Oklahoma City Redevelopment Authority

Financial Statements

June 30, 2012 and 2011
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS

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FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Oklahoma City Redevelopment Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Oklahoma City Redevelopment Authority (the "Authority"), which is a component unit of the City of Oklahoma City, Oklahoma, financial reporting entity, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2012 and 2011, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States.

As more fully described in Note 2, the financial statements as of and for the year ended June 30, 2011, have been restated to reflect the Authority's ownership of certain capital assets acquired in prior years.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

(Continued)

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INDEPENDENT AUDITORS' REPORT, CONTINUED

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The budget-to-actual comparisons (life-to-date) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying budget-to-actual comparisons (life-to-date) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Finley & Cook, PLLC

Shawnee, Oklahoma
November 30, 2012

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

STATEMENTS OF NET ASSETS

June 30,	*2012*	*2011*
	Governmental Activities	
Assets		
Current assets:		
Cash and cash equivalents	$ 6,490,096	5,979,442
Investments, at fair value	4,900,000	3,675,000
Due from other governments	23,706	4,277
Due from PHF	40,487	47,965
Rent receivable	246,097	50,117
Interest receivable	21,404	21,404
Total current assets	11,721,790	9,778,205
Capital assets:		
Land	506,891	506,891
Building, parking garages, and undivided ownership interest in buildings, net	19,751,976	20,732,785
Total capital assets	20,258,867	21,239,676
Other noncurrent assets:		
Notes receivable	10,654,000	10,654,000
Other assets	300,000	300,000
Total other noncurrent assets	10,954,000	10,954,000
Total assets	42,934,657	41,971,881
Liabilities		
Current liabilities:		
Current portion of long-term debt	2,006,700	1,997,446
Due to PHF	9,703	9,703
Due to Urban Renewal	8,998	4,573
Total current liabilities	2,025,401	2,011,722
Noncurrent liabilities:		
Deferred revenue	250,000	-
Long-term debt, less current maturities	19,615,694	21,622,394
Total noncurrent liabilities	19,865,694	21,622,394
Total liabilities	21,891,095	23,634,116
Net Assets		
Invested in capital assets, net of related debt	1,190,299	409,581
Restricted for debt service	2,282,278	2,258,263
Restricted for construction project	-	2,584
Restricted for Skirvin Hotel Project activities	4,102,566	3,119,898
Restricted for other TIF activities	13,468,419	12,547,439
Total net assets	$ 21,043,562	18,337,765

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2012

		REVENUES			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants, Contributions, and Restricted Interest	Net (Expenses) Revenues
Governmental activities:					
Economic development	$ (1,076,143)	1,088,829	-	397,034	409,720
Interest expense	(288,402)	-	-	-	(288,402)
Total governmental activities	$ (1,364,545)	1,088,829	-	397,034	121,318
General revenues:					
Apportioned TIF 1 ad valorem taxes					2,587,033
Total general revenues					2,587,033
Special item:					
Funds returned to the Oklahoma City Economic Development Trust					(2,554)
Change in net assets					2,705,797
Net assets, beginning of year, as restated					18,337,765
Net assets, end of year					$ 21,043,562

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

STATEMENTS OF ACTIVITIES, CONTINUED

Year Ended June 30, 2011

		REVENUES			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants, Contributions, and Restricted Interest	Net (Expenses) Revenues
Governmental activities:					
Economic development	$ (1,079,525)	1,168,150	-	403,451	492,076
Interest expense	(372,617)	-	-	-	(372,617)
Total governmental activities	$ (1,452,142)	1,168,150	-	403,451	119,459
General revenues:					
Apportioned TIF 1 ad valorem taxes					2,724,063
Reimbursement from Public Works Department					46,540
Total general revenues					2,770,603
Change in net assets, as restated					2,890,062
Net assets, beginning of year, as restated					15,447,703
Net assets, end of year, as restated					$ 18,337,765

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

BALANCE SHEETS—GOVERNMENTAL FUNDS

June 30, 2012

	TIF 1	Skirvin Hotel Project	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 5,090,333	1,399,763	6,490,096
Investments, at fair value	2,450,000	2,450,000	4,900,000
Rent receivable	-	231,399	231,399
Interest receivable	-	21,404	21,404
Due from PHF	40,487	-	40,487
Other assets	300,000	-	300,000
Total assets	$ 7,880,820	4,102,566	11,983,386
Liabilities and Fund Balances			
Due to PHF	$ 9,703	-	9,703
Due to Urban Renewal	8,998	-	8,998
Deferred revenue	250,000	-	250,000
Total liabilities	268,701	-	268,701
Fund balances:			
Restricted for:			
Debt service	2,282,278	-	2,282,278
Skirvin Hotel Project activities	-	4,102,566	4,102,566
Other TIF activities	5,329,841	-	5,329,841
Total fund balances	7,612,119	4,102,566	11,714,685
Total liabilities and fund balances	$ 7,880,820	4,102,566	11,983,386

See Independent Auditors' Report.
See accompanying notes to financial statements.

BALANCE SHEETS—GOVERNMENTAL FUNDS, CONTINUED

June 30, 2011

	TIF 1	Skirvin Hotel Project	The Hill Project	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 2,915,364	3,061,494	2,584	5,979,442
Investments, at fair value	3,675,000	-	-	3,675,000
Rent receivable	-	37,000	-	37,000
Interest receivable	-	21,404	-	21,404
Due from PHF	47,965	-	-	47,965
Due from other governments	4,277	-	-	4,277
Other assets	300,000	-	-	300,000
Total assets	$ 6,942,606	3,119,898	2,584	10,065,088
Liabilities and Fund Balances				
Due to PHF	$ 9,703	-	-	9,703
Due to Urban Renewal	4,573	-	-	4,573
Total liabilities	14,276	-	-	14,276
Fund balances:				
Restricted for:				
Debt service	2,258,263	-	-	2,258,263
Construction project	-	-	2,584	2,584
Skirvin Hotel Project activities	-	3,119,898	-	3,119,898
Other TIF activities	4,670,067	-	-	4,670,067
Total fund balances	6,928,330	3,119,898	2,584	10,050,812
Total liabilities and fund balances	$ 6,942,606	3,119,898	2,584	10,065,088

See Independent Auditors’ Report.
See accompanying notes to financial statements.

