

# **OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST**

A Discrete Component Unit of  
Oklahoma City, Oklahoma

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Annual Financial Report for the Fiscal Year Ended June 30, 2014

Prepared by The Oklahoma City Finance Department, Accounting Services Division  
Laura L. Papas, Controller



# OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

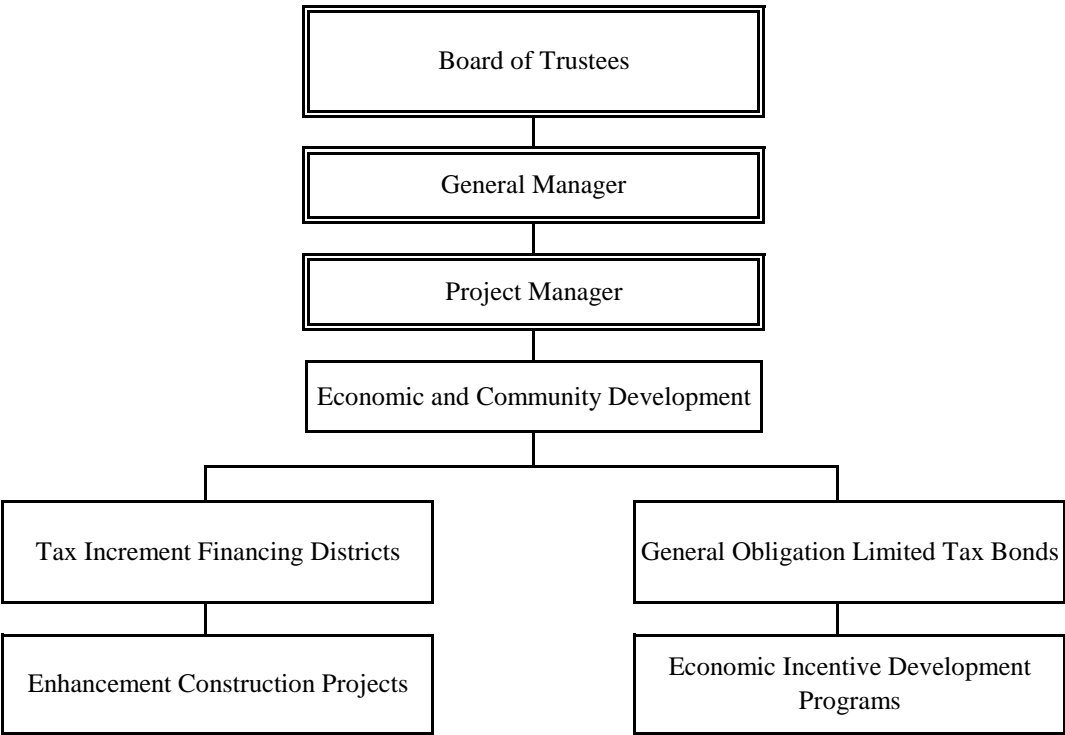
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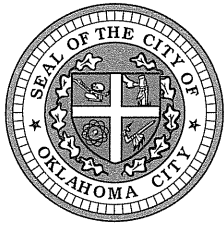
# Oklahoma City Economic Development Trust

## Organization Chart



# **Introductory Section**





The City of  
**OKLAHOMA CITY**  
DEPARTMENT OF FINANCE

December 11, 2014

The Board of Trustees  
Oklahoma City Economic Development Trust

The Oklahoma City Economic Development Trust (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the fiscal years ended June 30, 2014 and 2013. It complies with reporting requirements specified by Oklahoma State Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with generally accepted accounting principles in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust.

The Trust's annual report includes the reports of independent auditor's, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for fiscal years ended June 30, 2014 and 2013, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. The Trust is a discretely presented component unit of the City of Oklahoma City (City) and, as such, is included within the City's Comprehensive Annual Financial Report (CAFR).

The Trust was established by City Council resolution on October 9, 2007 to support the City's economic and community development goals. With the approval of a \$75 million general obligation limited tax (GOLT) bond authorization by the citizens in 2007, the Trust developed the Strategic Investment Program that incentivizes companies to locate or expand in the Oklahoma City area. Since the inception of the Trust in 2007, the Trust has entered into 24 agreements that allocated approximately \$30.65 million in GOLT funds that are projected to lead to the creation of approximately 7,345 jobs with an estimated annual payroll of \$1.09 billion and an investment of \$443 million.

The Trust supports the City's economic and community development endeavors by supporting many of the City's tax increment finance (TIF) districts.

TIF districts #2 and #3 were created for continuing downtown redevelopment projects. Completed projects under the TIFs include the Skirvin Hotel development along with various residential projects.

TIF districts #4 and #5 were created for continuing development around the Dell Call Center, along the Oklahoma River. Completed projects under these TIFs include the Dell Call Center and surrounding improvements and the river landing and trails along the surrounding land.

TIF district #8 was created for continuing downtown redevelopment projects, centered around the Devon tower and Project 180. Project 180 includes landscaping, public art, marked bike lines, decorative street lights, on street parking and improvements to downtown park areas. Completed projects under TIF #8 include associated construction and groundscape of the completed Devon tower and several phases of Project 180. In fiscal year 2014, several new phases of Project 180 were started with completion goals by the end of 2016.

The GOLT bond funds are used to fund the Strategic Investment Program and aid in projects that improve the economic development opportunities within the City. In 2014, the Trust used \$6,000,000 in a loan of GOLT funds for renovations and improvements to the Softball Hall of Fame. The Trust also donated \$1,500,000 to the John W. Rex Charter School for construction of the elementary school located in downtown Oklahoma City.

Oklahoma City and Oklahoma County along with the surrounding counties are an important source of economic stimulus for the region. Even during a national and global economic downturn, major economic indicators including jobs, per capita income, personal income, real estate values, and taxable retail sales have a positive influence on the Oklahoma City economy.

The current economic environment and the economic outlook for Oklahoma City continue to remain very positive. The cost of living rating is consistently below the national average; and the City has a strong industry presence; low commuting times; convenient airline travel; quality education, entertainment and sports opportunities; favorable weather; and a central location within the State of Oklahoma. Oklahoma City continues to receive numerous top accolades for metropolitan cities in the United States including Forbes 2014 ranking of Oklahoma City as the 7th Best Place for Business and Careers. This rating was based on a dozen factors related to jobs, costs of business and living, income growth, quality of life, and the education of the workforce. These factors promise an immediate and sustainable economic growth outlook for the next several years.


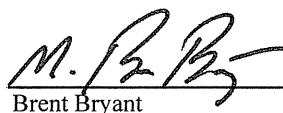
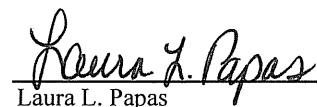
In a report prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University, dated February 4, 2014 and entitled "Greater Oklahoma City Economic Forecast", the Institute reported that the U.S. economy will carry positive economic momentum in 2014 and in future years will support the continued economic growth in Oklahoma City. However, the Institute cites that cities who have had a low unemployment rate for an extended period of time, such as Oklahoma City, can face some unique challenges in the areas of talent recruitment and wages. Since November of 2013, Oklahoma City has experienced the lowest unemployment rate among cities with more than 1 million in population for 26 of the past 35 months. The unemployment rate is expected to trend down to 4.5% by the end of 2014 and 4.11% by the end of 2015. Additionally, for the 6th straight year, it has remained 2 percentage points below the nation's unemployment rate. The Institute reported that recent employment and earnings growth should result in positive sales tax momentum with a general projection of 4% to 6% annual growth in sales tax revenues for calendar years 2014 and 2015 depending on the national economy. Average weekly earnings, a key driver of sales tax growth, is expected to grow 5.1 percent in fiscal year 2015. Without any significant changes in the national economy, overall job growth is expected to be around 3.0 percent for fiscal year 2015.

Fiscal year 2014, in terms of sales tax revenue growth, substantiates this positive outlook for fiscal year 2015. The first three quarters of fiscal year 2014 saw growth of less than 1.0 percent. The final quarter of the year saw growth of 8.4%. For the year, sales tax revenue grew at 2.7%. This strong performance at the end of the year, coupled with better than expected performance in several other revenue categories allowed for increases in several programs for fiscal year 2015. Budgeted expenditures for fiscal year 2015 also were based on the positive projected economic growth.

The five Trustees are nominated by the Mayor and confirmed by the City Council. The Trust participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's management maintains budgetary controls to ensure compliance with effective financial oversight.

By City Council resolution, public trusts of which the City is the beneficiary are encouraged to use the independent auditor competitively selected by the City. In compliance with that resolution, the Trust engaged BKD LLP to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent auditors.

