda were posted at 105 N. Hudson, Ste. 101, Oklahoma City, OK and notice of meeting was also filed/posted at The City of Oklahoma City Municipal Building bulletin board by August 26, 2022.

784 *Chairman Alexander called meeting to order at 3:00 p.m. and declared a quorum of Trustees were present*

785 *Consideration of minutes for special meeting held May 9, 2022*

**Mr. Nichols** moved the approval of the minutes; second by **Ms. Ritz**.

Upon a vote of the Trustees, the motion carried unanimously, to wit: Ms. Ritz, yes, Mr. Alexander, yes and Mr. Nichols, yes.

**Minutes Approved**

786 *Report and Receive Quarterly Financial Statements for the Oklahoma City Industrial & Cultural Facilities Trust for Period(s) Ended June 30, 2022*

*Presentation of Financials:* Ms. Barton presented the quarterly financial report through June 30, 2022

Ms. Ritz moved to receive financials; second by Mr. Nichols.

Upon a vote of the Trustees, the motion carried unanimously, to wit: Ms. Ritz, yes, Mr. Alexander, yes and Mr. Nichols, yes.

**Financials Received**

787 *Resolution regarding revised proposal of JRB Citizen LLC for development of The Citizen project proposed to be located at the northeast corner of Robinson Ave. and NW 5<sup>th</sup> St. in Oklahoma City, which revised proposal deletes expansion of the existing adjacent multi-story parking facility approved by the Trust on May 9, 2022*

*Presentation of The Citizen project revised proposal:* Representatives for JRB Citizen LLC presented the revised proposal to the Trustees.

Mr. Nichols moved the approval of the Resolution; second by Ms. Ritz.

Upon a vote of the Trustees, the motion carried unanimously, to wit: Ms. Ritz, yes, Mr. Alexander, yes Mr. Nichols, yes.

**Resolution Approved**

782 *Report from General Manager*

783 *Adjournment*

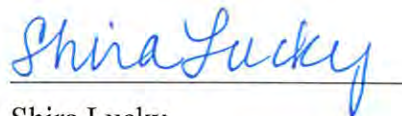
There being no further business to come before the Trustees, the Chairman adjourned the meeting at 3:21 p.m.

ATTEST:

RECORDED:



Kenton Tsoodle  
General Manager



Shira Lucky  
Convening & Outreach Specialist

**RESOLUTION**

**WHEREAS**, the Trustees of the Oklahoma City Industrial and Cultural Facilities Trust (“Trust”) desire to elect and appoint officers of the Trust and to authorize its officers to act for and on behalf of the Trust.

**NOW, THEREFORE, BE IT RESOLVED** by the Trust that:

1. The following are hereby appointed and elected as officers of the Trust, to serve until their successors are duly elected and appointed:

- \_\_\_\_\_ – Chair
- \_\_\_\_\_ – Vice-Chair and Secretary
- \_\_\_\_\_ – Vice-chair
- \_\_\_\_\_ – Vice-chair
- \_\_\_\_\_ – Vice-chair

Kenton Tsoodle – General Manager and Assistant Secretary  
John Michael Williams – General Counsel and Assistant Secretary

2. To facilitate operations of the Trust:

A. The Chair, the Vice-chairs in the absence of the Chair, and General Manager, or any one of them, are authorized to take actions for and on behalf of the Trust as necessary to conduct the operations and management of the Trust, all to be in accordance with best practices and laws applicable to Oklahoma public trusts, including but not limited to: (i) authorization of expenditure of Trust funds and approval of contracts, (ii) designation, engagement and determination of compensation of persons and firms to conduct the affairs of the Trust, (iii) matters related to the Journal Record Building and related land, (iv) pursuit, advancement and implementation of economic development projects, and (v) actions with respect to Trust banking relationships and services, including the determination of authorized banking signatories; provided that such authorizations shall not be applied to those decisions and actions that the Trust has reserved unto itself; and

B. The General Counsel is authorized to conduct the legal affairs of the Trust; and

C. The Secretary and Assistant Secretaries are authorized to act on behalf of the Trust consistent with their offices.

**APPROVED** by the Oklahoma City Industrial and Cultural Facilities Trust this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

**ATTEST:**

**OKLAHOMA CITY INDUSTRIAL AND  
CULTURAL FACILITIES TRUST**

\_\_\_\_\_  
Secretary

By:

\_\_\_\_\_  
Chair

**OKLAHOMA CITY INDUSTRIAL AND CULTURAL FACILITIES TRUST  
A COMPONENT UNIT OF THE CITY OF OKLAHOMA CITY, OKLAHOMA**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2022**

**TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORTS**



**Oklahoma City Industrial and Cultural Facilities Trust**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**June 30, 2022**

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Based on an Audit of the Financial Statements Performed in  
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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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 year ended June 30, 2022, 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.

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, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

HSPG & ASSOCIATES, PC

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5400 N Grand Blvd, Suite 330 • Oklahoma City, Oklahoma 73112 • Phone: 405.844.9995 • Fax: 405.844.9975

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***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 is the responsibility of management and, 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 12, 2022, 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 effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

*HSPG & Associate, P.C.*

Oklahoma City, Oklahoma  
October 12, 2022

# **Oklahoma City Industrial and Cultural Facilities Trust**

## **A Component Unit of the City of Oklahoma City, Oklahoma**

### **Management's Discussion and Analysis**

#### **Year Ended June 30, 2022**

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#### **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 year ended June 30, 2022. It should be read in conjunction with the accompanying financial statements of the Trust.

#### **FINANCIAL HIGHLIGHTS**

- Cash and cash equivalents decreased by \$336,707.
- Investments increased by \$343,091.
- Total assets increased by \$2,447,060.
- Total liabilities decreased by \$170,207
- Total deferred inflows of resources increased by \$2,574,502
- Net position increased by \$24,614.

#### **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 statement 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 and deferred inflows of resources increased in 2022 due to the implementation of GASB Statement No. 87 - Leases ("GASB 87"), which required recognition of a lease receivable and an offsetting deferred inflow of resources estimated as the present value of the future lease payments at implementation. Prior period financial statements have not been restated as Trust management has determined the impact to be immaterial.

**TABLE 1: CONDENSED STATEMENT OF NET POSITION COMPARISON TO PRIOR YEAR**

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% Change</u>
Current assets	1,383,707	1,316,487	67,220	5%
Lease receivable, net	2,550,047	-	2,550,047	100%
Note receivable, net	3,914,758	4,084,965	(170,207)	-4%
Capital assets	953,266	953,266	-	0%
Total assets	<u>8,801,778</u>	<u>6,354,718</u>	<u>2,447,060</u>	<u>39%</u>
Current liabilities	173,866	173,866	-	0%
Note payable, net	3,914,758	4,084,965	(170,207)	-4%
Total liabilities	<u>4,088,624</u>	<u>4,258,831</u>	<u>(170,207)</u>	<u>-4%</u>
Deferred inflows of resources	2,574,502	-	2,574,502	100%
Net investment in capital assets	953,266	953,266	-	0%
Unrestricted	1,185,386	1,142,621	42,765	4%
Net position	<u>2,138,652</u>	<u>2,095,887</u> *	<u>42,765</u>	<u>2%</u>

\* 2021 balances have not been restated. The net impact of implementing GASB 87 on beginning net position at July 1, 2021 is an increase of \$18,151.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The statement 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 year ended June 30, 2022, the change in net position was a positive \$24,614.

**TABLE 2: CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPARISON TO PRIOR YEAR**

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% Change</u>
Rental income	27,984	60,563	(32,579)	-54%
Interest income - lease	50,536	-	50,536	100%
Other	-	1,000	(1,000)	-100%
Total revenues	<u>78,520</u>	<u>61,563</u>	<u>(33,579)</u>	<u>-55%</u>
Professional and trust fees	34,420	18,922	15,498	82%
Parking lot expense	2,537	2,858	(321)	-11%
Management fees	28,000	28,000	-	0%
Admin and general expense	5,868	5,806	62	1%
Total operating expenses	<u>70,825</u>	<u>55,586</u>	<u>15,239</u>	<u>27%</u>
Nonoperating revenues	16,919	23,563	(6,644)	-28%
Change in net position	<u>24,614</u>	<u>29,540</u>	<u>(4,926)</u>	<u>-17%</u>

## **ECONOMIC FACTORS**

The Trust owns and leases land adjacent to the Journal Record Building. The Trust sold the commercial unit and initiated a lease for the land (with an option to purchase) on July 9, 2015. 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. The buyer has constructed a multi-story parking garage on the land, as allowed in the purchase agreement. Future principal payments of 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.