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

RECONCILIATION OF THE BALANCE SHEETS—GOVERNMENTAL FUNDS TO THE STATEMENTS OF NET ASSETS

June 30,	*2012*	*2011*
Total fund balances	$ 11,714,685	10,050,812
Amounts reported in the statements of net assets are different because:		
Capital assets, notes receivable, and certain other assets used in governmental activities are not current financial resources and therefore are not reported in the fund:		
Land	506,891	506,891
Building, net of accumulated depreciation of $1,528,340 and $1,237,228 as of June 30, 2012 and 2011, respectively	5,749,471	6,040,583
Parking garages, net of accumulated depreciation of $3,074,971 and $2,438,770 as of June 30, 2012 and 2011, respectively	12,830,048	13,466,249
Undivided ownership interest in buildings, net of accumulated depreciation of $164,946 and $111,450 as of June 30, 2012 and 2011, respectively	1,172,457	1,225,953
Notes receivable	10,654,000	10,654,000
Rent receivable	14,698	13,117
Due from other governments	23,706	-
Certain liabilities are not due and payable in the current period and therefore are not reported in the fund:		
Long-term debt	(21,622,394)	(23,619,840)
Net assets, per the statements of net assets	$ 21,043,562	18,337,765

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	TIF 1	Skirvin Hotel Project	The Hill Project	Total Governmental Funds
Revenues:				
Apportioned ad valorem taxes—TIF 1	$ 2,563,327	-	-	2,563,327
Rental income	485,849	601,399	-	1,087,248
Interest income paid on tax deposits held by the Oklahoma County Treasurer	957	-	-	957
Interest income on loans	-	376,844	-	376,844
Investment income	14,628	4,605	-	19,233
Total revenues	3,064,761	982,848	-	4,047,609
Expenditures:				
Category A:				
Bio-medical, bio-pharmaceutical, and technological research and development facilities and other public research park improvements:				
General	8,138	-	-	8,138
Category B:				
Parking facilities and other public improvements:				
General	1,770	-	-	1,770
Category C:				
Administration	85,155	-	-	85,155

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS, CONTINUED

Year Ended June 30, 2012

	TIF 1	Skirvin Hotel Project	The Hill Project	Total Governmental Funds
Expenditures, Continued:				
Other expenditures	61	180	30	271
Debt service:				
Principal	1,997,446	-	-	1,997,446
Interest	288,402	-	-	288,402
Total expenditures	2,380,972	180	30	2,381,182
Excess of revenues over expenditures	683,789	982,668	(30)	1,666,427
Transfers and other financing sources (uses):				
Transfers—other	-	-	(2,554)	(2,554)
Total transfers and other financing sources (uses)	-	-	(2,554)	(2,554)
Net changes in fund balances	683,789	982,668	(2,584)	1,663,873
Fund balances, beginning of year	6,928,330	3,119,898	2,584	10,050,812
Fund balances, end of year	$ 7,612,119	4,102,566	-	11,714,685

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS, CONTINUED

Year Ended June 30, 2011

	TIF 1	Skirvin Hotel Project	The Hill Project	Total Governmental Funds
Revenues:				
Apportioned ad valorem taxes—TIF 1	$ 2,724,063	-	-	2,724,063
Rental income	575,584	593,417	-	1,169,001
Interest income paid on tax deposits held by the Oklahoma County Treasurer	80	-	-	80
Interest income on loans	-	376,844	-	376,844
Reimbursement from Public Works Department	46,540	-	-	46,540
Investment income	16,743	9,784	-	26,527
Total revenues	3,363,010	980,045	-	4,343,055
Expenditures:				
Category A:				
Bio-medical, bio-pharmaceutical, and technological research and development facilities and other public research park improvements:				
General	7,314	-	-	7,314
Category B:				
Parking facilities and other public improvements:				
General	227	-	-	227
Category C:				
Administration	77,260	-	-	77,260

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS, CONTINUED

Year Ended June 30, 2011

	TIF 1	Skirvin Hotel Project	The Hill Project	Total Governmental Funds
Expenditures, Continued:				
Advances to TIF 7—Category D, acquisition costs	13,729	-	-	13,729
Other expenditures	19	165	-	184
Debt service:				
Principal	1,780,160	-	-	1,780,160
Interest	372,617	-	-	372,617
Total expenditures	2,251,326	165	-	2,251,491
Excess of revenues over expenditures	1,111,684	979,880	-	2,091,564
Transfers and other financing sources (uses):				
Transfers—other	-	-	-	-
Total transfers and other financing sources (uses)	-	-	-	-
Net changes in fund balances	1,111,684	979,880	-	2,091,564
Fund balances, beginning of year	5,816,646	2,140,018	2,584	7,959,248
Fund balances, end of year	$ 6,928,330	3,119,898	2,584	10,050,812

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES

Years Ended June 30,	*2012*	*2011*
Net changes in fund balances—governmental funds	$ 1,663,873	2,091,564
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets:		
Depreciation expense	(980,809)	(980,811)
Certain income is not derived from current financial resources and therefore not reported as income in governmental funds:		
Apportioned TIF 1 ad valorem taxes	23,706	-
Rental income on parking garage	1,581	(851)
Advances from debt agreements, principal repayments, and changes in certain other assets are not reflected as revenues and expenditures in the statements of activities:		
Principal payments on debt agreements and notes payable	1,997,446	1,780,160
Changes in net assets, per the statements of activities	$ 2,705,797	2,890,062

See Independent Auditors' Report.
See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Oklahoma City Redevelopment Authority (the "Authority") was formed as a public trust on May 7, 1985. This Declaration of Trust named the City of Oklahoma City, Oklahoma (the "City") as the beneficiary of the trust. The purposes of the Authority are set forth in the Declaration of Trust.

The Authority is governed by a Board of Trustees nominated by the Mayor and approved by the City Council of the City. For financial reporting purposes, the Authority is a component unit of the City.