Respectfully submitted:

  
James D. Couch  
General Manager  
Brent Bryant  
Economic Development  
Program Manager  
Laura L. Papas  
City of Oklahoma City Controller



## **Financial Section**



## Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Trustees  
Oklahoma City Economic Development Trust  
Oklahoma City, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Oklahoma City Economic Development Trust (the Trust), a discretely presented component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the years ended June 30, 2014 and 2013, the financial statements of each major fund of the Trust as of and for the year ended June 30, 2014, and the related notes to the basic financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities as of June 30, 2014 and 2013, the respective changes in financial position for governmental activities for the years then ended and each major fund of the Trust as of June 30, 2014, and the changes in financial position of each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in *Note IV.C* to the financial statements, the 2013 Trust-wide financial statements have been restated to correct a misstatement. Our opinion on the Trust-wide financial statements is not modified with respect to this matter.

### ***Other Matter***

The fund financial statements include summarized prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended June 30, 2013, from which such information was derived, as adjusted for the restatement discussed in *Note IV.C*.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits 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 Information***

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The transmittal letter preceding this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. That letter has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

**BKD, LLP**

Oklahoma City, Oklahoma  
December 11, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the Oklahoma City Economic Development Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2014 and 2013. The Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Trust is a discretely presented component unit of the City of Oklahoma City (City).

### ***Financial Summary***

- Trust liabilities exceeded assets by \$41,902,648 (net deficit) and \$47,060,881 (net deficit) for 2014 and 2013, respectively.
- Total net position (deficit) is comprised of the following:
  - (1) Net investment in capital assets, of \$11,799,096 and \$2,628,667 for 2014 and 2013, respectively, include property and equipment, net of accumulated depreciation and related debt.
  - (2) Restricted for debt service of \$2,279,300 and \$1,704,401 for 2014 and 2013, respectively, are constrained for repayment of debt service.
  - (3) Restricted net position for public services of \$22,480,224 and \$26,999,598 for 2014 and 2013, respectively, is constrained for general obligation limited tax (GOLT) bond related economic development.
  - (4) Unrestricted deficit is \$78,461,268 for 2014 and \$78,393,547 for 2013.
- The Trust's governmental funds reported total ending fund balance totaling \$57,968,356 in 2014 and ending fund balance of \$61,535,588 in 2013 showing a decrease of \$3,567,232 during the current year.

### ***Overview of the Financial Statements***

This discussion and analysis introduces the Trust's basic financial statements. The basic financial statements include: (1) statement of net position, (2) statement of activities, (3) balance sheet, (4) statement of revenues, expenditures, and changes in fund balances, and (5) notes to the financial statements.

### **Trust-wide Financial Statements**

The Trust's annual report includes two Trust-wide financial statements. These statements provide both long-term and short-term information about the overall status of the Trust and are presented to demonstrate the extent the Trust has met its operating objectives efficiently and effectively using all the resources available and whether the Trust can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these statements is the statement of net position. This statement presents information that includes all of the Trust's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Trust as a whole is improving or deteriorating and identify financial strengths and weaknesses and assess liquidity.

The second statement is the statement of activities which reports how the Trust's net position changed during the current fiscal year and can be used to assess the Trust's operating results in its entirety and analyze how the Trust's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid.

### Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Trust has three funds, all of which are governmental funds. All of the funds of the Trust are reported as major funds.

#### Governmental Funds

The governmental funds are reported in the fund financial statements and report the economic development function as reported in the Trust-wide financial statements. Fund statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements and the commitment of spendable resources for the near-term.

Since the Trust-wide financial statements focus includes the long-term view, comparisons between the two perspectives may provide useful insights. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to assist in understanding the differences between these two perspectives.

### Notes to the financial statements

The accompanying notes to the financial statement provide information essential to gain a full understanding of the Trust-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### Financial Analysis

The Trust's net deficit at June 30, 2014 and 2013 is \$41,902,648 and \$47,060,881, respectively. The overall financial condition of the Trust improved in fiscal year 2014.

	Summary of Net Position (Deficit)						
	2014	2013 (Restated)	2014-2013 Amount of Change	2014-2013 %	2012	2013-2012 Amount of Change	2013-2012 %
<b>Assets</b>							
Current assets	\$81,827,071	\$94,010,042	(\$12,182,971)	(13.0%)	\$59,402,477	\$34,607,565	58.3%
Capital assets, net	33,188,045	29,230,621	3,957,424	13.5	74,886,383	(45,655,762)	(61.0)
Other non-current assets	<u>15,775,156</u>	<u>9,775,156</u>	<u>6,000,000</u>	61.4	-	<u>9,775,156</u>	100.0
<b>Total assets</b>	<b><u>130,790,272</u></b>	<b><u>133,015,819</u></b>	<b><u>(2,225,547)</u></b>	(1.7)	<b><u>134,288,860</u></b>	<b><u>(1,273,041)</u></b>	(0.9)
<b>Liabilities</b>							
Current liabilities	21,859,569	21,146,674	712,895	3.4	18,701,380	2,445,294	13.1
Non-current liabilities	<u>150,833,351</u>	<u>158,930,026</u>	<u>(8,096,675)</u>	(5.1)	106,136,153	<u>52,793,873</u>	49.7
<b>Total liabilities</b>	<b><u>172,692,920</u></b>	<b><u>180,076,700</u></b>	<b><u>(7,383,780)</u></b>	(4.1)	<b><u>124,837,533</u></b>	<b><u>55,239,167</u></b>	44.2
<b>Net position (deficit)</b>							
Net Investment in capital assets	11,799,096	2,628,667	9,170,429	348.9	3,812,319	(1,183,652)	(31.0)
Restricted for debt service	2,279,300	1,704,401	574,899	33.7	-	1,704,401	100.0
Restricted for public services	22,480,224	26,999,598	(4,519,374)	(16.7)	35,721,420	(8,721,822)	(24.4)
Unrestricted	<u>(78,461,268)</u>	<u>(78,393,547)</u>	<u>(67,721)</u>	(0.1)	<u>(30,082,412)</u>	<u>(48,311,135)</u>	(160.6)
<b>Total net position (deficit)</b>	<b><u>(\$41,902,648)</u></b>	<b><u>(\$47,060,881)</u></b>	<b><u>\$5,158,233</u></b>	11.0	<b><u>\$9,451,327</u></b>	<b><u>(\$56,512,208)</u></b>	(597.9)

The decrease in current assets of \$12.18 million in fiscal year 2014 is primarily due to a decrease of cash and investments of \$14.09 million due to bond proceeds being spent on projects, offset by a \$303 thousand increase in receivables from the City primarily due to an increase in tax incremental financing (TIF) sales tax receivable of \$260 thousand and a \$46 thousand receivable for unused City General Fund subsidy to the Alliance for Economic Development of Oklahoma City, a \$220 thousand increase in prepaids primarily due to prepayment of GOLT funds to the Oklahoma City Water Utilities Trust (OCWUT) for infrastructure work for an economic development grant, and a \$1.46 million increase in intergovernmental advance funding for the unspent portion of a grant to Oklahoma County for the Oklahoma County Annex Building renovation. The increase in current assets of \$34.61 million in fiscal year 2013 is primarily due to \$32.60 million increase in cash and investments including \$38.79 million in restricted investments from a bond issue and an increase in property taxes receivable of \$5.65 million for TIF district #8 property taxes, less \$1.16 million decrease in receivable from OCWUT for payment received in 2013 and accrued in 2012 for a drainage construction project and \$2.39 million decrease in the receivable from the City for TIF sales tax and sales tax state match primarily due to the completion of the construction of the Devon Building in TIF district #8.

The increase in capital assets, in fiscal year 2014, primarily consists of \$4.30 million in capital outlay for construction, less \$338 thousand in depreciation. The decrease in capital assets in fiscal year 2013, primarily consists of in-service assets of \$50.93 million being donated to the City and the Oklahoma City Urban Renewal Authority (OCURA) and \$2.82 million in depreciation, offset by \$8.13 million in capital outlay.

Other non-current assets increased \$6 million for fiscal year 2014 primarily due to a \$6 million increase in non-current receivable from the City for a loan to fund the Softball Hall of Fame renovation project. In fiscal year 2013, non-current assets increased \$9.78 million primarily due to a reserve required on the issuance of bonds.