In May 2022, the buyer requested approval to exercise the purchase option for the land, as well as, additional project financing assistance for expansion of the parking garage and further development of the site, known as the “Citizen Project”. On May 9, 2022, the Trust simultaneously approved the sale of the property for \$1,275,000 and a loan to assist with project financing in the same amount. Terms of the loan agreement are not finalized and will be further negotiated and approved by the Trust Loan Committee. See also note 4 (Leases) and note 5 (Subsequent Events) in the 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**  
**Statement of Net Position**  
**June 30, 2022**

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**Assets**

**Current Assets**

Cash and cash equivalents	\$ 434,358
Investments	694,923
Lease receivable, current	10,027
Interest receivable - lease	50,536
Interest receivable - other	23,657
Note receivable, current	<u>170,206</u>

Total current assets 1,383,707

**Lease receivable, less current portion** 2,550,047

**Note receivable, less current portion** 3,914,758

**Capital assets** 953,266

Total assets \$ 8,801,778

**Liabilities**

**Current Liabilities**

Accounts payable and accrued liabilities	\$ 3,660
Note payable, current	<u>170,206</u>

Total current liabilities 173,866

**Note payable, less current portion** 3,914,758

Total liabilities 4,088,624

**Deferred inflows of resources - lease** 2,574,502

**Net Position**

Net investment in capital assets	953,266
Unrestricted	<u>1,185,386</u>

Total net position \$ 2,138,652

See accompanying notes to financial statements.

**Oklahoma City Industrial and Cultural Facilities Trust**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2022**

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<b>Operating Revenues</b>	
Rental income	\$ 27,984
Interest income on lease receivable	<u>50,536</u>
Total operating revenues	<u>78,520</u>
<b>Operating Expenses</b>	
Professional and trust fees	34,420
Management fees to the Alliance for Economic Development of Oklahoma City	28,000
Parking lot expense	2,537
Administrative and general expense	<u>5,868</u>
Total operating expenses	<u>70,825</u>
<b>Operating Income (Loss)</b>	<u>7,695</u>
<b>Nonoperating Revenues</b>	
Interest income on note receivable	20,496
Investment income (loss)	<u>(3,577)</u>
Total nonoperating revenues	<u>16,919</u>
<b>Change in Net Position</b>	24,614
<b>Net Position, Beginning of Year</b>	<u>2,114,038</u>
<b>Net Position, End of Year</b>	<u><u>\$ 2,138,652</u></u>

See accompanying notes to financial statements.



**Oklahoma City Industrial and Cultural Facilities Trust**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Statement of Cash Flows**  
**Year Ended June 30, 2022**

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<b>Cash Flows From Operating Activities</b>	
Lease payments received	\$ 60,563
Payments to vendors and suppliers	<u>(70,825)</u>
Net cash provided by (used in) operating activities	<u>(10,262)</u>
<b>Cash Flows From Investing Activities</b>	
Purchase of investments	(702,382)
Proceeds from investment maturities	350,000
Interest income received on note receivable	21,276
Investment interest received	<u>4,661</u>
Net cash provided by (used in) investing activities	<u>(326,445)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(336,707)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>771,065</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 434,358</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating income (loss)	\$ 7,695
Amortization of deferred inflows of resources	(27,984)
Decrease in lease receivable	<u>10,027</u>
Net cash provided by (used in) operating activities	<u><u>\$ (10,262)</u></u>

See accompanying notes to financial statements.

# Oklahoma City Industrial and Cultural Facilities Trust

## A Component Unit of the City of Oklahoma City, Oklahoma

### Notes to Financial Statements

#### Year Ended June 30, 2022

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#### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

**Nature of activities** – 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. The building was sold in July 2015. The Trust maintains ownership of the adjacent parking lot which is currently leased to the new building 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, deferred outflows, liabilities, and deferred inflows 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 liquid debt instruments purchased with a maturity of three months or less and money market mutual funds to be cash equivalents. At June 30, 2022, cash equivalents consisted primarily of cash and money market mutual funds.

**Investments and investment income** – Investments in negotiable certificates of deposit and U.S. Treasury Notes 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.

**Note receivable** – The note receivable is 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 the assessment, no allowance for doubtful accounts was required at June 30, 2022.

**Capital Assets** – Capital assets are recorded at cost at the date of purchase or acquisition value at the date of donation if acquired by gift. Depreciation, if any, is computed using a straight-line

method over the estimated useful life of the asset. At June 30, 2022, capital assets consisted of land, which was not being depreciated.

**Long-lived asset impairment** – The Trust evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

**Net position** – The net position of a governmental entity is classified in three 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 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, or through constitutional provisions or enabling legislation. 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, 2022.

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

**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.

**Implemented accounting pronouncement** – During the year ended June 30, 2022, the Trust implemented GASB Statement No. 87 “Leases.” The purpose of the statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. See note 4 (Leases).

## 2. DEPOSITS AND INVESTMENTS

**Cash Deposits** – Custodial credit 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, 2022, 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.

Deposits of the Trust at June 30, 2022, were approximately \$266,000, with \$16,000 in excess of FDIC insured limits for 2022.

**Cash Equivalents** – Investments in the Goldman Sachs Financial Square Government Fund, included in cash equivalents, totaled approximately \$168,000 at June 30, 2022. The investment has

ratings of AAA by Standard & Poor's Ratings Group, and a weighted-average duration of less than one year at June 30, 2022.

**Investments** – The Trust has adopted Investment Policy Statements (the IPS) to govern the administration of the Trust's investment portfolio assets. Under the IPS, the Trust is limited to investment vehicles specifically authorized under Oklahoma State Statute Title 62. Investments permitted include direct obligations of the U.S. federal government, collateralized, or insured certificates of deposit, savings accounts or certificates and other limited investment vehicles as permitted by state law.

The Trust's investments at June 30, 2022, consisted of negotiable certificates of deposit and U.S. Treasury Notes.

Investments in fixed income government securities consisted of four U.S. Treasury Notes at June 30, 2022, each with a par value of \$125,000, for a total of \$500,000. At June 30, 2022, the fair value of the notes was \$497,000 with current maturities totaling \$249,000 and long-term maturities totaling \$248,000.

Investments in negotiable certificates of deposit consisted of two certificates of deposit at June 30, 2022: one with a par value of \$150,000 and one with a par value of \$50,000. At June 30, 2022, the fair value of the certificates of deposit was \$198,000 and current maturities of the certificates of deposit were \$198,000.

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, and Level 3 inputs are significant unobservable inputs.

The Trust's recurring fair value measurements as of June 30, 2022 are its cash equivalents included in the Goldman Sachs Financial Square Government Fund, which are valued using Level 1 inputs, and its certificates of deposit and government securities, which are valued using Level 2 inputs. The fair values are estimated by using quoted prices of investments 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.

### **3. 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 of Oklahoma City to continue operations during the sale negotiations.

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. 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 on the note receivable will be used to pay the principal due on the note payable to the City. Interest earned on 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:

Nondepreciable capital assets	
Land	\$ 953,266

Future principal payments on the note payable and future receipts on the note receivable consist of the following at June 30, 2022:

Year Ending June 30,	Long-Term Debt	Note Receivable		Total
		Principal	Interest *	
2023	170,206	170,206	20,000	190,206
2024	170,206	170,206	20,000	190,206
2025	170,206	170,206	19,000	189,206
2026	170,206	170,206	18,000	188,206
2027	170,206	170,206	102,000	272,206
2028-2032	851,030	851,030	434,000	1,285,030
2033-2037	851,030	851,030	307,000	1,158,030
2038-2042	851,030	851,030	179,000	1,030,030
2043-2046	680,844	680,844	51,000	731,844
	4,084,964	4,084,964	\$ 1,150,000	\$ 5,234,964
Less current maturities	170,206	170,206		
	\$ 3,914,758	\$ 3,914,758		

\*Rate of interest on the note receivable is set at 0.5% for years 1–10. Beginning in fiscal year 2027, the rate of interest will be recalculated yearly to equal 50% of the prime rate published in the Wall Street Journal on July 9 of each year through the maturity of the loan, with a floor of 3.0% and a ceiling of 5.0%. The above table utilizes the floor rate of 3.0%.

#### 4. LEASES

As part of the purchase agreement described in *Note 3*, the buyer of the Journal Record Building (“lessee”) agreed to lease the Journal Record Building’s adjacent land 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 land at the appraised value of \$1,275,000 through 2026, and at amounts specified in the ground lease agreement after that. The buyer has constructed a multi-story parking garage on the land, as allowed in the purchase agreement.