Presently, the Authority has no employees, but utilizes the Oklahoma City Urban Renewal Authority ("Urban Renewal") to perform administrative activities.

The Authority has been designated as the entity to receive tax apportionment revenues for certain Tax Increment Financing Districts (TIFs) of the City. The following TIFs are administered by the Authority:

TIF 1 and TIF 7	Oklahoma Health Center Economic Development—Total budget of $68,000,000, plus interest and the cost of issuance of bonds to finance the project.

The districts have defined project areas and tax increment areas. TIF 1 and TIF 7 have set termination dates and are presently scheduled to terminate at June 30, 2022, and June 30, 2032, respectively.

Reporting Entity

The Authority's financial statements are included in the financial statements of the City. These financial statements include only the activities of the Authority and not those of Urban Renewal.

Basis of Presentation

The Authority complies with accounting principles generally accepted in the United States. Accounting principles generally accepted in the United States include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation, Continued

Government-Wide Financial Statements

The statements of net assets and the statements of activities display information about the Authority as a whole. The Authority's activities are all governmental in nature and generally are financed primarily through ad valorem taxes. The Authority has no business-type activities as defined by GASB 34. The statements of net assets reflect the following types of net assets:

- *Invested in capital assets, net of related debt*—Represents the net investment in capital assets less the debt associated with the capital assets.

- *Restricted*—Represents net assets which have been restricted by outside sources. The net assets have been restricted for debt service, construction projects, and TIF activities.

- *Unrestricted*—Represents the remaining net assets, if any.

In the previous year's financial statements, there was an amount reflected as unrestricted. However, upon further review, it was determined that the previous unrestricted net assets were restricted by other governments. As such, previous unrestricted net assets have been reclassified and shown as restricted net assets.

Fund Financial Statements

Fund financial statements are normally organized into funds, each of which is considered to be a separate accounting entity. A fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

For the financial statement presentation, the Authority presently has three special revenue funds:

- TIF 1
- Skirvin Hotel Project
- The Hill Project

One of the funds accounts for the activity of the TIF. The projects are as follows:

Skirvin Hotel Project—The Authority, Urban Renewal, and the City have assisted in the renovation of the historic Skirvin Hotel. The renovation involved both public and private funds.

The Hill Project—The Hill Project is a Planned Unit Development (PUD) neighborhood located adjacent to Interstate 235 and NE 2nd Street. The PUD is being developed to contain approximately 170 owner-occupied townhouses upon completion.

See Independent Auditors' Report.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation, Continued

Fund Financial Statements, Continued

The Authority has only governmental-type funds, with no proprietary funds.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), defines fund balances for presentation as follows:

- Nonspendable—Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash.

- Restricted—Consists of fund balance amounts with constraints placed on the use of the resources either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.

- Committed—Reflects specific purposes pursuant to constraints imposed by formal action of the Authority's highest level of decision-making authority (the Board of Trustees). Also, such constraints can only be removed or changed by the same form or formal action.

- Assigned—Reflects fund balance amounts that are constrained by the Authority's intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint.

- Unassigned—Represents fund balance amounts that have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes.

Based on the above definitions, the components of the Authority's fund balances are as follows:

- Restricted—The Skirvin Hotel Project activities in TIF 2 are reflected as restricted due to conditions imposed by either financing documents or City approvals. TIF 2 is now being administered by the City. As more fully described in Note 9, certain notes require a reserve fund as well as encumbered revenues to be maintained. The restricted fund balance for debt service in TIF 1 was $2,282,278 at June 30, 2012. The remaining fund balance in TIF 1 is reflected as restricted for other TIF activities.

In the previous year's financial statements, the remaining TIF 1 fund balance was reflected as committed. However, the constraint placed on the use is by other governments; therefore, the committed fund balance was reclassified and shown as restricted.

See Independent Auditors' Report.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded, regardless of the measurement focus applied.

Measurement Focus

On the government-wide financial statements, the Authority's activities are presented using the "economic resources" measurement focus as defined below:

- The statements of net assets and the statements of activities utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of changes in net assets and financial positions. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used as defined below:

- The governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. The statements use fund balances as the measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statements of net assets and statements of activities, the Authority's activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets are used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchanges take place.

In the fund financial statements, the governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers 60 days as the timeframe for collectible. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest which are reported when due.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Income Taxes

The Authority is a governmental agency organized under the laws of the State of Oklahoma and is not subject to federal or state income taxes.

Annual Budget-to-Actual Comparison

The Authority is not required to and does not prepare a legally adopted annual budget. Therefore, an annual budget-to-actual comparison as required by GASB 34 as required supplementary information is not presented.

The Authority does prepare a project life-to-date, budget-to-actual expenditure comparison that has been presented as other supplementary information.

Advertising Costs

All costs associated with advertising are expensed as incurred.

Reclassification of Prior Year Amounts

Certain amounts for 2011 have been reclassified to be comparable with the 2012 presentation.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62). The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures

The requirements in GASB 62 will improve financial reporting by contributing GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. GASB 62 is effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The provisions of GASB 62 are required to be applied retroactively for all periods presented.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources; and recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through November 30, 2012, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

(2) RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During 2009, the Authority purchased an undivided ownership interest in certain real estate owned by the Presbyterian Health Foundation (PHF). The total cost of the undivided interest was $1,337,403. The cost should have been capitalized on the government-wide financial statements. The 2011 financial statements have been restated to reflect the asset and the related depreciation expense. The undivided interest is being depreciated over a 25-year life using the straight-line method of depreciation. In addition, $5,019 of costs were added to capital assets acquired in August 2007.