Current liabilities increased by \$713 thousand in fiscal year 2014 primarily due to an increase in bonds payable and bond interest payable of \$521 thousand for scheduled amounts due, an increase in payable to the City of \$762 thousand for unspent subsidies from the City General Fund, less an accounts payable decrease of \$371 thousand due to timing of payments to vendors and \$198 thousand decrease in tax anticipation debt due to regular scheduled payments on TIF district #2 and #4 notes. Current liabilities increased by \$2.45 million in fiscal year 2013 primarily due to bonds payable and bond interest payable of \$6.23 million for the issuance of bonds, less an accounts payable decrease of \$2.56 million due to timing of payments to vendors and \$1.44 million decrease in tax anticipation debt due to regular scheduled payments on TIF district #2 and #4 notes.

Non-current liabilities decreased in 2014 by \$8.10 million primarily due to a \$2.75 million decrease in tax anticipation debt for TIF district #2 and #4 and a \$5.35 million decrease to bonds payable, both due to regular scheduled payments. Non-current liabilities increased in 2013 by \$52.79 million primarily due to the issuance of \$142.71 million in tax apportionment bonds, net of payments to tax anticipation debt of \$2.59 million and tax anticipation debt retirement of \$83.30 million.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2014 and 2013**

**OKLAHOMA CITY ECONOMIC  
DEVELOPMENT TRUST**

<b>Summary of Changes in Net Position (Deficit)</b>							
	2014	2013 (Restated)	2014-2013 Amount of Change	2014-2013 %	2012	2013-2012 Amount of Change	2013-2012 %
<b>Revenues</b>							
Program revenues							
Charges for services	\$14,996	\$13,754	\$1,242	9.0%	\$17,500	(\$3,746)	(21.4%)
Operating grants & contributions	4,442,012	3,838,583	603,429	15.7	8,112,679	(4,274,096)	(52.7)
General revenues	<u>18,935,588</u>	<u>12,722,797</u>	<u>6,212,791</u>	48.8	<u>6,818,296</u>	<u>5,904,501</u>	86.6
<b>Total revenues</b>	<b><u>23,392,596</u></b>	<b><u>16,575,134</u></b>	<b><u>6,817,462</u></b>	41.1	<b><u>14,948,475</u></b>	<b><u>1,626,659</u></b>	10.9
<b>Program expenses</b>	<b>18,234,363</b>	<b>73,087,342</b>	<b>(54,852,979)</b>	(75.1)	<b>13,807,883</b>	<b>\$59,279,459</b>	429.3
<b>Special item</b>	<b>-</b>	<b>-</b>	<b>-</b>	0.0	<b><u>(7,496,805)</u></b>	<b><u>7,496,805</u></b>	100.0
<b>Changes in net position (deficit)</b>	<b>5,158,233</b>	<b>(56,512,208)</b>	<b>61,670,441</b>	109.1	<b>(6,356,213)</b>	<b>(50,155,995)</b>	(789.1)
Beginning net position (deficit)							
As previously reported	(47,060,881)	9,451,327	(56,512,208)	(597.9)	16,047,613	(6,596,286)	(41.1)
Change in accounting principle	-	-	-	0.0	<u>(240,073)</u>	<u>240,073</u>	100.0
As adjusted	<u>(47,060,881)</u>	<u>9,451,327</u>	<u>(56,512,208)</u>	(597.9)	<u>15,807,540</u>	<u>(6,356,213)</u>	(40.2)
<b>Ending net position (deficit)</b>	<b><u>(\$41,902,648)</u></b>	<b><u>(\$47,060,881)</u></b>	<b><u>\$5,158,233</u></b>	11.0	<b><u>\$9,451,327</u></b>	<b><u>(\$56,512,208)</u></b>	(597.9)

Operating grants and contributions increased by \$603 thousand in fiscal year 2014 primarily due to the increase in subsidies from the City General Fund. Operating grants and contributions decreased by \$4.27 million in fiscal year 2013 primarily due to decrease in TIF district #8 sales tax and state match sales tax received which ended December 31, 2012.

General revenues increased by \$6.21 million in fiscal year 2014 primarily due to the increase in TIF district #8 property taxes of \$5.65 million for the first full year of property taxes for the bonds and \$531 thousand in property taxes in TIF districts #2 and #4. General revenues increased by \$5.90 million in fiscal year 2013 due to an increase of \$5.65 million for the first six months of property taxes for the bonds and \$304 thousand in property taxes in TIF districts #2 and #4.

Program expenses decreased by \$54.85 million in fiscal year 2014. In 2013, the Trust transferred \$50.93 million in completed assets to the City and OCURA, none were transferred in 2014. This, coupled with the decrease in depreciation related to the transfers, decreased program expenses \$53.30 million. In addition, other services and charges decreased \$1.71 million primarily due to a decrease in grant services for a grant to OCURA in 2013 with no grant in 2014, bond issuance cost decreased by \$1.19 million due to the issuance of bonds in 2013 and none in 2014, interest paid decreased by \$312 thousand primarily due to extinguishing TIF district #8 notes in 2013 with lower interest bonds. These decrease were offset by an increase in payments to component units of \$1.50 million for a donation to the Oklahoma City Metropolitan Area Public Schools Trust for construction costs on the new John W. Rex charter school. Program expenses increased by \$59.28 million in fiscal year 2013 primarily due to the transfer of completed assets of \$50.93 million, an increase in depreciation of \$1.63 million due to completed assets being placed in-service, an increase in economic development contracts of \$4.06 million, and an increase in bond issuance cost of \$1.19 million due to issuance of new bonds.

The Trust reported a special item in 2012 related to the transfer of tax anticipation debt TIF district #4 from the Oklahoma City Public Property Authority for \$8 million, net of \$503 thousand in cash and investments.



**Governmental Funds**

Governmental funds reported ending fund balances of \$57,968,356 and \$61,535,588 for the year ended June 30, 2014 and 2013, respectively. Of these year-end totals, \$1,731,133 (deficit) and \$15,610,129 (deficit) at June 30, 2014 and 2013, respectively, is unassigned. Tax anticipation notes are reported at the fund level. Associated capital assets funded by these notes are reported at the Trust-wide level. This results in a negative unassigned fund balance. In 2013, tax apportionment bonds were issued at the Trust-wide level and extinguished a majority of the tax anticipation note balance, which created a deficit net position and lessened the deficit unassigned fund balance.

**Capital Assets**

The Trust's investment in capital assets, net of accumulated depreciation for the fiscal year 2014 and 2013 consists of land, construction in progress, and infrastructure purchased for future economic development. See Note II. C. for more information regarding capital assets.

	Capital Assets						
	2014	2013	2014-2013 Amount of Change	2014-2013 %	2013-2012 Amount of Change	2013-2012 %	2013-2012 %
<b>Non-Depreciable Assets</b>							
Land	\$4,202,334	\$4,202,334	\$ -	0.0%	\$4,202,334	\$ -	0.0%
Construction in progress	<u>16,898,925</u>	<u>22,527,503</u>	<u>(5,628,578)</u>	(25.0)	<u>29,073,333</u>	<u>(6,545,830)</u>	(22.5)
<b>Total capital assets</b>	<b><u>21,101,259</u></b>	<b><u>26,729,837</u></b>	<b><u>(5,628,578)</u></b>	(21.1)	<b><u>33,275,667</u></b>	<b><u>(6,545,830)</u></b>	(19.7)
<b>Depreciable Assets</b>							
Buildings	2,257,411	2,309,974	(52,563)	(2.3)	9,007,162	(6,697,188)	(74.4)
Infrastructure	<u>9,829,375</u>	<u>190,810</u>	<u>9,638,565</u>	5051.4	<u>32,603,554</u>	<u>(32,412,744)</u>	(99.4)
<b>Total depreciable assets</b>	<b><u>12,086,786</u></b>	<b><u>2,500,784</u></b>	<b><u>9,586,002</u></b>	383.3	<b><u>41,610,716</u></b>	<b><u>(39,109,932)</u></b>	(94.0)
<b>Total net capital assets</b>	<b><u>\$33,188,045</u></b>	<b><u>\$29,230,621</u></b>	<b><u>\$3,957,424</u></b>	13.5	<b><u>\$74,886,383</u></b>	<b><u>(\$45,655,762)</u></b>	(61.0)

The increase in capital assets in fiscal year 2014 of \$3.96 million is \$4.29 million in capital outlay primarily due to construction on the south bank of the Oklahoma River of \$1.25 million, Myriad Gardens architecture, engineering, renovations, and design for \$775 thousand, construction on streetscape phases for \$1.84 million, and construction on the McGee Center Lobby of \$214 thousand, offset by depreciation of \$338 thousand. The decrease in capital assets in fiscal year 2013 of \$45.66 million is primarily due to the transfer of \$50.93 million in completed assets to the City and OCURA and \$2.82 million of depreciation, offset by \$8.13 million in capital outlay for Myriad Gardens architecture, engineering, renovations, and design for \$1.92 million, Project 180 streetscape phases for \$4.15 million, Bicentennial Park for \$1.23 million, pedestrian linkage internal and external for \$421 thousand, and traffic lighting system and packages for \$412 thousand.