As required under current accounting pronouncements, a lease receivable is recorded in the statement of net position totaling \$2,560,074 at June 30, 2022. The lease receivable was calculated based on the present value of lease payments expected to be received during the lease term using a discount rate of 1.97%. Payments are fixed at \$60,563 annually for a period of 99 years.

The Trust has recognized interest income on the lease receivable of \$50,536 and rental income of \$27,984 for the period ended June 30, 2022.

Future payments of principal and interest on the lease receivable are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 10,027	\$ 50,536
2024	10,225	50,338
2025	10,427	50,136
2026	10,633	49,930
2027	10,843	49,720
Thereafter	<u>2,507,919</u>	<u>2,761,062</u>
	<u>\$ 2,560,074</u>	<u>\$ 3,011,722</u>

In May 2022, the lessee requested approval to exercise the purchase option for the adjacent land and additional project financing assistance for expansion of the parking garage and further development of the site, known as the “Citizen Project”. On May 9, 2022, the Trust simultaneously approved the sale of the property for \$1,275,000 and a loan to assist with project financing in the same amount. The loan will be utilized for expansion of the parking garage and secured by a subordinate mortgage on the parking garage. Disbursement of the loan will require the lessee to provide an executed construction contract, guaranties, secure commercial financing for the garage expansion and the Citizen Project, and obtain approval from the Trust of conceptual plans for the entire project. Terms of the loan agreement are not finalized and will be further negotiated and approved by the Trust loan committee.

## 5. SUBSEQUENT EVENTS

In August 2022, the Trust received notification from the lessee that due to current rising construction costs, the expansion of the parking garage would be delayed but the Citizen Project would still move forward. In addition, the lessee requested that the proceeds of the loan approved by the Trust in May 2022 be used for the construction of the Citizen Project instead of the parking garage expansion. The loan will be secured by a subordinate mortgage on the Citizen Project. On August 29, 2022, the Trust approved the request for the loan proceeds to be utilized for the Citizen Project and necessary amendments to the terms to remove the parking garage expansion from the project. Terms of the loan are not finalized and will be further negotiated and approved by the Trust loan committee.

\* \* \* \* \*



**Independent Auditor's Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of  
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), a component unit of the City of Oklahoma City, Oklahoma, which comprise the statement of net position as of June 30, 2022, 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 12, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

HSPG & ASSOCIATES, PC

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust'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 financial statements. 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.

*HSPG & Associate, P.C.*

October 12, 2022

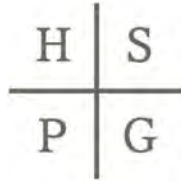


**Oklahoma City Industrial and Cultural Facilities Trust**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2022**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.



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

We have audited the 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 statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 9, 2022. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Trust are described in Note 1 to the financial statements.

During the year ended June 30, 2022, the Trust implemented GASB Statement No. 87 “Leases.” The purpose of the statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The adoption of this statement resulted in the recognition of a lease receivable asset, a deferred inflow of resources, and an immaterial impact to net position.

The application of other existing policies was not changed during the year. We noted no transactions entered into by the Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Trust’s financial statements was:

Management’s estimate of the lease receivable included in the statement of position. We evaluated the key factors and assumptions used to develop the lease receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

HSPG & ASSOCIATES, PC

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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the lease receivable and the related table of principal and interest payments over the life of the lease described in Note 4 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not identify any misstatements as a result of our audit procedures.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 12, 2022.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Trust's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants other than management's consultation with a third-party firm to assist with the implementation of GASB 87 Leases.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trust's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of Board of Trustees and management of the Trust and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*HSPG & Associate, P.C.*

October 12, 2022

**OKLAHOMA CITY INDUSTRIAL AND CULTURAL FACILITIES TRUST  
A COMPONENT UNIT OF THE CITY OF OKLAHOMA CITY, OKLAHOMA**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2023 and 2022**

**TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORTS**



**Oklahoma City Industrial and Cultural Facilities Trust**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**June 30, 2023 and 2022**

**AUDITED FINANCIAL STATEMENTS**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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, 2023 and 2022, 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.

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, 2023 and 2022, 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.

#### ***Basis for Opinion***

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

HSPG & ASSOCIATES, PC

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misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***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 is the responsibility of management and, 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 3, 2023, 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 effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

*HSPG & Associates, P.C.*

October 3, 2023

# **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, 2023 and 2022**

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#### **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, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the Trust.

#### **FINANCIAL HIGHLIGHTS**

- Cash and cash equivalents increased \$3,459 in 2023 and decreased by \$336,707 in 2022.
- Investments increased by \$1,288,231 and \$343,091 in 2023 and 2022, respectively.
- Total assets decreased by \$2,425,652 in 2023 and increased by \$2,447,060 in 2022.
- Total liabilities decreased by \$168,855 and \$170,207 in 2023 and 2022, respectively.
- Total deferred inflows of resources decreased by \$2,574,502 in 2023 and increased by \$2,574,502 in 2022.
- Net position increased by \$317,705 and \$24,614 in 2023 and 2022, 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 statement 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 and deferred inflows of resources increased in 2022 due to the implementation of GASB Statement No. 87 - Leases ("GASB 87"), which required recognition of a lease receivable and an offsetting deferred inflow of resources estimated as the present value of the future lease payments at implementation. Total assets and deferred inflows of resources decreased in 2023 due to the property under lease being sold in March of 2023.

**TABLE 1: CONDENSED STATEMENT OF NET POSITION COMPARISON TO PRIOR YEAR**

	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>% Change</b>	<b>2021</b>	<b>Change</b>	<b>% Change</b>
Current assets	\$ 2,631,574	\$ 1,383,707	\$ 1,247,867	90%	\$ 1,316,487	\$ 67,220	5%
Lease receivable, net	-	2,550,047	(2,550,047)	-100%	-	2,550,047	100%
Note receivable, net	3,744,552	3,914,758	(170,206)	-4%	4,084,965	(170,207)	-4%
Capital assets	-	953,266	(953,266)	-100%	953,266	-	0%
Total assets	\$ 6,376,126	\$ 8,801,778	\$ (2,425,652)	-28%	\$ 6,354,718	\$ 2,447,060	39%
Current liabilities	\$ 175,217	\$ 173,866	\$ 1,351	1%	\$ 173,866	\$ -	0%
Note payable, net	3,744,552	3,914,758	(170,206)	-4%	4,084,965	(170,207)	-4%
Total liabilities	\$ 3,919,769	\$ 4,088,624	\$ (168,855)	-4%	\$ 4,258,831	\$ (170,207)	-4%
Deferred inflows of resources	\$ -	\$ 2,574,502	\$ (2,574,502)	-100%	\$ -	\$ 2,574,502	100%
Net investment in capital assets	\$ -	\$ 953,266	\$ (953,266)	-100%	\$ 953,266	\$ -	0%
Unrestricted	2,456,357	1,185,386	1,270,971	107%	1,142,621	42,765	4%
Net position	\$ 2,456,357	\$ 2,138,652	\$ 317,705	15%	\$ 2,095,887 *	\$ 42,765	2%

\* 2021 balances have not been restated. The net impact of implementing GASB 87 on beginning net position at July 1, 2021 is an increase of \$18,151.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The statement 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, 2023 and 2022, the change in net position was a positive \$317,705 and \$24,614, respectively.

**TABLE 2: CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPARISON TO PRIOR YEAR**

	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>% Change</b>	<b>2021</b>	<b>Change</b>	<b>% Change</b>
Rental income	\$ 19,704	\$ 27,984	\$ (8,280)	-30%	\$ 60,563	\$ (32,579)	-54%
Interest income - lease	-	50,536	(50,536)	-100%	-	50,536	100%
Other	22,542	-	22,542	100%	1,000	(1,000)	-100%
Total revenues	42,246	78,520	(36,274)	-46%	61,563	16,957	28%
Professional and trust fees	61,017	34,420	26,597	77%	18,922	15,498	82%
Parking lot expense	2,980	2,537	443	17%	2,858	(321)	-11%
Management fees	28,000	28,000	-	0%	28,000	-	0%
Admin and general expense	5,823	5,868	(45)	-1%	5,806	62	1%
Total operating expenses	97,820	70,825	26,995	38%	55,586	15,239	27%
Nonoperating revenues	373,279	16,919	356,360	2106%	23,563	(6,644)	-28%
Change in net position	\$ 317,705	\$ 24,614	\$ 293,091	1191%	\$ 29,540	\$ (4,926)	-17%

## **ECONOMIC FACTORS**

The Trust owned the Journal Record Building and adjacent land. The Trust sold the commercial unit and initiated a lease for the adjacent land (with an option to purchase) on July 9, 2015. 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 of the note are used to reduce the debt owed to the City. Interest received on the note capitalizes a revolving loan fund for use in future economic development projects.