The effects of the restatement of the 2011 financial statements are as follows:

	Totals	Line Items
Total capital assets:		
As previously reported	$ 20,009,474	
Effect of capital asset changes, net of depreciation	1,230,202	
As restated	$ 21,239,676	
Invested in capital assets, net of related debt:		
As previously reported		$ (820,621)
Effect of capital asset changes, net of depreciation		1,230,202
As restated		$ 409,581
Net assets:		
As previously reported	$ 17,107,563	
Effect of capital asset changes, net of depreciation	1,230,202	
As restated	$ 18,337,765	

(Continued)

(2) RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS, CONTINUED

	Totals	Line Items
Governmental—economic development activities (expenses):		
As previously reported	$ (1,398,444)	$ (1,025,827)
Effect of depreciation expense on capital asset changes	(53,698)	(53,698)
As restated	$ (1,452,142)	$ (1,079,525)
Net (expenses) revenues for total governmental activities:		
As previously reported	$ 173,157	$ 545,774
Effect of depreciation expense on capital asset changes	(53,698)	(53,698)
As restated	$ 119,459	$ 492,076
Changes in net assets:		
As previously reported		$ 2,943,760
Effect of capital asset changes, net of depreciation		(53,698)
As restated		$ 2,890,062
Net assets at beginning of year:		
As previously reported		$ 14,163,803
Effect of capital asset changes, net of depreciation		1,283,900
As restated		$ 15,447,703

See Independent Auditors' Report.

(3) CASH, CASH EQUIVALENTS, AND INVESTMENTS

Custodial risk is the risk that in the event of the failure of a counterparty, the Authority 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 Authority, or are held by a counterparty or the counterparty's trust department but not in the name of the Authority.

The policy of the Authority is to require all deposits to be maintained in accounts which are fully insured or collateralized. As of June 30, 2012 and 2011, the Authority had no uninsured or uncollateralized deposits. The Authority requires that investment collateral be held by a third-party custodian with whom the Authority has a current custodial agreement in the Authority's name.

Cash and Cash Equivalents

All cash and cash equivalent balances were restricted as of June 30 for the following purposes:

	2012	2011
Debt service	$ 2,282,278	2,258,263
Construction project	-	2,584
Skirvin Hotel Project activities	1,399,763	3,061,494
Other TIF activities	2,808,055	657,101
	$ 6,490,096	5,979,442

See Independent Auditors' Report.

(3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments

At June 30, 2012, $2,450,000 of investments were restricted for TIF activities and $2,450,000 were restricted for Skirvin Hotel Project activities. At June 30, 2011, all investments were restricted for TIF activities.

Investments at June 30 consisted of:

	2012		
Certificates of Deposit*	Maturity Date	Cost	Fair Value
Bank of China, NY	7/20/2012	$ 245,000	245,000
GE Capital Retail Bank	7/20/2012	245,000	245,000
Discover Bank	8/3/2012	245,000	245,000
Standard Bank & Trust	8/3/2012	245,000	245,000
Wright Express Financial Services	8/3/2012	245,000	245,000
Farmers and Merchants Bank, NC	8/10/2012	245,000	245,000
Bank of Hampton Roads, VA	8/22/2012	245,000	245,000
Goldman Sachs Bank	8/24/2012	245,000	245,000
Safra National Bank, NY	8/24/2012	245,000	245,000
BMW Bank of North America, UT	8/31/2012	245,000	245,000
Transportation Alliance Bank, UT	9/18/2012	245,000	245,000
Enerbank USA, UT	9/28/2012	245,000	245,000
Doral Bank, PR	10/5/2012	245,000	245,000
Bank Hapoalim, NY	10/11/2012	245,000	245,000
Apple Bank for Savings, NY	10/12/2012	245,000	245,000
GE Capital Financial Inc	11/13/2012	245,000	245,000
Bank of Baroda, NY	12/20/2012	245,000	245,000
Compass Bank	1/29/2013	245,000	245,000
First Business Bank, WI	3/28/2013	245,000	245,000
FirstBank, PR	6/28/2013	245,000	245,000
		$ 4,900,000	4,900,000

* All of the certificates of deposit are covered by FDIC insurance. The weighted average maturity for the certificates of deposit was 3.4 months at June 30, 2012.

(3) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments, Continued

	2011		
Certificates of Deposit*	Maturity Date	Cost	Fair Value
GE Money Bank	7/22/2011	$ 245,000	245,000
Tower Bank & Trust	7/26/2011	245,000	245,000
Girard National Bank	7/29/2011	245,000	245,000
TrustAtlantic Bank	9/20/2011	245,000	245,000
Transportation Alliance Bank, UT	9/23/2011	245,000	245,000
Republic Bank, Bountiful, UT	9/29/2011	245,000	245,000
Farmers & Merchants State Bank of Alpha	9/30/2011	245,000	245,000
Peoples Bank of Wisconsin	10/17/2011	245,000	245,000
Bank of Baroda, NY	12/13/2011	245,000	245,000
Bank of India	5/2/2012	245,000	245,000
Bank of China, NY	6/22/2012	245,000	245,000
State Bank of India, New York, NY	6/28/2012	245,000	245,000
State Bank of India, Chicago, IL	6/29/2012	245,000	245,000
Bank of Hampton Roads, VA	8/22/2012	245,000	245,000
Safra National Bank, NY	8/24/2012	245,000	245,000
		$ 3,675,000	3,675,000

* All of the certificates of deposit are covered by FDIC insurance. The weighted average maturity for the certificates of deposit was 6.4 months at June 30, 2011.

While the Authority does not have a formal investment policy, its standard of operations is to only invest in short-term (maturity of less than 1.5 years) U.S. government or U.S. government agency securities, or short-term (maturity of less than 1.5 years) certificates of deposit.

(4) DUE FROM OTHER GOVERNMENTS

Amounts due to the Authority from other governments at June 30 consisted of the following:

	2012	2011
TIF 1 funds held by the Oklahoma County Treasurer	$ 23,706	4,277

(5) NOTES RECEIVABLE

Balances of the notes receivable at June 30 were as follows:

	2012	2011
Skirvin Investment Fund, LLC	$ 6,654,000	6,654,000
Skirvin Partners, LLC	4,000,000	4,000,000
	$ 10,654,000	10,654,000

Skirvin Investment Fund, LLC (the "Fund")

The $6,654,000 loan is secured with assets of the Fund and bore interest at the rate of 1% during the construction period of the Skirvin Hotel, with interest payable monthly. After completion of the Skirvin Hotel, the interest rate increased to 3.86%. The completion date for the Skirvin Hotel was February 26, 2007. The note matures December 31, 2012. As of both June 30, 2012 and 2011, there was $21,404 of interest receivable on the loan. Interest income of approximately $257,000 was recognized during each of the years ended June 30, 2012 and 2011, in the statements of activities.