**Long-term debt**

At the end of 2014 and 2013, the Trust had total long-term debt outstanding of \$135,080,000 and \$140,285,000, respectively.

### Tax Apportionment Bonds

On April 1, 2013 the Trust issued two tax apportionment bonds, Series 2013A and 2013B. Series 2013A proceeds of \$116,445,000 from the bonds, less \$881,498 in issuance costs and \$92,918,116 for payment of tax anticipation note for TIF district #8, are to be used to finance construction projects in the Myriad Botanical Gardens, the Bicentennial Park, and various streetscape projects in the City. Series 2013B proceeds of \$26,295,445 from the bonds, less \$313,289 in issuance costs, will be used to finance construction of various other infrastructure and public improvements in downtown Oklahoma City. At the end of fiscal year 2014 and 2013, the Trust had outstanding bond debt of \$135,080,000 and \$140,285,000, respectively. The bonds are payable solely from the Trust. See Note III. B. for more information regarding revenue bonds.

### Outstanding Long-term Debt

			2014 - 2013	2014 - 2013		2013 - 2012	2013 - 2012
			Amount of	%		Amount of	%
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>	<u>Change</u>
Tax Apportionment Bonds	<u>\$135,080,000</u>	<u>\$140,285,000</u>	<u>(\$5,205,000)</u>	(3.7)	<u>\$ -</u>	<u>\$140,285,000</u>	100.0

The change in outstanding debt for 2014 is the result of the normal payments made on tax apportionment bonds. The change in outstanding debt for 2013 was the result of the issuance of the tax apportionment bonds. See Note III. C. for more information regarding changes in long-term debt.

### Bond Ratings

Standard and Poor's rating agency rates the Trust bonds AA.

### Economic Factors

The Trust has greatly benefited from the improving local economy of Oklahoma City. The momentum created by the improving local economy and the Devon Energy World headquarters in TIF district #8, has spurred a number of new construction and improvement projects.

### Contacting the Trust's Financial 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 questions about this report or would like to request additional information, contact the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

# **Basic Financial Statements**



## ***Trust-wide Financial Statements***

*Provide both long-term and short-term information about the Trust's overall status using full accrual accounting.*

## ***Fund Financial Statements***

*Focus on the Trust's most significant funds. Major funds are separately reported while all others are combined into a single, aggregated presentation.*

## **Governmental Fund Financial Statements**

*Encompass essentially the same functions reported as governmental activities in the Trust-wide financial statements using modified accrual accounting and report the annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.*

**STATEMENTS OF NET POSITION (DEFICIT)**  
**June 30,**

**OKLAHOMA CITY ECONOMIC  
DEVELOPMENT TRUST**

	<b><u>2014</u></b>	<b><u>2013</u> <u>(Restated)</u></b>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Pooled cash-----	\$2,250	\$5
Non-pooled cash-----	1,057,308	1,007,468
Investments-----	70,840,256	84,986,915
Property taxes receivable-----	5,827,753	5,788,981
Accounts receivable, net-----	1,250	-
Interest receivable-----	37,161	59,398
Receivable from the City of Oklahoma City-----	2,377,954	2,074,726
Intergovernmental advance funding-----	1,462,917	-
Notes receivable-----	-	92,549
Prepays-----	220,222	-
Total current assets-----	<b>81,827,071</b>	<b>94,010,042</b>
<b><u>NON-CURRENT ASSETS</u></b>		
Investments-----	9,775,156	9,775,156
Receivable from the City of Oklahoma City-----	6,000,000	-
Capital assets:		
Land and construction in progress-----	21,101,259	26,729,837
Other capital assets, net of accumulated depreciation-----	12,086,786	2,500,784
Total capital assets-----	<b>33,188,045</b>	<b>29,230,621</b>
Total non-current assets-----	<b>48,963,201</b>	<b>39,005,777</b>
<b>Total assets-----</b>	<b><u>130,790,272</u></b>	<b><u>133,015,819</u></b>
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable-----	5,236,202	5,607,639
Payable to the City of Oklahoma City-----	770,062	8,278
Tax anticipation debt-----	9,103,954	9,301,892
Unearned revenue-----	-	1,250
Bond interest payable-----	1,519,351	1,022,615
Bonds payable-----	5,230,000	5,205,000
Total current liabilities-----	<b>21,859,569</b>	<b>21,146,674</b>
<b><u>NON-CURRENT LIABILITIES</u></b>		
Non-current tax anticipation debt-----	18,680,000	21,425,000
Bonds payable:		
Bonds payable-----	129,850,000	135,080,000
Unamortized bond premium-----	2,303,351	2,425,026
Bonds payable, net-----	<b>132,153,351</b>	<b>137,505,026</b>
Total non-current liabilities-----	<b>150,833,351</b>	<b>158,930,026</b>
<b>Total liabilities-----</b>	<b><u>172,692,920</u></b>	<b><u>180,076,700</u></b>
<b><u>NET DEFICIT</u></b>		
Net investment in capital assets-----	11,799,096	2,628,667
Restricted for: Debt service-----	2,279,300	1,704,401
Public services-----	22,480,224	26,999,598
Unrestricted-----	(78,461,268)	(78,393,547)
<b>Total net deficit-----</b>	<b><u>(\$41,902,648)</u></b>	<b><u>(\$47,060,881)</u></b>

See accompanying notes to financial statements.

**STATEMENTS OF ACTIVITIES**  
**For the Year Ended June 30,**

**OKLAHOMA CITY ECONOMIC**  
**DEVELOPMENT TRUST**

	<b>2014</b>	<b>2013</b> <b>(Restated)</b>
<b><u>PROGRAM EXPENSES</u></b>		
Materials and supplies-----	\$58,693	\$6,391
Professional services-----	2,013,025	1,285,823
Assets donated to others-----	-	822,955
Other services and charges-----	7,713,056	10,155,693
Payments to the City of Oklahoma City-----	686,455	50,486,737
Payments to component units of the City of Oklahoma City-----	1,500,000	45,286
Depreciation-----	338,389	2,819,520
Loss on disposal of assets-----	-	33,981
Bond issuance costs-----	-	1,194,787
Interest on debt-----	5,924,745	6,236,169
<b>Total program expenses-----</b>	<b><u>18,234,363</u></b>	<b><u>73,087,342</u></b>
<b><u>PROGRAM REVENUES</u></b>		
<b><u>CHARGES FOR SERVICES</u></b>		
Economic development-----	14,996	13,754
<b><u>OPERATING GRANTS AND CONTRIBUTIONS</u></b>		
Payments from the City of Oklahoma City-----	4,369,474	3,744,487
Restricted investment income-----	72,538	94,096
<b>Total program revenues-----</b>	<b><u>4,457,008</u></b>	<b><u>3,852,337</u></b>
<b>Net (expense) revenue-----</b>	<b><u>(13,777,355)</u></b>	<b><u>(69,235,005)</u></b>
<b><u>GENERAL REVENUES</u></b>		
Tax increment financing property taxes-----	18,898,390	12,718,471
Investment income-----	4,499	2,526
Other-----	32,699	1,800
<b>Total general revenues-----</b>	<b><u>18,935,588</u></b>	<b><u>12,722,797</u></b>
<b>Change in net position (deficit)-----</b>	<b>5,158,233</b>	<b>(56,512,208)</b>
Net position (deficit)-beginning-----	(47,060,881)	9,451,327
<b>Net position (deficit)-ending-----</b>	<b><u>(\$41,902,648)</u></b>	<b><u>(\$47,060,881)</u></b>

See accompanying notes to financial statements.