In May 2022, the buyer requested approval to exercise the purchase option for the adjacent land, as well as, additional project financing assistance for expansion of the parking garage and further development of the site, known as the “Citizen Project”. On May 9, 2022, the Trust simultaneously approved the sale of the property for \$1,275,000 and a loan to assist with project financing in the same amount.

The sale of the land and termination of the lease was executed on March 15, 2023. At the same time, the loan agreement was finalized with a 15-year maturity from the date of the advance with an interest rate of 0.75% per annum. No advance has been made under this agreement as of June 30, 2023. See also *note 4 (Leases)* in the 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**  
**Statement of Net Position**  
**June 30, 2023 and 2022**

<b>Assets</b>	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 437,817	\$ 434,358
Investments	1,983,154	694,923
Lease receivable, current	-	10,027
Interest receivable - lease	-	50,536
Interest receivable - other	36,541	23,657
Note receivable, current	170,206	170,206
Other assets	<u>3,856</u>	<u>-</u>
Total current assets	2,631,574	1,383,707
<b>Lease receivable, less current portion</b>	-	2,550,047
<b>Note receivable, less current portion</b>	3,744,552	3,914,758
<b>Capital assets</b>	<u>-</u>	<u>953,266</u>
Total assets	<u>\$ 6,376,126</u>	<u>\$ 8,801,778</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 5,011	\$ 3,660
Note payable, current	<u>170,206</u>	<u>170,206</u>
Total current liabilities	175,217	173,866
<b>Note payable, less current portion</b>	<u>3,744,552</u>	<u>3,914,758</u>
Total liabilities	3,919,769	4,088,624
<b>Deferred inflows of resources - lease</b>	-	2,574,502
<b>Net Position</b>		
Net investment in capital assets	-	953,266
Unrestricted	<u>2,456,357</u>	<u>1,185,386</u>
Total net position	<u>\$ 2,456,357</u>	<u>\$ 2,138,652</u>

See accompanying notes to financial statements.

**Oklahoma City Industrial and Cultural Facilities Trust**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues</b>		
Rental income	\$ 19,704	\$ 27,984
Interest income on lease receivable	-	50,536
Business improvement district assessment	22,542	-
	<u>42,246</u>	<u>78,520</u>
<b>Operating Expenses</b>		
Professional and trust fees	61,017	34,420
Management fees to the Alliance for Economic Development of Oklahoma City	28,000	28,000
Parking lot expense	2,980	2,537
Administrative and general expense	5,823	5,868
	<u>97,820</u>	<u>70,825</u>
<b>Operating Income (Loss)</b>	<u>(55,574)</u>	<u>7,695</u>
<b>Nonoperating Revenues</b>		
Interest income on note receivable	19,574	20,496
Investment income (loss)	46,468	(3,577)
Gain on sale of parking lot	321,734	-
Loss on lease termination	(14,497)	-
	<u>373,279</u>	<u>16,919</u>
<b>Change in Net Position</b>	317,705	24,614
<b>Net Position, Beginning of Year</b>	<u>2,138,652</u>	<u>2,114,038</u>
<b>Net Position, End of Year</b>	<u><u>\$ 2,456,357</u></u>	<u><u>\$ 2,138,652</u></u>

See accompanying notes to financial statements.

**Oklahoma City Industrial and Cultural Facilities Trust**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Statement of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Lease payments received	\$ 41,316	\$ 60,563
Miscellaneous income received	21,214	-
Payments to vendors and suppliers	<u>(98,999)</u>	<u>(70,825)</u>
Net cash provided by (used in) operating activities	<u>(36,469)</u>	<u>(10,262)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of land	1,275,000	-
Purchase of investments	(1,732,832)	(702,382)
Proceeds from investment maturities	449,896	350,000
Interest income received on note receivable	20,425	21,276
Investment interest received	<u>27,439</u>	<u>4,661</u>
Net cash provided by (used in) investing activities	<u>39,928</u>	<u>(326,445)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	3,459	(336,707)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>434,358</u>	<u>771,065</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 437,817</u>	<u>\$ 434,358</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
Operating income (loss)	\$ (55,574)	\$ 7,695
(Increase) decrease in lease receivable	6,840	10,027
(Increase) decrease in interest receivable - lease	34,476	-
(Increase) decrease in other assets	(3,856)	-
Increase (decrease) in accounts payable and accrued liabilities	1,349	-
Amortization of deferred inflows of resources	<u>(19,704)</u>	<u>(27,984)</u>
Net cash provided by (used in) operating activities	<u>\$ (36,469)</u>	<u>\$ (10,262)</u>

See accompanying notes to financial statements.

# Oklahoma City Industrial and Cultural Facilities Trust

## A Component Unit of the City of Oklahoma City, Oklahoma

### Notes to Financial Statements

#### Years Ended June 30, 2023 and 2022

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#### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

**Nature of activities** – 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. The building was sold in July 2015. The Trust maintained ownership of the adjacent land which was leased to the new building owner with the option to purchase. The adjacent land was sold in March 2023.

**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, deferred outflows, liabilities, and deferred inflows 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 liquid debt instruments purchased with a maturity of three months or less and money market mutual funds to be cash equivalents. At June 30, 2023 and 2022, cash equivalents consisted primarily of cash and money market accounts with brokers.

**Investments and investment income** – Investments in negotiable certificates of deposit and U.S. Treasury Notes and Bills 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.

**Note receivable** – The note receivable is 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 the assessment, no allowance for doubtful accounts was required at June 30, 2023 or 2022.



**Capital Assets** – Capital assets are recorded at cost at the date of purchase or acquisition value at the date of donation if acquired by gift. Depreciation, if any, is computed using a straight-line method over the estimated useful life of the asset. At June 30, 2023, the Trust had no capital assets. At June 30, 2022, capital assets consisted of land, which was not being depreciated.

**Long-lived asset impairment** – The Trust evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

**Net position** – The net position of a governmental entity is classified in three 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 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, or through constitutional provisions or enabling legislation. 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, 2023 and 2022.

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

**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.

**Recently implemented accounting pronouncement** – During the year ended June 30, 2022, the Trust implemented GASB Statement No. 87 “Leases.” The purpose of the statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. See *Note 4 (Leases)*.

## 2. DEPOSITS AND INVESTMENTS

**Cash Deposits** – Custodial credit 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, 2023 and 2022, the Trust had no uninsured or uncollateralized deposits, except as noted for FDIC 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.

Deposits of the Trust at June 30, 2023 and 2022, were approximately \$289,000 and \$266,000, respectively, with \$39,000 and \$16,000 in excess of FDIC insured limits for 2023 and 2022, respectively.

**Cash Equivalents** – Investments in the Goldman Sachs Financial Square Government Fund money market account, included in cash equivalents, totaled approximately \$148,000 and \$168,000 at June 30, 2023 and 2022, respectively. The investment has ratings of AAA by Standard & Poor's Ratings Group, and a weighted-average duration of less than one year at June 30, 2023 and 2022.

**Investments** – The Trust has adopted Investment Policy Statements (the IPS) to govern the administration of the Trust's investment portfolio assets. Under the IPS, the Trust is limited to investment vehicles specifically authorized under Oklahoma State Statute Title 62. Investments permitted include direct obligations of the U.S. federal government, collateralized, or insured certificates of deposit, savings accounts or certificates and other limited investment vehicles as permitted by state law.

The Trust's investments at June 30, 2023 and 2022, consisted of negotiable certificates of deposit and U.S. Treasury Notes and Bills.

Investments in fixed income government securities at June 30, 2023, consisted of four U.S. Treasury Notes and one U.S. Treasury Bill. Two of the notes have par values of \$125,000, one has a par value of \$240,000 and one has a par value of \$110,000, for a total of \$600,000. At June 30, 2023, the fair value of the notes was approximately \$589,000 with current maturities totaling \$480,000 and long-term maturities of \$109,000. The U.S. Treasury Bill has a par value of \$1,275,000. At June 30, 2023, the bill had a fair value of approximately \$1,270,000 and matures within one year.

Investments in negotiable certificates of deposit consisted of one certificate of deposit at June 30, 2023 with a par value of \$125,000. At June 30, 2023, the fair value of the certificate of deposit was approximately \$124,000 and long-term maturities of the certificate of deposit was \$124,000.