Skirvin Partners, LLC

The Authority loaned Skirvin Partners, LLC, $4,000,000. The loan is secured with the OCRA Subordinated Mortgage and bears interest at the rate of 3%, with interest payable monthly. The note matures December 31, 2012. Interest income of approximately $120,000 was recognized during each of the years ended June 30, 2012 and 2011, in the statements of activities.

(5) NOTES RECEIVABLE, CONTINUED

Summit Henderson at Arts Central, LLC

In addition to the notes receivable that are recorded on the financial statements, there is a note receivable with Summit Henderson at Arts Central, LLC ("Summit") in the principal amount of $1,900,000, without interest. The principal amount was paid to Summit upon completion of certain improvements which Summit promised to perform pursuant to a redevelopment agreement with the Authority. The principal amount of the promissory note is scheduled to be forgiven according to the loan forgiveness schedule presented below.

Schedule of Loan Forgiveness
(Commencement Date—March 1, 2006)

(30 months after commencement date)	$ 1,100,000
(42 months after commencement date)	240,000
(60 months after commencement date)	210,000
(72 months after commencement date)	190,000
(84 months after commencement date)	160,000
Total loan forgiveness	$ 1,900,000

Because the Authority intends to forgive the note, and a large portion of the note has already been forgiven, it has not been recorded on the financial statements.

(6) CAPITAL ASSETS

Capital assets at June 30 consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
2012				
Land	$ 506,891	-	-	506,891
Building	7,277,811	-	-	7,277,811
Presbyterian Health Foundation (PHF):				
PHF parking garage #1	9,621,463	-	-	9,621,463
PHF parking garage #2	6,283,556	-	-	6,283,556
Undivided ownership interest in buildings	1,337,403	-	-	1,337,403
	24,520,233	-	-	24,520,233
Less: accumulated depreciation	(3,787,448)	(980,809)	-	(4,768,257)
Building, parking garages, and undivided ownership interest in buildings, net	20,732,785	(980,809)	-	19,751,976
Total capital assets, net	$ 21,239,676	(980,809)	-	20,258,867
2011				
Land	$ 506,891	-	-	506,891
Building	7,277,811	-	-	7,277,811
Presbyterian Health Foundation (PHF):				
PHF parking garage #1	9,621,463	-	-	9,621,463
PHF parking garage #2	6,283,556	-	-	6,283,556
Undivided ownership interest in buildings	1,337,403	-	-	1,337,403
	24,520,233	-	-	24,520,233
Less: accumulated depreciation	(2,806,637)	(980,811)	-	(3,787,448)
Building, parking garages, and undivided ownership interest in buildings, net	21,713,596	(980,811)	-	20,732,785
Total capital assets, net	$ 22,220,487	(980,811)	-	21,239,676

See Independent Auditors' Report.

(6) CAPITAL ASSETS, CONTINUED

Building

The building relates to the Cytovance project, of which the Authority funded a portion of the construction. The building was completed during the year ended June 30, 2007, and depreciation commenced at that time. The building is being depreciated over a 25-year life, using the straight-line method of depreciation. Depreciation expense was $291,112 and $291,113 for the years ended June 30, 2012 and 2011, respectively.

Parking Garages

While separated on the financial statements, there is in essence one parking garage, which was built in two phases. Since there are two separate lease agreements and two separate financing instruments, they are referred to as if there are two separate structures.

During the year ended June 30, 2008, the Authority acquired the parking garages in exchange for two promissory notes. The parking garages are being depreciated over a 25-year life, using the straight-line method of depreciation. Depreciation expense was $636,201 and $636,202 for the years ended June 30, 2012 and 2011, respectively.

The parking garages are subject to long-term lease agreements with PHF. However, only parking garage #2 will generate revenues. These revenues will be equal to the debt service requirements. PHF will pay all maintenance and operating costs of the garages. The note for parking garage #1 will be repaid from TIF 1 monies.

The parking garages are subject to a repurchase option by PHF. The repurchase price is the greater of the (a) total cost paid by the Authority, less depreciation computed on a 25-year straight-line basis or (b) balance due on the acquisition note.

Land

During the year ended June 30, 2006, the City contributed the land and building of the Skirvin Hotel to the Authority. The government-wide financial statements accounted for the transaction as contributed capital assets, with an appraised value of $130,000 for the land and $1,131,000 for the building. The building was then sold for $1,131,000, resulting in no gain or loss being recognized in the government-wide statements. The Authority has leased the land, as more fully described in Note 13.

During 2007, Urban Renewal contributed land to the Authority for the Cytovance project. The government-wide financial statements accounted for the transaction as contributed capital assets, with an appraised value of $376,891.

(6) CAPITAL ASSETS, CONTINUED

Undivided Interest

The undivided interest represents a 1.89423% ownership interest in the PHF Research Park buildings (other than the building and parking garages already owned by the Authority). The ownership interest was acquired in May 2009 for a total cost of $1,337,403. The cost included $200,000 as an allowance for tenant improvements. The undivided interest is being depreciated over a 25-year life using the straight-line method of depreciation. Depreciation expense was $53,496 for each of the years ended June 30 2012 and 2011.

The ownership interest is subject to a repurchase option by PHF. The repurchase price is basically the greater of the total cost paid by the Authority, less depreciation computed on a 25-year straight-line basis.

The ownership interest also provides for the Authority to receive rental payments of $1 per year, plus net cash flow derived from the sublease of PHF to the tenant. To date, the Authority has received no lease payments, as there have been no significant amounts of net cash flow generated by the sublease. Presently, the Authority is reviewing a computation of net cash flow which could provide payment of approximately $39,000 for the first 3 years of the lease. Such payment has not been accrued in the government-wide financial statements as it is not considered material.