**BALANCE SHEETS**  
**June 30,**

**OKLAHOMA CITY ECONOMIC  
DEVELOPMENT TRUST**

	<b>2014</b>				<b>2013 (Restated)</b>
	<b>Economic Development Fund</b>	<b>Tax Incremental Financing Fund</b>	<b>General Obligation Limited Tax Fund</b>	<b>Total</b>	<b>Total</b>
<b><u>ASSETS</u></b>					
Pooled cash-----	\$2	\$2,249	\$ -	\$2,251	\$5
Non-pooled cash-----	-	1,057,308	-	1,057,308	1,007,468
Investments-----	1,290,462	49,456,577	20,093,217	70,840,256	84,986,915
Property taxes receivable-----	-	5,827,753	-	5,827,753	5,788,981
Accounts receivable-----	1,250	-	-	1,250	-
Interest receivable-----	1,300	15,615	20,245	37,160	59,398
Due within the Trust-----	(49,513)	871,152	(821,639)	-	-
Receivable from City of Oklahoma City General Fund--	48,766	1,165	-	49,931	7,376
Receivable from City of Oklahoma City					
Tax Incremental Financing Fund-----	-	2,328,023	-	2,328,023	2,067,350
Intergovernmental advance funding-----	-	1,462,917	-	1,462,917	-
Notes receivable, current-----	-	-	-	-	92,549
Prepays-----	-	-	220,222	220,222	-
Investments, non-current-----	-	9,775,156	-	9,775,156	9,775,156
Receivable from the City of Oklahoma City					
Capital Improvement Fund-----	-	-	6,000,000	6,000,000	-
<b>Total assets-----</b>	<b>\$1,292,267</b>	<b>\$70,797,915</b>	<b>\$25,512,045</b>	<b>\$97,602,227</b>	<b>\$103,785,198</b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>					
<b><u>LIABILITIES</u></b>					
Accounts payable-----	\$736,543	\$1,460,382	\$3,039,277	\$5,236,202	\$5,607,639
Payable to City of Oklahoma City-----	757,180	12,882	-	770,062	8,278
Tax anticipation notes payable-----	-	27,783,954	-	27,783,954	30,726,892
Unearned revenue-----	-	-	-	-	1,250
<b>Total liabilities-----</b>	<b>1,493,723</b>	<b>29,257,218</b>	<b>3,039,277</b>	<b>33,790,218</b>	<b>36,344,059</b>
<b>DEFERRED INFLOWS OF RESOURCES-----</b>	<b>556</b>	<b>5,834,443</b>	<b>8,654</b>	<b>5,843,653</b>	<b>5,905,551</b>
<b><u>FUND BALANCES</u></b>					
Non-spendable-----	-	11,238,073	6,220,222	17,458,295	-
Restricted-----	-	25,997,302	16,243,892	42,241,194	76,824,485
Assigned-----	-	-	-	-	321,232
Unassigned-----	(202,012)	(1,529,121)	-	(1,731,133)	(15,610,129)
<b>Total fund balances-----</b>	<b>(202,012)</b>	<b>35,706,254</b>	<b>22,464,114</b>	<b>57,968,356</b>	<b>61,535,588</b>
<b>Total liabilities, deferred inflows of resources and fund balances-----</b>	<b>\$1,292,267</b>	<b>\$70,797,915</b>	<b>\$25,512,045</b>	<b>\$97,602,227</b>	<b>\$103,785,198</b>
<b><u>RECONCILIATION OF THE BALANCE SHEETS TO THE STATEMENT OF NET POSITION</u></b>					
Total fund balances-----	(202,012)	\$35,706,254	\$22,464,114	\$57,968,356	\$61,535,588
Capital assets-----	-	33,738,916	-	33,738,916	29,443,105
Accumulated depreciation-----	-	(550,871)	-	(550,871)	(212,484)
Earned but unavailable revenue-----	556	5,834,443	8,654	5,843,653	5,905,551
Long-term debt-----	-	(137,383,351)	-	(137,383,351)	(142,710,026)
Interest payable on long-term debt-----	-	(1,519,351)	-	(1,519,351)	(1,022,615)
<b>Total net position (deficit)-----</b>	<b>(\$201,456)</b>	<b>(\$64,173,960)</b>	<b>\$22,472,768</b>	<b>(\$41,902,648)</b>	<b>(\$47,060,881)</b>

See accompanying notes to financial statements.



**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the Year Ended June 30,**

**OKLAHOMA CITY ECONOMIC  
DEVELOPMENT TRUST**

	<b>2014</b>				<b>2013</b>
					<b>(Restated)</b>
	<b>Economic Development Fund</b>	<b>Tax Incremental Financing Fund</b>	<b>General Obligation Limited Tax Fund</b>	<b>Total</b>	<b>Total</b>
<b><u>REVENUES</u></b>					
Property taxes-----	\$ -	\$18,859,618	\$ -	\$18,859,618	\$7,087,988
Investment income-----	4,225	122,479	50,998	177,702	200,062
Rental income-----	15,000	-	-	15,000	13,751
Payments from the City of Oklahoma City-----	2,786,421	1,583,053	-	4,369,474	3,744,487
Other-----	32,103	596	-	32,699	1,800
<b>Total revenues-----</b>	<b>2,837,749</b>	<b>20,565,746</b>	<b>50,998</b>	<b>23,454,493</b>	<b>11,048,088</b>
<b><u>EXPENDITURES</u></b>					
Materials and supplies-----	-	58,693	-	58,693	6,388
Professional services-----	1,562,568	366,974	83,483	2,013,025	1,285,823
Payments to component units-----	-	1,500,000	-	1,500,000	45,286
Payments to the City of Oklahoma City-----	12,461	536,261	137,733	686,455	378,024
Other services and charges-----	1,787,590	1,596,478	4,326,138	7,710,206	10,155,694
Capital outlay-----	-	4,295,813	-	4,295,813	8,129,409
Debt service-----	-	10,757,533	-	10,757,533	6,438,760
<b>Total expenditures-----</b>	<b>3,362,619</b>	<b>19,111,752</b>	<b>4,547,354</b>	<b>27,021,725</b>	<b>26,439,384</b>
<b><u>OTHER FINANCING SOURCES</u></b>					
Transfers within the Trust-----	1,626	21,912	(23,538)	-	-
Premium on bonds-----	-	-	-	-	2,455,445
Long-term debt issued-----	-	-	-	-	140,285,000
<b>Net other financing uses-----</b>	<b>1,626</b>	<b>21,912</b>	<b>(23,538)</b>	<b>-</b>	<b>142,740,445</b>
<b>Net change in fund balances-----</b>	<b>(523,244)</b>	<b>1,475,906</b>	<b>(4,519,894)</b>	<b>(3,567,232)</b>	<b>127,349,149</b>
Fund balance, beginning-----	321,232	34,230,348	26,984,008	61,535,588	(65,813,561)
<b>Fund balances, ending-----</b>	<b>(\$202,012)</b>	<b>\$35,706,254</b>	<b>\$22,464,114</b>	<b>\$57,968,356</b>	<b>\$61,535,588</b>
<b><u>RECONCILIATION OF STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES</u></b>					
Net changes in fund balances-----	(\$523,244)	\$1,475,906	(\$4,519,894)	(\$3,567,232)	\$127,349,149
Capital outlay-----	-	4,295,813	-	4,295,813	8,129,409
Depreciation expense-----	-	(338,389)	-	(338,389)	(2,819,520)
Issuance of long-term debt-----	-	-	-	-	(140,285,000)
Premium on bonds-----	-	-	-	-	(2,455,445)
Principle and interest on long-term debt-----	-	4,829,938	-	4,829,938	(992,196)
Loss on disposal of assets-----	-	-	-	-	(33,981)
Assets donated to others-----	-	-	-	-	(50,931,670)
Recognition of earned but unavailable revenue-----	(5,650,536)	5,595,572	(6,933)	(61,897)	5,527,046
<b>Change in net position (deficit)-----</b>	<b>(\$6,173,780)</b>	<b>\$15,858,840</b>	<b>(\$4,526,827)</b>	<b>\$5,158,233</b>	<b>(\$56,512,208)</b>

See accompanying notes to financial statements.

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## **Notes to Financial Statements**



## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **I. A. INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Economic Development Trust (Trust) financial activities for the fiscal year ended June 30, 2014 and 2013.

### **I. B. BASIS OF PRESENTATION**

#### **I. B. 1. REPORTING ENTITY AND RELATIONSHIP TO THE CITY OF OKLAHOMA CITY (CITY)**

The Trust was created as a public trust pursuant to Title 60 of the Oklahoma Statutes, section 176, et seq., on October 9, 2007 with the City named as the beneficiary. The purpose of the Trust is to finance, operate, develop, construct, maintain, manage, market, and administer projects for investments and reinvestments, within or near Oklahoma City in all lawful forms of economic and community development and redevelopment, and for any public functions and purposes with any public or private entity. The provisions of the trust indenture provide that the Trust will lease or otherwise manage the related property, equipment, and improvements financed by the Trust. The Trust has no employees.