Investments in fixed income government securities consisted of four U.S. Treasury Notes at June 30, 2022, each with a par value of \$125,000, for a total of \$500,000. At June 30, 2022, the fair value of the notes was approximately \$497,000 with current maturities totaling \$249,000 and long-term maturities totaling \$248,000.

Investments in negotiable certificates of deposit consisted of two certificates of deposit at June 30, 2022: one with a par value of \$150,000 and one with a par value of \$50,000. At June 30, 2022, the fair value of the certificates of deposit was approximately \$198,000 and current maturities of the certificates of deposit were \$198,000.

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, and Level 3 inputs are significant unobservable inputs.

The Trust's recurring fair value measurements as of June 30, 2023 and 2022 are its cash equivalents included in the Goldman Sachs Financial Square Government Fund money market account, which are valued using Level 1 inputs, and its certificates of deposit and government securities, which are valued using Level 2 inputs. The fair values are estimated by using quoted prices of investments 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.

### 3. CAPITAL ASSETS AND RELATED NOTE RECEIVABLE AND 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 and adjacent land, 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 note payable to the City and additionally in the form of a grant.

The proceeds from the note payable were designated to provide for improvement to and ongoing operation, maintenance, and leasing of the Journal Record Building, ancillary facilities and adjacent land. Subsequent to the original agreement, this note payable has been amended multiple times.

In July 2015, the Trust sold the Journal Record Building for approximately \$4,400,000 through multiple transactions. The adjacent land was not part of the sale. The note payable to the City was amended to forgive the debt over and above the sales price in addition to any unpaid and accrued interest. 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 on the note receivable are used to pay the principal due on the note payable to the City. Interest earned on the note receivable remain with the Trust and is required to be used for future economic development.

Future principal payments on the note payable and future receipts on the note receivable consist of the following at June 30, 2023:

Year Ending June 30,	Long-Term	Note Receivable		Total
	Debt	Principal	Interest *	
2024	\$ 170,206	\$ 170,206	\$ 20,000	\$ 190,206
2025	170,206	170,206	19,000	189,206
2026	170,206	170,206	18,000	188,206
2027	170,206	170,206	102,000	272,206
2028	170,206	170,206	97,000	267,206
2029-2033	851,030	851,030	409,000	1,260,030
2034-2038	851,030	851,030	281,000	1,132,030
2039-2043	851,030	851,030	153,000	1,004,030
2044-2046	510,638	510,638	31,000	541,638
	<u>3,914,758</u>	<u>3,914,758</u>	<u>\$ 1,130,000</u>	<u>\$ 5,044,758</u>
Less current maturities	<u>170,206</u>	<u>170,206</u>		
	<u>\$ 3,744,552</u>	<u>\$ 3,744,552</u>		

\*Rate of interest on the note receivable is set at 0.5% for years 1–10. Beginning in fiscal year 2027, the rate of interest will be recalculated yearly to equal 50% of the prime rate published in the Wall Street Journal on July 9 of each year through the maturity of the loan, with a floor of 3.0% and a ceiling of 5.0%. The above table utilizes the floor rate of 3.0%.

In March 2023, the adjacent land was sold for a total purchase price of \$1,275,000 resulting in a gain on the sale of \$321,734. See also *Note 4 (Leases)*.

Capital assets consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Nondepreciable capital assets		
Land	\$ -	\$ 953,266

#### 4. LEASES

As part of the sale of the Journal Record Building in 2015 described in *Note 3*, the buyer of the building (“lessee”) agreed to lease the Journal Record Building’s adjacent land at \$60,563 per year for a lease term of 99 years commencing on the possession date. The lessee has the option to purchase the adjacent land at the appraised value of \$1,275,000 through 2026, and at amounts specified in the ground lease agreement after that. The lessee has constructed a multi-story parking garage on the land, as allowed in the purchase agreement.

In May 2022, the lessee requested approval to exercise the purchase option for the adjacent land and additional project financing assistance for expansion of the parking garage and further development of the site, known as the “Citizen Project”. On May 9, 2022, the Trust simultaneously approved the sale of the adjacent land for \$1,275,000 and a loan to assist with project financing in the same amount. The sale also required the lessee to pay approximately \$23,000 in business improvement district assessments.

In August 2022, the Trust received notification from the lessee, (now the “purchaser”) that due to current rising construction costs, the expansion of the parking garage would be delayed but the Citizen Project would still move forward. In addition, the purchaser requested that the proceeds of the loan approved by the Trust on May 9, 2022 be used for the construction of the Citizen Project instead of the parking garage expansion. The loan will be secured by a subordinate mortgage on the Citizen Project. On August 29, 2022, the Trust approved the request for the loan proceeds to be utilized for the Citizen Project and necessary amendments to the terms to remove the parking garage expansion from the project.

The loan agreement was finalized in March 2023, in conjunction with the sale of the adjacent land discussed above and related termination of the lease agreement. The loan agreement allows the purchaser to borrow up to \$1,275,000 with a maturity of 15 years after the loan proceeds are advanced, and an interest rate of 0.75% per annum. No advance had been made under this agreement as of June 30, 2023; however, funds were drawn in the full amount on September 20, 2023.

As required under accounting pronouncements, a lease receivable and related deferred inflow of resources, for the original lease of the adjacent land, as of June 30, 2022 are recorded in the statement of net position totaling \$2,560,074 and \$2,574,502, respectively. The lease receivable was calculated based on the present value of lease payments expected to be received during the lease term using a discount rate of 1.97%. Payments were fixed at \$60,563 annually for a period of 99 years.

The Trust recognized interest income on the lease receivable of \$50,536 and rental income of \$27,984 for the period ended June 30, 2022.

The lease receivable and related deferred inflow of resources were reduced to zero in 2023 as a result of the lessee exercising its option to purchase the adjacent land and terminate the lease. The Trust recognized a loss on the termination of the lease of approximately \$14,000.

\* \* \* \* \*



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
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), a component unit of the City of Oklahoma City, Oklahoma, which comprise the statement of net position as of June 30, 2023, 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 3, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

HSPG & ASSOCIATES, PC

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5400 N Grand Blvd, Suite 330 • Oklahoma City, Oklahoma 73112 • Phone: 405.844.9995 • Fax: 405.844.9975

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust'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 financial statements. 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.

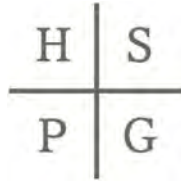
*HSPG & Associates, P.C.*

October 3, 2023

**Schedule of Findings and Responses  
Year Ended June 30, 2023**

<b>Reference Number</b>	<b>Finding</b>
No matters are reportable.	





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

We have audited the 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 statement of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 26, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Trust are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. The application of other existing policies was not changed during the year. We noted no transactions entered into by the Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Trust’s financial statements was:

Management’s estimate of the allowance for doubtful accounts related to the note receivable is based on collections and current credit conditions. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of future cash flows relating to the Trust’s note receivable and related debt service requirements described in Note 3 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

HSPG & ASSOCIATES, PC

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not identify any significant misstatements as a result of our audit procedures.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 3, 2023.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Trust's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trust's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Other Matters*

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

This information is intended solely for the information and use of Board of Trustees and management of the Trust and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*HSPG & Associates, P.C.*

October 3, 2023

**Oklahoma City Industrial and Cultural Facilities Trust**  
**Financial Statements**  
**For the Period Ended September 30, 2023**

Oklahoma City Industrial and Cultural Facilities Trust  
Statement of Net Position  
September 30, 2023

Assets

Current Assets	
Cash - Admin 1001	\$ 131,410
Cash - Revolving Loan Fund 7106	309,942
Interest Receivable - Investments	9,583
Interest Receivable - JRB	4,261
Prepaid Expenses	<u>2,892</u>
Total Current Assets	458,089
Other Assets	
Investments	716,253
Loan Receivable - JRB Holdings	3,744,551
Loan Receivable - JRB Citizen, LLC	<u>1,275,000</u>
Total Other Assets	5,735,804
Total Assets	<u>\$ 6,193,893</u>

Liabilities & Net Position

Liabilities	
Accrued Expenses	\$ 2,333
Note Payable	<u>3,744,551</u>
Total Liabilities	3,746,884
Net Position	<u>2,447,009</u>
Total Liabilities & Net Position	<u>\$ 6,193,893</u>

Oklahoma City Industrial and Cultural Facilities Trust  
Statement of Revenues, Expenses and Change in Net Position  
For the Three Months Ending September 30, 2023