(7) OTHER ASSETS

The balance of other assets as of June 30 consisted of:

	2012	2011
Deposit held by PHF	$ 300,000	300,000

(8) DEFERRED REVENUE

In October 2011, a Supplemental Redevelopment Agreement was entered into by and among Urban Renewal, PHF, and The Toby Keith Foundation (TKF) for the development of OK Kids Korral. As part of the Supplemental Redevelopment Agreement and the Ground Lease agreement between PHF and TKF, TKF is subject to payments in lieu of ad valorem taxes. These payments in lieu of ad valorem taxes are payable to the Authority on December 31st beginning in the year of the completion of the improvements and each year thereafter. TKF has made a $250,000 prepayment for payments in lieu of ad valorem taxes, and this prepayment has been reflected as deferred revenue at June 30, 2012.

See Independent Auditors' Report.

(9) LONG-TERM DEBT

A summary of changes in long-term debt for 2012 and 2011 is as follows:

	2012				
	Beginning Balance	Advances	Payments	Refinancing	Ending Balance
Dean A. McGee Note A-1	$ 2,789,745	-	(235,919)	-	2,553,826
Bio-Pharmaceutical Manufacturing Facility Note A-2	6,044,447	-	(511,157)	-	5,533,290
PHF Note A-3	9,857,099	-	(833,580)	-	9,023,519
PHF Note B-1	4,928,549	-	(416,790)	-	4,511,759
	$ 23,619,840	-	(1,997,446)	-	21,622,394

	2011				
	Beginning Balance	Advances	Payments	Refinancing	Ending Balance
Dean A. McGee Note A-1	$ 3,000,000	-	(210,255)	-	2,789,745
Bio-Pharmaceutical Manufacturing Facility Note A-2	6,500,000	-	(455,553)	-	6,044,447
PHF Note A-3	10,600,000	-	(742,901)	-	9,857,099
PHF Note B-1	5,300,000	-	(371,451)	-	4,928,549
	$ 25,400,000	-	(1,780,160)	-	23,619,840

See Independent Auditors' Report.

(9) LONG-TERM DEBT, CONTINUED

Following is a description of long-term debt summarized in the above tables:

Dean A. McGee Note A-1

The Authority issued a $3,000,000 parity tax apportionment revenue note on August 3, 2007 (Dean A. McGee Note A-1). The note matures on July 1, 2022, and interest on the note is calculated as either the LIBOR rate plus 1% or the Prime rate minus 1%, whichever is less, adjusted annually on July 1st of each year. From the issue date to July 1, 2010, only interest was due on the note; commencing on August 1, 2010, both interest and principal are due on the note. The amount of interest paid as of June 30, 2012 and 2011, was $34,072 and $44,010, respectively, and the interest rate as of June 30, 2012 and 2011, was 1.25% and 1.53%, respectively.

The note requires that a reserve fund is to be maintained. The reserve fund is calculated as equaling 25% of the annual debt service determined to be due by the next recalculation date, July 1st of each year the note is outstanding. The amount of reserve fund required at June 30, 2012 and 2011, was $68,128 and $67,411, respectively. The note also requires that encumbered revenues are to be maintained. Encumbered revenues are the amount of funds necessary to service the debt obligation during a given year. The amount of encumbered funds required at June 30, 2012 and 2011, was $272,511 and $269,643, respectively.

TIF 1 Tax Apportionment Note (presently Note A-2)

As of June 30, 2004, the Authority issued a $7,000,000 tax apportionment revenue note to a local bank (BancFirst). The revenue note bore interest at ½% below Prime and was interest-only for the first year; interest was paid monthly commencing August 1, 2004. Principal payments were due in monthly installments. The note had a maturity date of July 1, 2011.

During the year ended June 30, 2005, the note was purchased from BancFirst by PHF.

Proceeds of the note were used for partial construction of the Cytovance project. Collateral for the revenue note consisted of the project to be constructed, a limited guarantee by PHF, a $300,000 deposit reflected in other assets, the construction bank account for deposit of note proceeds and payment of construction costs, the pledge of TIF 1 revenues, and the assignment of future rents on the project.

In addition to the $300,000 deposit made, throughout the term of the loan the Authority had to maintain and pledge to the lender an additional $700,000 of legally effective and unencumbered TIF 1 funds to pay costs of the construction project.

(9) LONG-TERM DEBT, CONTINUED

TIF 1 Tax Apportionment Note (presently Note A-2), Continued

The note was refinanced on August 31, 2007, as the Bio-Pharmaceutical Manufacturing Facility Note A-2. The amount refinanced, after advancing $27,668 for closing costs, was $6,500,000. The note bears interest at the lesser of Prime minus 1% or LIBOR plus 1% (1.24575% at June 30, 2012). The rate changes annually on July 1. The note matures July 1, 2022, and required interest-only to be paid monthly until August 1, 2010, at which time interest and principal payments commenced. For the years ended June 30, 2012 and 2011, $73,822 and $95,355, respectively, of interest was paid on the note.

The note requires that a reserve fund is to be maintained. The reserve fund is calculated as equaling 25% of the annual debt service determined to be due by the next recalculation date, July 1st of each year the note is outstanding. The amount of reserve fund required at June 30, 2012 and 2011, was $147,610 and $146,057, respectively. The note also requires that encumbered revenues are to be maintained. Encumbered revenues are the amount of funds necessary to service the debt obligation during a given year. The amount of encumbered funds required at June 30, 2012 and 2011, was $590,440 and $584,227, respectively.

PHF Note A-3

The Authority issued a $10,600,000 parity tax apportionment revenue note on August 31, 2007 (PHF Note A-3). The note matures on July 1, 2022, and interest on the note is calculated as either the LIBOR rate plus 1% or the Prime rate minus 1%, whichever is less, adjusted annually on July 1st of each year. From the issue date to July 1, 2010, only interest was due on the note; then, commencing on August 1, 2010, both interest and principal were due on the note. Payments are to be made on the 1st day of each month. The amount of interest paid as of June 30, 2012 and 2011, was $120,314 and $155,501, respectively, and the interest rate at June 30, 2012 and 2011, was 1.25% and 1.53%, respectively.