The five Trustees are nominated by the Mayor and confirmed by the City Council. The Trust does not have the power to levy taxes. The City has no obligation for debt issued by the Trust.

#### ***Method of Reporting in the City's Comprehensive Annual Financial Report (CAFR)***

The Trust is a component unit of the City because the City appoints the Board of Trustees (Board) and the Trust is fiscally dependant on the City as major revenues of the Trust are derived from interfund payments from the City for sales and property tax revenues. The Trust's net position represents cash and investments related to bond proceeds, capital assets, TIF sales taxes, and related debt for notes and bonds. The Trust is discretely presented because the majority of the Board is not the same as the voting majority of the City Council.

The Trust is a component unit of the City and is included in the City's financial reporting entity. The financial activity of the Trust is discretely presented in the City's CAFR. CAFR financial statements may be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

#### ***Management Agreements***

##### **Alliance for Economic Development of Oklahoma City (AEDOC)**

The AEDOC functions as a services provider that performs consolidated economic development functions pursuant to service contracts with various agencies. The Trust has a service contract with AEDOC to provide consolidated and coordinated economic development services to the City and the Trust. The agreement is effective May 1, 2011 through June 30, 2016. The eleven member AEDOC Board includes the City Manager and a City Council representative. AEDOC can be contacted at 105 N. Hudson Suite 100, Oklahoma City, OK 73102.

##### **Oklahoma City Myriad Gardens Foundation (OCMGF)**

Created to serve as a conduit for charitable contributions intended to finance a portion of the Myriad Botanical Gardens development. The OCMGF Board of Directors is comprised of thirty nine members. Eight are elected by the OCMGF Board. The remainder are selected by various community organizations including six by the City's Mayor. Financial information can be obtained at 100 Myriad Gardens, Oklahoma City, Oklahoma 73102.

**Oklahoma City Economic Development Foundation (OCEDF)**

The OCEDF works to improve economic growth in the greater Oklahoma City area. The Trust has a professional services agreement with the OCEDF to provide certain economic development services for the Trust and the City. The agreement is effective July 1, 2013 through June 30, 2014. The agreement calls for OCEDF to assist with business retention and expansion, research, recruitment and marketing as well as managing the application process for the strategic incentive program. Financial Information can be obtained at 123 Park Avenue, Oklahoma City, OK 73102.

***Trust Administration***

The Trust has no employees. Trust activities are performed by City employees. City employees external to the Trust perform some administrative functions which are reimbursed through administrative chargebacks recorded with operating expenses of the Trust.

**I. B. 2. BASIC FINANCIAL STATEMENTS**

The basic financial statements include the statement of net position (deficit), the statement of activities, balance sheet, and statement of revenues, expenditures, and changes in fund balances. These statements report financial information for the Trust as a whole.

***Trust-wide Financial Statements***

The statement of net position (deficit) reports both short and long-term assets and liabilities specifically including capital assets acquired by the Trust.

The statement of activities reports the revenues and expenses of the Trust's economic development function. Program revenues include charges for services and operating grants and contributions. All other revenues of the Trust are included as general revenues.

***Fund Financial Statements***

The balance sheet and statement of revenues, expenditures, and changes in fund balances are also included in the basic financial statements. These statements report current assets and liabilities and sources and uses of these resources.

**I. B. 3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

***Implementation of New Accounting Standard***

Effective July 1, 2012, the City implemented Governmental Accounting Standards Board (GASB) statement number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement defines deferred outflows and deferred inflows of resources and where they are to be reported in the financial statements and redefine and provide new calculations for the classifications of net position.

***Trust-wide Financial Statements***

The financial statements of the Trust are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The statement of net position and statement of activities report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Capital assets are recorded when purchased or constructed and depreciated over their useful lives.

*Fund Financial Statements*

The remaining two financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Trust considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred.

**General Fund**

Economic Development Fund

This fund provides funding for contracts for economic development professional services. In addition, this fund provides funding for miscellaneous economic development projects, including any conduit financing or infrastructure improvements pursuant to an economic development agreement and retail incentives.

**Special Revenue Funds**

Tax Increment Financing (TIF) Fund

This fund accounts for TIF activities of the Trust. In June of 2008, the City Council approved the Trust as the entity designated to manage economic development projects.

General Obligation Limited Tax (GOLT) Fund

This fund accounts for GOLT financed activities of the Trust. On December 11, 2007 the citizens of the City approved the issuance of \$75 million in GOLT bonds for the purpose of expanding the City's economic base. The GOLT bonds will be repaid with property tax collections by the City. The City designated the Trust to administer the GOLT bond projects.

**I. C. BUDGET LAW AND PRACTICE**

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. Accordingly, the Trust's budget is submitted to its governing body for approval. Appropriations are recorded and available for encumbrance or expenditure as revenue is received in cash. Budgetary control is exercised on a project-length basis. Therefore, appropriations are carried forward each year until projects are completed. Management's policy prohibits expenditures to exceed appropriations at the detail, line-item level. Management may transfer appropriations without governing body approval.

**I. D. POLICIES RELATED TO ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY**

**I. D. 1. CASH AND INVESTMENTS**

The Trust participates in the investment policy approved by the City Council. The Trust's governing board formally adopted the City's updated deposit and investment policy in November 2012.

The Trust maintains and controls a cash and investment operating pool which functions as a demand deposit account for participating funds of the Trust. This pool is allocated to the funds. Fund pooled cash and investments are allocated based on the fund's position in the pool and reported as pooled cash and investments. In addition, non-pooled cash and investments are separately held and reflected in respective funds as non-pooled cash and investments. The Trust engages in non-pooled investing activity for functionally separate activities.

Investments are reported at fair value, which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash equivalents are reported with investments. Cash deposits are reported at carrying amount, which approximates fair value.

**I. D. 2. PROPERTY TAXES RECEIVABLE**

Property taxes are collected and remitted to the Trust by Oklahoma County for specifically identified TIF districts. Taxes are levied annually. Property taxes receivable are estimated from the prior calendar year receipts. In the governmental fund financial statements, property taxes revenues are recorded in the TIF Fund for all receipts during the year and for 60 days after year-end.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the Trust regardless of when cash is received.

**I. D. 3. CAPITAL ASSETS AND DEPRECIATION**

Property and equipment are stated at actual or estimated historical cost. The Trust generally capitalizes assets with cost of \$7,500 or more as purchases and construction outlays occur. Capital assets are reported in the statement of net position and depreciated using the straight-line method with estimated useful lives ranging from 5 to 50 years from the date placed in service. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10 - 50
Infrastructure and improvements other than buildings	10 - 50
Mobile equipment, furniture, machinery, and equipment	5 - 20

Cost incurred during construction of long-lived assets is recorded as construction in progress and is not depreciated until placed in service. Generally, constructed assets are donated to the City upon final acceptance by the Board and formal acceptance by the City.

**I. D. 4. DEFERRED INFLOWS OF RESOURCES**

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future or future periods and will not be recognized as revenue until that time. Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as revenue in the period the amounts become available.

**I. D. 5. TIF**

TIF is a method of obtaining financing using future gains in taxes to finance current improvements which will create the conditions for those future gains. When a public project is carried out the increase in the value of surrounding real estate, and perhaps new investment, is expected to increase property and sales tax revenues that are dedicated to finance the debt issued to pay for the project. The City uses TIF to stimulate economic and community development. The Trust along with the Oklahoma City Public Property Trust (OCPPA) and the Oklahoma City Redevelopment Trust (OCRA) have TIF in place.



#### **I. D. 6. FUND EQUITY**

##### ***Fund Balance***

##### **Non-Spendable Fund Balance**

Fund balance reported as non-spendable includes amounts that cannot be spent because it is not in spendable form or is not expected to be converted to cash including inventories, prepaid expenses, non-current receivables and advances, and restricted non-current bond reserve investments.

##### **Restricted Fund Balance**

Restricted fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation including City ordinances approved by a vote of the Citizens.

##### **Committed Fund Balance**

Committed fund balance includes amounts that are constrained for specific purposes that are internally imposed by a vote of the Board of Trustees. Commitments of fund balance do not lapse at year-end.

##### **Assigned Fund Balance**

Assigned fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by formal action of the City Finance Director.

##### **Unassigned Fund Balance**

Unassigned fund balance includes fund balance within the Economic Development Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

##### **Fund Balance Usage**

The Trust uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreements requiring dollar for dollar spending. Additionally, the Trust uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

##### ***Net Position***

Net investment in capital assets and legally restricted amounts are separated from unrestricted net position.