	Current
Revenues	
Interest Income-JRB Loan	\$ 4,681
Interest Income	<u>19,584</u>
Total Revenues	<u>24,265</u>
Expenses	
Management Fees	7,000
Professional Fees	14,800
Office Expense	964
Change in Value of Investments	<u>10,850</u>
Total Expenses	<u>33,614</u>
Change in Net Position	<u>(9,349)</u>
Net Position, beginning balance	<u>2,456,358</u>
Net Position	<u><u>\$ 2,447,009</u></u>

**Oklahoma City Industrial and  
General Ledger  
For the Period From Jul 1, 2023 to Sep 30, 2023**

<b>Account Description</b>	<b>Date</b>	<b>Trans Description</b>	<b>Debit Amt</b>	<b>Credit Amt</b>	<b>Balance</b>
Admin Cash-021291001	7/1/23	Beginning Balance			148,368.95
Admin Cash-021291001	7/3/23	Interest Income	617.35		
Admin Cash-021291001	7/11/23	The Alliance for Econ Dev of O		2,333.33	
Admin Cash-021291001	7/14/23	Williams, Box, Forshee & Bulla		810.00	
Admin Cash-021291001	7/14/23	Williams, Box, Forshee & Bulla		60.00	
Admin Cash-021291001	7/14/23	Williams, Box, Forshee & Bulla		1,140.00	
Admin Cash-021291001	7/14/23	Williams, Box, Forshee & Bulla		667.50	
Admin Cash-021291001	8/1/23	US T-Bill	18,948.63		
Admin Cash-021291001	8/1/23	US T-Bill	1,256,051.37		
Admin Cash-021291001	8/1/23	Interest Income	625.50		
Admin Cash-021291001	8/8/23	The Alliance for Econ Dev of O		2,333.34	
Admin Cash-021291001	8/8/23	Williams, Box, Forshee & Bulla		180.00	
Admin Cash-021291001	8/8/23	Williams, Box, Forshee & Bulla		300.00	
Admin Cash-021291001	9/1/23	The Alliance for Econ Dev of O		2,333.34	
Admin Cash-021291001	9/1/23	Interest Income	6,276.09		
Admin Cash-021291001	9/15/23	Williams, Box, Forshee & Bulla		4,320.00	
Admin Cash-021291001	9/15/23	HSPG & Associates, PC		10,000.00	
Admin Cash-021291001	9/20/23	JRB Citizen LLC		1,275,000.00	
Admin Cash-021291001		Change	1,282,518.94	1,299,477.51	-16,958.57
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>131,410.38</b>
MidFirst Bank 7106-Trust Acct	7/1/23	Beginning Balance			
MidFirst Bank 7106-Trust Acct	9/30/23	Close MidFirst 3319-Rv Ln Fnd acct	309,942.47		
MidFirst Bank 7106-Trust Acct		Change	309,942.47		309,942.47
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>309,942.47</b>
Midfirst Bank 3319 - Rv Ln Fnd	7/1/23	Beginning Balance			289,447.64
Midfirst Bank 3319 - Rv Ln Fnd	7/5/23	City of Oklahoma City		170,206.85	
Midfirst Bank 3319 - Rv Ln Fnd	7/11/23	JRB Holdings, LLC	189,780.63		
Midfirst Bank 3319 - Rv Ln Fnd	7/31/23	Interest Income	334.05		
Midfirst Bank 3319 - Rv Ln Fnd	8/31/23	Interest Income	313.60		
Midfirst Bank 3319 - Rv Ln Fnd	9/28/23	Interest Income	273.40		
Midfirst Bank 3319 - Rv Ln Fnd	9/30/23	Close MidFirst 3319-Rv Ln Fnd acct		309,942.47	
Midfirst Bank 3319 - Rv Ln Fnd		Change	190,701.68	480,149.32	-289,447.64
Accounts Receivable	7/1/23	Beginning Balance			
Accounts Receivable	7/5/23	JRB Holdings, LLC	189,780.63		
Accounts Receivable	7/11/23	JRB Holdings, LLC - Invoice: 106		189,780.63	
Accounts Receivable		Change	189,780.63	189,780.63	
Interest Receiv. - Investments	7/1/23	Beginning Balance			17,387.39

**Oklahoma City Industrial and  
General Ledger  
For the Period From Jul 1, 2023 to Sep 30, 2023**

<b>Account Description</b>	<b>Date</b>	<b>Trans Description</b>	<b>Debit Amt</b>	<b>Credit Amt</b>	<b>Balance</b>
Interest Receiv. - Investments	7/31/23	Accrue monthly investment interest	7,071.13		
Interest Receiv. - Investments	8/1/23	US T-Bill		18,948.63	
Interest Receiv. - Investments	8/31/23	Accrue monthly investment interest	2,036.46		
Interest Receiv. - Investments	9/30/23	Accrue monthly investment interest	2,036.46		
Interest Receiv. - Investments		Change	11,144.05	18,948.63	-7,804.58
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>9,582.81</b>
Investments	7/1/23	Beginning Balance			1,983,154.45
Investments	7/31/23	Record unrealized gain/loss on investment securities	6,402.30		
Investments	8/1/23	US T-Bill - Invoice: CUSIP 912797GA9		1,256,051.37	
Investments	8/31/23	Record unrealized gain/loss on investment securities		17,909.83	
Investments	9/30/23	Record unrealized gain/loss on investment securities	657.90		
Investments		Change	7,060.20	1,273,961.20	-1,266,901.00
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>716,253.45</b>
Pre-paid expenses	7/1/23	Beginning Balance			3,856.28
Pre-paid expenses	7/31/23	Recognize monthly portion of Insurica D&O insurance (7/1-7/1)		321.36	
Pre-paid expenses	8/31/23	Recognize monthly portion of Insurica D&O insurance (7/1-7/1)		321.36	
Pre-paid expenses	9/30/23	Recognize monthly portion of Insurica D&O insurance (7/1-7/1)		321.36	
Pre-paid expenses		Change		964.08	-964.08
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>2,892.20</b>
Interest Receivable - JRB Loan	7/1/23	Beginning Balance			19,153.89
Interest Receivable - JRB Loan	7/5/23	JRB Holdings, LLC - Loan interest from 7/8/23 to 7/9/24		19,573.79	
Interest Receivable - JRB Loan	7/31/23	Accrue monthly interest due on Note Receivable for JRB loan	1,560.23		
Interest Receivable - JRB Loan	8/31/23	Accrue monthly interest due on Note Receivable for JRB loan	1,560.23		
Interest Receivable - JRB Loan	9/30/23	Accrue monthly interest due on Note Receivable for JRB loan	1,560.23		
Interest Receivable - JRB Loan		Change	4,680.69	19,573.79	-14,893.10
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>4,260.79</b>
Loan Receivable - JRB Holdings	7/1/23	Beginning Balance			3,914,757.51
Loan Receivable - JRB Holdings	7/5/23	JRB Holdings, LLC - Loan Principal from 7/8/23 to 7/9/24		170,206.84	
Loan Receivable - JRB Holdings		Change		170,206.84	-170,206.84
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>3,744,550.67</b>
Loan Receivable - Citizen	7/1/23	Beginning Balance			
Loan Receivable - Citizen	9/20/23	JRB Citizen LLC - Loan Receivable - Citizen	1,275,000.00		
Loan Receivable - Citizen		Change	1,275,000.00		1,275,000.00
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>1,275,000.00</b>
Accrued Expenses	7/1/23	Beginning Balance			-5,010.82
Accrued Expenses	7/14/23	Williams, Box, Forshee & Bulla - Invoice: 31648	810.00		
Accrued Expenses	7/14/23	Williams, Box, Forshee & Bulla - Invoice: 31649	60.00		