The note requires that a reserve fund is to be maintained. The reserve fund is calculated as equaling 25% of the annual debt service determined to be due by the next recalculation date, July 1st of each year the note is outstanding. The amount of reserve fund required at June 30, 2012 and 2011, was $240,718 and $238,185, respectively. The note also requires that encumbered revenues are to be maintained. Encumbered revenues are the amount of funds necessary to service the debt obligation during a given year. The amount of encumbered funds required at June 30, 2012 and 2011, was $962,871 and $952,740, respectively.

(9) LONG-TERM DEBT, CONTINUED

PHF Note B-1

The Authority issued a $5,300,000 parity parking revenue note on August 31, 2007 (PHF Note B-1). The note matures on July 1, 2022, and interest on the note is calculated as either the LIBOR rate plus 1% or the Prime rate minus 1%, whichever is less, adjusted annually on July 1st of each year. From the issue date to July 1, 2010, only interest was due on the note; then, commencing on August 1, 2010, both interest and principal were due on the note. Payments are to be made on the 1st day of each month. The amount of interest paid as of June 30, 2012 and 2011, was $60,194 and $77,751, respectively, and the interest rate as of June 30, 2012 and 2011, was 1.25% and 1.53%, respectively.

There are no reserve funds or encumbered revenue requirement for the note. The note is collateralized by the revenues collected from operations of the garage.

(9) LONG-TERM DEBT, CONTINUED

Future principal and interest payments on the notes using rates in effect at July 1, 2012, are as follows:

Year Ended June 30	Dean A. McGee Note A-1 Principal	Dean A. McGee Note A-1 Interest	Bio-Pharmaceutical Manufacturing Facility Note A-2 Principal	Bio-Pharmaceutical Manufacturing Facility Note A-2 Interest	PHF Note A-3 Principal	PHF Note A-3 Interest	PHF Note B-1 Principal	PHF Note B-1 Interest
2013	$ 237,012	35,260	513,525	76,397	837,442	124,585	418,721	62,293
2014	240,275	32,235	520,598	69,843	848,974	113,897	424,487	56,949
2015	243,809	28,702	528,252	62,188	861,457	101,414	430,729	50,707
2016	247,394	25,117	536,020	54,420	874,125	88,747	437,062	44,373
2017	251,031	21,479	543,902	46,538	886,978	75,894	443,489	37,947
	1,219,521	142,793	2,642,297	309,386	4,308,976	504,537	2,154,488	252,269
2018–2022	1,311,623	50,931	2,841,850	110,350	4,634,401	179,956	2,317,200	89,978
2023	22,682	28	49,143	60	80,142	98	40,071	49
	$ 2,553,826	193,752	5,533,290	419,796	9,023,519	684,591	4,511,759	342,296

See Independent Auditors' Report.

(9) LONG-TERM DEBT, CONTINUED

The following is a summary of the notes as of June 30:

	2012	2011
Dean A. McGee Note A-1	$ 2,553,826	2,789,745
Bio-Pharmaceutical Manufacturing Facility Note A-2	5,533,290	6,044,447
PHF Note A-3	9,023,519	9,857,099
PHF Note B-1	4,511,759	4,928,549
	21,622,394	23,619,840
Less current maturities	(2,006,700)	(1,997,446)
Long-term debt, less current maturities	$ 19,615,694	21,622,394

(10) NET ASSETS

The statements of net assets reflect the following types of net assets as of June 30, 2012:

- *Invested in capital assets, net of related debt*—Represents a balance of $1,190,299. The debt associated with capital assets had a balance of $19,068,568 and $20,830,095 at June 30, 2012 and 2011, respectively.

- *Restricted*—Represents net assets which have been restricted by outside sources. The net assets restricted for debt service were $2,282,278. The net assets restricted for the Skirvin Hotel Project and TIF activities were $4,102,566 and $13,468,419, respectively.

See Independent Auditors' Report.

(11) REVENUE

Revenue is generated through apportionment of ad valorem tax increments collected within TIF 1. The increment of ad valorem taxes, as defined by the Oklahoma Local Development Act, in excess of ad valorem taxes generated by the base assessed value of the increment district may be apportioned and used to pay project costs authorized by the project plan. The taxes are collected and distributed by the Oklahoma County Treasurer. Monies not distributed to the Authority are maintained for the benefit of the Authority by the Oklahoma County Treasurer. Interest income is paid by the Oklahoma County Treasurer on monies collected and held for apportionment and distribution.

A summary of the taxes recognized in fiscal years 2012 and 2011, presented by tax year, is as follows:

	Recognized in 2012	
Tax Year	TIF	Tax
2010	1	$ 28,424
2011	1	2,558,609
		$ 2,587,033

	Recognized in 2011	
Tax Year	TIF	Tax
2008	1	$ 141,889
2009	1	45,040
2010	1	2,537,134
		$ 2,724,063

A summary of interest income paid on tax deposits held by the Oklahoma County Treasurer to the Authority for the years ended June 30 is as follows:

	2012	2011
TIF 1	$ 957	80

See Independent Auditors' Report.

(12) PROJECT COSTS

TIF 1 project costs incurred by the Authority are classified into three basic categories. The categories defined by the project plan, as amended May 16, 2001, November 30, 2002, and August 1, 2006, are as follows:

Category A: The cost of planning, financing, assistance in developing financing, acquiring, and constructing bio-medical, bio-pharmaceutical, and technological research and development facilities, complementary commercial facilities, and other public research park improvements by the Authority, a public trust.

Category B: The cost of planning, financing, assistance in developing financing, acquiring, constructing, and developing parking facilities, complementary commercial facilities, and related public improvements by the Authority, a public trust.

Category C: The cost of implementing and administering the project plan incurred or to be incurred by the City and Urban Renewal, including, but not limited to, payment and/or reimbursement of costs advanced in connection with the preparation and approval of the project and project plan, administrative costs, organizational costs, professional service costs, and financing costs and fees.