##### **Net Investment in Capital Assets**

The amount reported is calculated as total capital assets less accumulated depreciation and outstanding debt used to purchase the assets net of unspent portions. Unspent portions of debt, along with any amounts used to fund debt reserves, are included with restricted net position.

##### **Restricted Net Position**

Amounts reported as restricted for debt service include those amounts held in restricted accounts as required by the debt instrument. Restricted amounts held to pay bond interest are reduced by accrued interest payable. Net position restricted for capital projects include unspent debt proceeds legally restricted for capital outlays. Restricted net position also includes purpose restrictions from enabling legislation and other external sources.

#### **I. D. 7. USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

#### **I. D. 8. RISK MANAGEMENT**

The Trust's risk management activities are recorded in the City Risk Management Fund and the Oklahoma City Municipal Facilities Authority (OCMFA) Services Fund. The purpose of these funds is to administer property and liability insurance programs of the City, in which the Trust participates. These funds account for the risk financing activities of the Trust and constitute a transfer of risk from the Trust.

The Trust pays premiums to the City included with other administrative chargebacks and has no other costs or liabilities related to risk management activities. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the City Risk Management Fund and the OCMFA Services Fund.

#### **I. E. MAJOR REVENUES**

Revenues primarily consist of payments from the City for TIF sales tax revenues collected and paid to the Trust by the City. Revenues also include TIF property tax collections. TIF property taxes designated for TIF districts are paid directly to the Trust. Taxes levied annually on November 1 are due one-half by December 31 and one-half by March 31. Major tax payments are received December through April. Lien dates for real property are in June and October, respectively.

#### **I. F. TAX STATUS**

The Trust is exempt from Federal and state income taxes under Section 115 of the Internal Revenue Code for any trade or business related to the Trust's tax-exempt purpose or function.

#### **I. G. RETAINAGES**

It is the policy of the Trust to retain a percentage of construction contracts until a completed project has been accepted by the Trustees. Contractors may request to opt out of this retainage by providing a certificate of deposit with the Trust. The City holds the certificate of deposit and the Trust retains the risk of incurring costs related to a contractor's failure to perform. However, in the event of non-performance, the City calls the certificate and pays to the Trust to cover any costs incurred. The Trust does not record the effect of holding the certificates of deposit.

### **II. ASSETS**

#### **II. A. DEPOSITS AND INVESTMENTS**

##### ***Deposits***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Trust's deposits may not be returned or the Trust will not be able to recover collateral securities in the possession of an outside party. The Trust's policy requires deposits to be 110 percent secured by collateral valued at market, less the amount of the Federal depository insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health, as determined by the bank's institutional rating on each of the performance evaluations conducted pursuant to the Federal Community Reinvestment Act, 12 United States Code, Section 2901. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of the City Treasurer.

At June 30, 2014 and 2013 the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust or the City, less the Federal depository insurance.

### Investments

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's financial position. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

June 30, 2014				
	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings (1)	Weighted Average Months to Maturity (2)
Federal obligations	\$15,046,254	\$15,228,524	AA/Aaa	6.44
Money market funds	<u>65,569,158</u>	<u>65,569,158</u>	AAA/Aaa	1.69
	<b><u>\$80,615,412</u></b>	<b><u>\$80,797,682</u></b>		

June 30, 2013				
	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings (1)	Weighted Average Months to Maturity (2)
Federal obligations	\$17,154,471	\$17,237,025	AA/Aaa	13.18
U.S. Treasury notes	6,090,585	6,170,156	Aaa	9.63
Money market funds	<u>71,517,015</u>	<u>71,517,015</u>	A+/A3	1.65
	<b><u>\$94,762,071</u></b>	<b><u>\$94,924,196</u></b>		

(1) Ratings are provided where applicable to indicate associated Credit Risk.

(2) Interest rate risk is estimated using weighted average months to maturity.

### Investment policy

The Trust's investment policy is maintained by the City Treasurer. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Trust funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged; (2) Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those insured by or fully guaranteed as principal and interest by Federal agencies or U.S. government-sponsored enterprises; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in Oklahoma when secured by appropriate collateral or fully insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located outside of Oklahoma; (4) repurchase agreements that have underlying collateral of direct obligations or obligations of the U.S. government, its agencies, and instrumentalities; (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law; (6) savings accounts or certificates of savings and loan associations, banks, and credit unions, to the extent the accounts are fully insured by Federal depository insurance; (7) State and Local Government Series (SLGS); (8) City direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the City is a beneficiary and judgments rendered against the City by a court of record, provided it is a prudent investment; (9) prime commercial paper with a maturity date less than 180 days which represents less than 10% of the outstanding paper of an issuing corporation.

Under the policy, the Trust may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset values and/or has no call options prior to the City's desired maturity or is a variable rate instrument. Collateralization is further restricted to permitted investments shown previously as items (1) and (2).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. Cumulatively, portfolios of the Trust may not be invested in any given financial institution in excess of 5% of such institution's total assets excluding U.S. government securities and those issued by government sponsored enterprises, SLGS, and City judgments. Additionally, no more than 5% of the total Trust portfolio may be placed with any single financial institution excluding U.S. government securities and those issued by government sponsored enterprises, savings, money market funds, SLGS, City judgments, and repurchase agreements.

**Portfolio Structure (1)**

Investment Type Limitations		Maturity Limitations	
Percentage of Total Invested Principal		Percentage of Total Invested Principal	
	<u>Maximum % (2)</u>		<u>Maximum % (4)</u>
Repurchase agreements	100.0%	0-1 year	100%
U.S. Treasury securities (3)	100.0	1-3 years	90
Certificates of deposit	50.0	3-5 years	90
Money market funds	100.0		
Savings accounts	100.0		
U.S. noncallable agencies securities	100.0		
U.S. callable agency securities	20.0		
Prime commercial paper	7.5		
City judgments	5.0		

- (1) Specifically matched cash flows are excluded.
- (2) For investments listed, there is no minimum percentage specified under the policy.
- (3) Includes SLGS.
- (4) For maturities limited to 0-1 year, the minimum percentages allowed under the policy are 5-25%.

The policy also allows surplus cash, certificates of deposit, and repurchase agreements to be collateralized with securities with longer maturities if such maturity does not exceed ten years.

**Bond Indenture Restrictions**

The Trust's bond indenture restricts investments to the: (1) direct obligations of the Department of the Treasury of the U.S.; (2) obligations of any of the following Federal agencies which obligations represent full faith and credit of the U.S. including: (a) Export – Import Bank, (b) Farmers Home Administration, (c) General Services Administration, (d) U.S. Maritime Administration, (e) Small Business Administration, (f) Government National Mortgage Association (GNMA), (g) U.S. Department of Housing & Urban Development (PHA's), (h) Federal Housing Administration; (3) bonds, notes or other evidences or indebtedness rated "AAA" by Standard & Poor's Corporation and "Aaa" by Moody's Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (4) U.S. dollar denominated deposit accounts, Federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's Corporation and "P-1" by Moody's Investors Service and maturing no more than 360 days after the date of purchase; (5) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's and "P-1" by Moody's Investors Service and which matures not more than 270 days after the date of purchase; (6) investments in a money market fund rated in the highest rating categories by Standard & Poor's Corporation and Moody's Investors Service; (7) certain pre-refunded municipal obligations; (8) investment agreements supported by appropriate opinions of counsel as to enforceability; and (9) certificates of deposit properly secured at all times by collateral security described in (1) or (2) above. Such certificates of deposit are only acceptable with commercial banks, savings and loan associations, and mutual savings banks.

**Investments Held by Others**

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Policy provides that investment collateral is held by a third party custodian with whom the City has a current custodial agreement in the City's name or be held in the name of both parties by the Federal Reserve Bank servicing Oklahoma. The Trust's investments are insured or collateralized with securities held by the Trust, the City, or its agent in the Trust's or the City's name.

**Compliance with State Restrictions**

Trust investment policy and bond indenture requirements are more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma Statutes and the standards of the Oklahoma Uniform Prudent Investor Act. These statutes restrict public trust investing to the Prudent Investor Rule defined by Title 60 Oklahoma Statutes to consider the purposes, terms, distribution requirements, and other circumstances of the Trust and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the Trust's portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Trust.