**Oklahoma City Industrial and  
General Ledger  
For the Period From Jul 1, 2023 to Sep 30, 2023**

<b>Account Description</b>	<b>Date</b>	<b>Trans Description</b>	<b>Debit Amt</b>	<b>Credit Amt</b>	<b>Balance</b>
Accrued Expenses	7/14/23	Williams, Box, Forshee & Bulla - Invoice: 31676	1,140.00		
Accrued Expenses	7/14/23	Williams, Box, Forshee & Bulla - Invoice: 31677	667.50		
Accrued Expenses		Change	2,677.50		2,677.50
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>-2,333.32</b>
Note Payable	7/1/23	Beginning Balance			-3,914,757.50
Note Payable	7/5/23	City of Oklahoma City - Note Payable	170,206.85		
Note Payable		Change	170,206.85		170,206.85
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>-3,744,550.65</b>
Fund Balance	7/1/23	Beginning Balance			-2,456,357.79
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>-2,456,357.79</b>
Interest Income	7/1/23	Beginning Balance			
Interest Income	7/3/23	Interest Income		617.35	
Interest Income	7/31/23	Interest Income		334.05	
Interest Income	8/1/23	Interest Income		625.50	
Interest Income	8/31/23	Interest Income		313.60	
Interest Income	9/1/23	Interest Income		6,276.09	
Interest Income	9/28/23	Interest Income		273.40	
Interest Income		Change		8,439.99	-8,439.99
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>-8,439.99</b>
Interest Income-JRB Loan	7/1/23	Beginning Balance			
Interest Income-JRB Loan	7/31/23	Accrue monthly interest due on Note Receivable for JRB loan		1,560.23	
Interest Income-JRB Loan	8/31/23	Accrue monthly interest due on Note Receivable for JRB loan		1,560.23	
Interest Income-JRB Loan	9/30/23	Accrue monthly interest due on Note Receivable for JRB loan		1,560.23	
Interest Income-JRB Loan		Change		4,680.69	-4,680.69
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>-4,680.69</b>
Interest Income - inv	7/1/23	Beginning Balance			
Interest Income - inv	7/31/23	Accrue monthly investment interest		7,071.13	
Interest Income - inv	8/31/23	Accrue monthly investment interest		2,036.46	
Interest Income - inv	9/30/23	Accrue monthly investment interest		2,036.46	
Interest Income - inv		Change		11,144.05	-11,144.05
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>-11,144.05</b>
Management Fees	7/1/23	Beginning Balance			
Management Fees	7/11/23	The Alliance for Econ Dev of O - Management Fees	2,333.33		
Management Fees	8/8/23	The Alliance for Econ Dev of O - Management Fees	2,333.34		
Management Fees	9/1/23	The Alliance for Econ Dev of O - Management Fees	2,333.34		
Management Fees		Change	7,000.01		7,000.01
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>7,000.01</b>



**Oklahoma City Industrial and  
General Ledger  
For the Period From Jul 1, 2023 to Sep 30, 2023**

<b>Account Description</b>	<b>Date</b>	<b>Trans Description</b>	<b>Debit Amt</b>	<b>Credit Amt</b>	<b>Balance</b>
Professional Fees	7/1/23	Beginning Balance			
Professional Fees	8/8/23	Williams, Box, Forshee & Bulla - General Legal Services	180.00		
Professional Fees	8/8/23	Williams, Box, Forshee & Bulla - JRB-Citizen Bldg.	300.00		
Professional Fees	9/15/23	Williams, Box, Forshee & Bulla - Professional Fees	4,320.00		
Professional Fees	9/15/23	HSPG & Associates, PC - Professional Fees	10,000.00		
Professional Fees		Change	14,800.00		14,800.00
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>14,800.00</b>
Office Expense	7/1/23	Beginning Balance			
Office Expense	7/31/23	Recognize monthly portion of Insurica D&O insurance (7/1-7/1)	321.36		
Office Expense	8/31/23	Recognize monthly portion of Insurica D&O insurance (7/1-7/1)	321.36		
Office Expense	9/30/23	Recognize monthly portion of Insurica D&O insurance (7/1-7/1)	321.36		
Office Expense		Change	964.08		964.08
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>964.08</b>
Unrealized Gain/Loss - Inv	7/1/23	Beginning Balance			
Unrealized Gain/Loss - Inv	7/31/23	Record unrealized gain/loss on investment securities		6,402.30	
Unrealized Gain/Loss - Inv	8/31/23	Record unrealized gain/loss on investment securities	17,909.83		
Unrealized Gain/Loss - Inv	9/30/23	Record unrealized gain/loss on investment securities		657.90	
Unrealized Gain/Loss - Inv		Change	17,909.83	7,060.20	10,849.63
	<b>9/30/23</b>	<b>Ending Balance</b>			<b>10,849.63</b>

**Oklahoma City Industrial and Cultural Facilities Trust**  
**Budgeted Statement of Revenues and Expenses**  
**For the Annual Period Ending June 30, 2024**

	2023-24 Proposed Budget	2022-23 Approved Budget	Difference
Revenues			
Interest	56,000	12,000	44,000
Administrative Fees	-	-	-
Interest - JRB Notes Receivable	23,504	19,574	3,930
Lease - Parking Lot	-	60,563	(60,563)
Total Revenues	<u>79,504</u>	<u>92,137</u>	<u>(12,633)</u>
Expenses			
Professional Fees	43,000	25,000	18,000
Management Fees - Alliance	28,000	28,000	-
Parking Lot	-	3,000	(3,000)
Office	6,500	5,000	1,500
Total Expenses	<u>77,500</u>	<u>61,000</u>	<u>16,500</u>
Net Income	<u>2,004</u>	<u>31,137</u>	<u>(29,133)</u>

Assumptions:

Interest - increases based on rising interest rates and investment balances.

Parking Lot - the parking lot parcel was sold and no longer generates revenues or expenses.

Administrative Fees - there are no conduit debt arrangements generating fees.

Interest - JRB Notes Receivable - increases for new loan related to the parking garage project.

Professional Fees - includes audit and legal fees based on prior activity. Legal fees related to proposed projects are not included.

Management fees - Alliance - proposed management fee remains unchanged.

Unrealized gain/loss on investments is not budgeted.

Proposed project related financial activity is not budgeted.



November 30, 2023

To the Board of Trustees and Management  
Oklahoma City Industrial and Cultural Facilities Trust

We are pleased to confirm our understanding of the services we are to provide the Oklahoma City Industrial and Cultural Facilities Trust (the “Trust”) for the year ended June 30, 2024.

### **Audit Scope and Objectives**

We will audit the financial statements of the Trust, which comprise the statement of net position as of June 30, 2024, 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 basic financial statements. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management’s discussion and analysis (MD&A), to supplement the Trust’s 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. As part of our engagement, we will apply certain limited procedures to the Trust’s RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1. Management’s Discussion and Analysis

### **Auditor’s Responsibilities for the Audit of the Financial Statements**

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of your accounting records of the Trust and other procedures we consider necessary to enable us to express an opinion. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Trust or to acts by

**HSPG & ASSOCIATES, PC**

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management or employees acting on behalf of the Trust. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Management override of controls
- Revenue recognition

#### **Audit Procedures—Internal Control**

We will obtain an understanding of the Trust and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

## **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Trust's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

## **Other Services**

We will also assist in preparing the financial statements and related notes of the Trust in conformity with accounting principles generally accepted in the United States of America based on information provided by you. These non-audit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## **Responsibilities of Management for the Financial Statements**

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the Trust from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Trust involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Trust received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Trust complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other non-audit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the non-audit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

#### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Trust; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of HSPG & Associates and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a federal agency providing direct or indirect funding or the U.S. Government Accountability Office for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of HSPG & Associates personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by an outside regulator. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the

audit finding for guidance prior to destroying the audit documentation.

Patrick Hollingsworth is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for services will be \$16,500. This includes any miscellaneous charges, such as travel, meals, and postage. Our invoices for these fees will be rendered as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

### **Reporting**

We will issue a written report upon completion of our audit of the Trust's financial statements. Our report will be addressed to the Board of Trustees of the Trust. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or issue reports, or we may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Trust is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We appreciate the opportunity to be of service to the Trust and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign a copy of this letter and return it to us.

Sincerely,

*HSPG & Associates, P.C.*

RESPONSE:

This letter correctly sets forth the understanding of the Oklahoma City Industrial and Cultural Facilities Trust.