The August 1, 2006, plan amendment added TIF 7 to the project plan. TIF 7 project cost categories follow the definitions above, with the addition of Category D, defined as follows:

Category D: The costs of implementing the economic development and redevelopment activities of Urban Renewal, in accordance with the Harrison-Walnut Urban Renewal Plan, and this project plan, including assistance in development financing and the negotiation, preparation, execution, and implementation of development and redevelopment agreements, including agreements for financing, property acquisition, construction of public improvements, and land disposition.

During the year ended June 30, 2011, TIF 1 paid $13,729 of TIF 7 Category D costs. The project plan allows TIF 1 to advance funds for TIF 7 expenditures, and TIF 7 to reimburse those amounts when funding is received. There were no TIF 7 expenditures for the year ended June 30, 2012.

(13) LEASE AGREEMENT

The Authority has leased the land beneath the Skirvin Hotel to Skirvin Partners, LLC, under a 99-year lease agreement. Payments under the lease are to be calculated at 1% of the Rent Capitalization Value of the Skirvin Hotel and the land, calculated annually by capitalizing the net operating income using a rate of 8.5%. Skirvin Partners, LLC, has the option to purchase the land at the end of the lease.

All rents collected under the lease agreement are to be used to repay Urban Renewal for funds loaned to the Authority, not to exceed $1,500,000. Of the $1,500,000, the Authority drew down $651,731. The $651,731 was repaid during the year ended June 30, 2009. The balance of rents collected will be retained by the Authority pending authorization and direction for the use of the revenue by the City Council of the City or its designee.

Rent revenues recognized under the lease agreement were approximately $601,000 and $593,000 for the years ended June 30, 2012 and 2011, respectively.

(14) RELATED-PARTY TRANSACTIONS

Urban Renewal

During the years ended June 30, 2012 and 2011, the Authority paid approximately $26,000 and $20,000, respectively, of TIF 1 funds to Urban Renewal for project costs. At June 30, 2012 and 2011, there was approximately $9,000 and $5,000, respectively, owed to Urban Renewal.

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 Redevelopment Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Oklahoma City Redevelopment Authority (the "Authority"), which is a component unit of the City of Oklahoma City, Oklahoma, financial reporting entity, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 30, 2012. Our report includes an explanatory paragraph noting that the management's discussion and analysis was not presented. Our report also includes a paragraph which notes that the prior year financial statements were restated. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

(Continued)

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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*, CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Authority in a separate letter dated November 30, 2012.

This report is intended solely for the information and use of the Board of Trustees, the Executive Director, management, the City of Oklahoma City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Finley & Cook, PLLC

Shawnee, Oklahoma
November 30, 2012

OKLAHOMA CITY REDEVELOPMENT AUTHORITY

BUDGET-TO-ACTUAL EXPENDITURE COMPARISON (PROJECT LIFE-TO-DATE)

June 30, 2012

TIF 1	Category A	Category B	Category C
Total budget	**$ 22,000,000**	**23,000,000**	**2,000,000**
Expenditures [1]	(2,441,559)	(3,916,056) [2]	(1,422,247)
Other financing sources:			
Reimbursement from Dean A. McGee		3,000,000 [2]	
Future loan repayments:			
PHF Note A-3		(10,600,000) [3]	
Dean A. McGee Note A-1		(3,000,000) [3]	
Cytovance loan	(7,027,668) [3]	-	-
Budget amount remaining	$ 12,530,773	8,483,944	577,753

TIF 7	Category A	Category B	Category C	Category D
Total budget	**$ 4,000,000**	**5,000,000**	**1,000,000**	**11,000,000**
Expenditures	-	-	-	-
Budget amount remaining	$ 4,000,000	5,000,000	1,000,000	11,000,000

In addition, interest and costs of issuance of bonds to finance the authorized project activities are authorized but not budgeted. The schedule above only reflects budgeted TIF categories.

[1] Does not include interest, debt repayments, or loan/bond issuance costs.

[2] Included in expenditures is a $3,000,000 expenditure to Dean A. McGee which was not paid with TIF monies.

[3] TIF dollars have been committed to repay the debt; as such, the original debt amount has been reduced from the budget.

See Independent Auditors' Report.
See accompanying notes to budget-to-actual expenditure comparison (project life-to-date).

(1) BASIS OF PREPARATION

The budget-to-actual comparisons have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available and expenditures are recorded when the liability is incurred.

(2) OTHER REVENUES

Other revenues (cumulative) as of June 30, 2012, consisted of the following:

Investment income	$	521,121
Rental income		1,732,623
Interest income received on tax deposits held by the Oklahoma County Treasurer		229,476
Reimbursement from Public Works Department		46,540
	$	2,529,760

(3) EXPENDITURES

TIF 1

All TIF 1 project costs incurred by the Authority are classified into three basic categories. The categories are as follows:

Category A: The cost of planning, financing, assistance in developing financing, acquiring, and constructing bio-medical, bio-pharmaceutical, and technological research and development facilities, complementary commercial facilities, and other public research park improvements by the Authority, a public trust.

Category B: The cost of planning, financing, assistance in developing financing, acquiring, constructing, and developing parking facilities, complementary commercial facilities, and related public improvements by the Authority, a public trust.

Category C: The cost of implementing and administering the project plan incurred or to be incurred by the City and Urban Renewal, including, but not limited to, payment and/or reimbursement of costs advanced in connection with the preparation and approval of the project and project plan, administrative costs, organizational costs, professional service costs, and financing costs and fees.

See Independent Auditors' Report.

(3) EXPENDITURES, CONTINUED

TIF 1, Continued

Cytovance project expenditures are costs related to the construction of the Cytovance project that were funded through drawdowns on the note payable with PHF.

Interest expense and financing costs shown under the unbudgeted category were included in the estimated budget; however, no budget amount was established for these categories. They can be paid from TIF 1 monies.

TIF 7

TIF 7 project cost categories follow the TIF 1 definition above, with the addition of Category D, defined as follows:

Category D: The costs of implementing the economic development and redevelopment activities of Urban Renewal, in accordance with the Harrison-Walnut Urban Renewal Plan, and this project plan, including assistance in development financing and the negotiation, preparation, execution, and implementation of development and redevelopment agreements, including agreements for financing, property acquisition, construction of public improvements, and land disposition.