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Governance signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**JOINT RESOLUTION OF THE CITY OF OKLAHOMA CITY, THE OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST, AND THE OKLAHOMA CITY INDUSTRIAL AND CULTURAL FACILITIES TRUST TRANSFERRING \$10,000,000 OF GENERAL OBLIGATION LIMITED TAX BOND PROCEEDS AND/OR INVESTMENT PROCEEDS, AND/OR OTHER ECONOMIC DEVELOPMENT FUNDS TO THE OKLAHOMA CITY INDUSTRIAL AND CULTURAL FACILITIES TRUST FOR THE PURPOSE OF ACQUIRING AND CREATING ONE OR MORE ECONOMIC DEVELOPMENT MEGA SITES.**

**WHEREAS**, The City of Oklahoma City (the “City”) and the Oklahoma City Economic Development Trust (“OCEDT”) desire to promote and assist economic development and specifically the creation and retainage of jobs and employment opportunities; and

**WHEREAS**, the City prepared the Employment Land Needs Assessment and Action Plan (“ELNAP”), the purpose of which was to gather information about the demand for large industrial and business sites and to identify the actions needed to ensure the adequacy of large sites in the future; and

**WHEREAS**, the ELNAP identified several findings and recommendations to address the industrial development challenges faced in Oklahoma City, which included: 1) primary jobs created on industrial land are critical to Oklahoma City’s economic stability and future growth; and 2) even though Oklahoma City has a very large land area, the City has difficulty recruiting large industrial companies due to a lack of suitable sites; and

**WHEREAS**, the ELNAP also found that competing cities have become more aggressive in their efforts to attract companies necessitating a stronger, more organized approach from the City; and

**WHEREAS**, as a critical part of its recruitment process, the Greater Oklahoma City Chamber (the “Chamber”) has determined through feedback from lost projects that companies are not locating in the Oklahoma City metropolitan area due to a lack of large building/site locations; and

**WHEREAS**, according to the Chamber, since 2020, Oklahoma City was considered as a location for nine different businesses seeking sites of approximately 1000 acres or more, but Oklahoma City did not have such a site ready and available; and

**WHEREAS**, The City, OCEDT, and the Chamber recognize that effective competition in today’s global marketplace requires very large development-ready sites; and

**WHEREAS**, to remain competitive in today’s market and attract new businesses, Oklahoma City needs to acquire an “Economic Development Mega Site” which is a site consisting of approximately 1000 acres of land that is development-ready; and

**WHEREAS**, the Oklahoma City Industrial and Cultural Facilities Trust (the “OCICFT”) is an Oklahoma public trust created under Title 60 of the Oklahoma State statutes with the City as its sole beneficiary; and

**WHEREAS**, pursuant to its Trust Indenture, OCICFT’s purpose is to promote the development of industrial, manufacturing, cultural, and education activities within and without the territorial limits of The City of Oklahoma City and to purchase, acquire, repair, sell, lease or otherwise deal in property of every nature which may be useful in securing, developing, and maintaining industry, and industrial, manufacturing, cultural or education activities; and

**WHEREAS**, OCICFT has legal authority to acquire, remediate and develop properties for the betterment of Oklahoma City; and

**WHEREAS**, OCEDT has identified funds on hand to support one or more Economic Development Mega Sites, predominantly GOLT Bond proceeds and/or investment income, supplemented with “Other Economic Development Funds”; and

**WHEREAS**, the transfer of the funds may be made in multiple transactions, the dates of which will be determined by the Economic Development Program Manager and OCICFT General Manager; and

**WHEREAS**, the City and OCEDT request that OCICFT accept one or more transfers which will total \$10,000,000 from the General Obligation Limited Tax Bonds proceeds and/or investment income and/or other Economic Development Funds and proceed with the task of acquisition of one or more Economic Development Mega Sites which may include acquisition, remediation, and development of one or more sites, including but not limited to expenditure of such funds for the purchase of property, appraisals, environmental testing, environmental clean-up, utility relocation, engineering, legal services, and administrative services (the “Assignment ”); and

**WHEREAS**, OCICFT agrees to accept the transfer(s) of funds and agrees the funds will only be spent to effectuate the Assignment; and

**WHEREAS**, OCICFT further agrees to provide at least quarterly updates to the Economic Development Program Manager regarding the progress of the Assignment; and.

**WHEREAS**, OCICFT shall provide a full accounting to the Economic Development Program Manager no more than sixty (60) days after completion of the Assignment, which shall include detailed costs by parcel, such as purchase prices and closing costs, as well as costs applicable to the Assignment as a whole, such as engineering, legal and other professional services. OCICFT shall provide copies of all supporting documentation including real estate purchase agreements, closing statements, and contractor invoices. Remaining funds provided by OCEDT to OCICFT pursuant this Joint Resolution, including unexpended interest earned, shall be returned to OCEDT within sixty (60) days of completion of the Assignment. Interest earnings may be used by OCICFT for execution of the Assignment. If the Assignment is not completed within five (5)

years of the date of final execution of this Joint Resolution, all remaining funds, less costs incurred, will be returned to OCEDT.

**NOW THEREFORE, BE IT JOINTLY RESOLVED**, by the Council of The City of Oklahoma City and the Oklahoma City Economic Development Trust that \$10,000,000 in General Obligation Limited Tax bond proceeds and/or investment proceeds and/or other Economic Development Funds shall be transferred to the Oklahoma City Industrial and Cultural Facilities Trust for the purpose of acquiring and creating one or more Economic Development Mega Sites in accordance with the terms of this Joint Resolution.

**BE IT RESOLVED**, by the Oklahoma City Industrial and Cultural Facilities Trust that the transfer of \$10,000,000 of General Obligation Limited Tax bond proceeds and/or investment proceeds and/or other Economic Development Funds is accepted, and it will carry out the Assignment in accordance with the terms of this Joint Resolution.

[Signature Pages Follow]

[Signature Page for the Oklahoma City Economic Development Trust]

**APPROVED** by the Trustees and **SIGNED** by the Chair of the Oklahoma City  
Economic Development Trust this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

**ATTEST:**

**OKLAHOMA CITY ECONOMIC  
DEVELOPMENT TRUST**, a public trust

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
Chairman

[Signature Page for The City of Oklahoma City]

**APPROVED** by the City Council and **SIGNED** by the Mayor of The City of Oklahoma

City this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

ATTEST:

**THE CITY OF OKLAHOMA CITY,**  
a municipal corporation

\_\_\_\_\_  
City Clerk

By: \_\_\_\_\_  
Mayor

**REVIEWED** for form and legality.

  
\_\_\_\_\_  
Assistant Municipal Counselor

[Signature Page for the Oklahoma City Economic Development Trust]

**APPROVED** by the Trustees and **SIGNED** by the Chair of the Oklahoma City Industrial and Cultural Facilities Trust this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

**ATTEST:**

**OKLAHOMA CITY INDUSTRIAL AND CULTURAL FACILITIES TRUST, a public trust**

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
Chairman

**RESOLUTION AUTHORIZING THE CHAIR OR VICE-CHAIR, OR THE GENERAL MANAGER IN THE ABSENCE OF THE CHAIR AND VICE-CHAIR, TO EXECUTE CONTRACTS IN THE FURTHERANCE OF THE ACQUISITION OF ONE OR MORE ECONOMIC DEVELOPMENT MEGA SITES.**

**WHEREAS**, The City of Oklahoma City (the “City”) and the Oklahoma City Economic Development Trust (“OCEDT”) requested that the Trust accept \$10,000,000 from the General Obligation Limited Tax Bonds proceeds and/or investment income and/or other Economic Development Funds and proceed with the task of acquisition of one or more Economic Development Mega Sites which may include acquisition, remediation, and development of one or more sites (the “Assignment”); and

**WHEREAS**, the Assignment will include the need to enter into contracts for professional services such as acquisition agents, appraisals, environmental testing and clean-up, engineering, and title services, as well as Purchase and Sale Agreements with property owners for the purchase of real property; and

**WHEREAS**, there is a need for urgency to acquire a Mega Site property and the acquisition process can be expedited by authorizing the Chair or Vice-Chair, or the General Manager in the absence of the Chair and Vice-Chair, to execute professional service contracts and Purchase and Sale Agreements for the acquisition of one or more Mega Site in amounts up to and not to exceed the cumulative amount of \$10,000,000 as provided for the Assignment; and

**WHEREAS**, prior to executing any such contract the Chair or Vice-Chair, or in their absence the General Manager, shall confer with General Counsel or his designee, as to the legality of the contract and the use of the funds; and

**WHEREAS**, it is desirable that the Chair, a Vice-chair, General Manager, and General Counsel, or any one of them, are authorized to take necessary actions in furtherance of this Resolution, including but not limited to effectuation of the purchase of land for a Mega Site and other matters authorized by this Resolution, all for and on behalf of the Trust.

**NOW THEREFORE, BE IT RESOLVED**, by the Oklahoma City Industrial and Cultural Facilities Trust that the Chair or Vice-Chair, or the General Manager in the absence of the Chair and Vice-Chair, are authorized to enter into and execute professional service contracts and Purchase and Sale Agreements and take all actions necessary to effectuate the acquisition of one or more Mega Sites in accordance with this Resolution.

**APPROVED** by the Oklahoma City Industrial and Cultural Facilities Trust this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

**ATTEST:**

**OKLAHOMA CITY INDUSTRIAL AND  
CULTURAL FACILITIES TRUST**

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
Chair