**Restricted Deposits and Investments**

	<u><b>2014</b></u>	<u><b>2013</b></u>
Bond principal and interest accounts	\$2,279,300	\$1,704,401
Construction accounts	29,683,093	37,088,463
Bond reserve	9,775,156	9,775,156
	<u><b>\$41,737,549</b></u>	<u><b>\$48,568,020</b></u>

**II. B. RECEIVABLES**

**Property Taxes Receivable**

At June 30, 2014 and 2013, receivables of \$5,827,753 and \$5,788,981, respectively, represent tax incremental financing property taxes. Amounts received 60 days after year-end are recorded as unavailable revenues in governmental funds.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**OKLAHOMA CITY ECONOMIC  
DEVELOPMENT TRUST**

**OCEDT OCMGF Note Receivable**

During Fiscal Year 2011 the Trust loaned the OCMGF \$4,190,138 to enable the OCMGF to acquire property in the vicinity of the Myriad Botanical Gardens for the purposes of providing for relocation of displaced Myriad Botanical Gardens facilities and to ensure that the property is used and developed in a manner compatible with the purpose of the Myriad Botanical Gardens. The land and buildings were appraised at \$4,225,000. On August 9, 2011, the Trust approved a real estate transfer agreement between the Trust and the OCMGF naming the Trust as owners of the property purchased by the OCMGF. The transfer released the OCMGF of the liability to the Trust for the principal amount of the loan but required the OCMGF to pay any unpaid accrued interest, which was \$188,520 at the date of the transfer under the same terms as the original note. In fiscal years 2014 and 2013, payments of \$92,549 and \$84,817, respectively, were made by the OCMGF. The note was repaid during 2014. The remaining notes receivable from OCMGF at fiscal year end 2013 was \$92,549.

**II. C. INTERGOVERNMENTAL ADVANCE FUNDING**

During Fiscal Year 2014 the Trust gave a grant of \$2,000,000 to Oklahoma County to enable repair and remodel to the Oklahoma County Annex building. During Fiscal Year 2014 the County spent \$537,083, with plans to complete construction and repairs during Fiscal Year 2015. At year end 2014, the unspent balance of the grant is \$1,462,917.

**II. D. CAPITAL ASSETS**

*Changes in Capital Assets*

	<b>2014</b>						
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
<b><u>CAPITAL ASSETS</u></b>							
Balance, June 30, 2013	\$4,202,334	\$22,527,503	\$26,729,837	\$2,472,530	\$240,736	\$2,713,266	\$29,443,103
Increases	-	4,295,814	4,295,814	-	10,637,028	10,637,028	14,932,842
Decreases	-	(9,924,392)	(9,924,392)	-	(712,637)	(712,637)	(10,637,029)
Balance, June 30, 2014	<u>4,202,334</u>	<u>16,898,925</u>	<u>21,101,259</u>	<u>2,472,530</u>	<u>10,165,127</u>	<u>12,637,657</u>	<u>33,738,916</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>							
Balance, June 30, 2013				162,556	49,926	212,482	212,482
Increases				<u>52,563</u>	<u>285,826</u>	<u>338,389</u>	<u>338,389</u>
Balance, June 30, 2014				<u>215,119</u>	<u>335,752</u>	<u>550,871</u>	<u>550,871</u>
<b>Capital assets, Net</b>	<b><u>\$4,202,334</u></b>	<b><u>\$16,898,925</u></b>	<b><u>\$21,101,259</u></b>	<b><u>\$2,257,411</u></b>	<b><u>\$9,829,375</u></b>	<b><u>\$12,086,786</u></b>	<b><u>\$33,188,045</u></b>
<b>2013</b>							
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	Assets, net
<b><u>CAPITAL ASSETS</u></b>							
Balance, June 30, 2012	\$4,202,334	\$29,073,333	\$33,275,667	\$9,239,194	\$33,590,408	\$42,829,602	\$76,105,269
Increases	-	9,290,343	9,290,343	1,653,315	12,198,966	13,852,281	23,142,624
Decreases	-	(15,836,173)	(15,836,173)	(8,419,979)	(45,548,638)	(53,968,617)	(69,804,790)
Balance, June 30, 2013	<u>4,202,334</u>	<u>22,527,503</u>	<u>26,729,837</u>	<u>2,472,530</u>	<u>240,736</u>	<u>2,713,266</u>	<u>29,443,103</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>							
Balance, June 30, 2012				232,032	986,854	1,218,886	1,218,886
Increases				390,797	2,428,723	2,819,520	2,819,520
Decreases				(460,273)	(3,365,651)	(3,825,924)	(3,825,924)
Balance, June 30, 2013				<u>162,556</u>	<u>49,926</u>	<u>212,482</u>	<u>212,482</u>
<b>Capital assets, net</b>	<b><u>\$4,202,334</u></b>	<b><u>\$22,527,503</u></b>	<b><u>\$26,729,837</u></b>	<b><u>\$2,309,974</u></b>	<b><u>\$190,810</u></b>	<b><u>\$2,500,784</u></b>	<b><u>\$29,230,621</u></b>

***Depreciation Expense***

Depreciation expense was charged to the Trust in the amount of \$338,389, for the fiscal year ending 2014 and \$2,819,520 for the fiscal year ending 2013.

***Assets Transferred to Others***

Generally, assets constructed or purchased by the Trust to further economic development but not intended to be held for economic incentive purposes, are subsequently transferred to the party that will maintain the asset in the future. On June 25, 2013, the Trust transferred improvements related to the City Center East Garage pedestrian corridor to the Oklahoma City Urban Renewal Authority with a net book value of \$822,955. This amount is reported as assets transferred to others on the Trust-wide financial statements. In addition, on June 11, 2013, the Trust transferred infrastructure and improvements with a net book value of \$50,108,713 to the City. This amount is reported with payments to the City in the Trust-wide financial statements.

**III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

**III. A. TAX ANTICIPATION DEBT**

***TIF Districts #2 and #3***

The City created TIF district #2 on March 7, 2000 and TIF district #3 on July 20, 2004. The OCPPA issued a line of credit to provide the funding for the projects related to the two TIF districts until the permanent TIF financing was finalized. The extended due date of the line of credit was December 31, 2008.

On October 22, 2008, the Trust issued Private Placement Tax Anticipation Note 2008 from JP Morgan Chase Bank, N.A. in the amount of \$25,000,000 with a fixed interest rate of 6.99% for a 16 year term to pay the outstanding principal and interest on the OCPPA TIF districts #2 and #3 line of credit in the amount of \$20,523,262. The balance of proceeds from the 2008 note is available to fund the remaining projects within the TIF districts.

On February 4, 2010, the Trust issued a \$5,000,000 Private Placement Tax Anticipation Note 2010 from JP Morgan Chase Bank, N.A. with a fixed interest rate of 4.20% for a 5 year term. The proceeds from the 2010 note are to fund redevelopment and improvements within the districts.

On February 23, 2010, TIF sales tax formally receivable to the OCRA related to TIF districts #2 and #3 were assigned to the Trust.

At June 30, 2014 and 2013, \$21,425,000 and \$23,835,000, respectively, is outstanding on amounts drawn to fund TIF districts #2 and #3 projects. Of the amount due, \$18,680,000 and \$21,425,000 is reported with non-current liabilities at fiscal year end 2014 and 2013, respectively.

***TIF Districts #4 and #5***

In October 2004, Dell Incorporated (Dell) announced the selection of the City as the permanent site of the Dell Business Services Center. In November 2004, the City Council approved a Memorandum of Understanding (MOU) with Dell that outlined the incentives to be provided to Dell as a result of the selection of the City. The MOU required the City to provide land and infrastructure improvements to the site along with job creation grants. In December 2004, OCPPA approved the incurrence of indebtedness to JP Morgan Chase for a \$12,000,000 line of credit (LOC) with a rate of London Interbank Offered Rate (LIBOR) (30 day) plus 45 basis points with full repayment due on or before December 15, 2006. The financing requires a moral (not legal) pledge by the City in the event that proceeds of the tax increment debt issued by a City beneficiary trust are insufficient to repay the LOC.

In March 2005, the Authority increased the LOC by an additional \$4,000,000 to \$16,000,000 to fund a site improvement contract for dynamic compaction. On November 14, 2006, OCPPA authorized the extension of the terms of the note that increased the amount to \$16,000,000 and extended the maturity date to December 1, 2007. On November 20, 2007, the OCPPA authorized an extension of the maturity date to December 1, 2008. On November 18, 2008, the OCPPA authorized an extension of the LOC maturity date to June 30, 2009; a decrease in the LOC from \$16,000,000 to \$13,000,000; and an increase in interest rate to LIBOR (30 day) plus 90 basis points. On June 23, 2009, the OCPPA authorized an extension of the maturity date to June 30, 2010, a decrease in the LOC to \$12,000,000, and an increase in the interest rate to LIBOR plus 105 basis points. On June 21, 2011, the OCPPA authorized an extension of the LOC maturity date to June 30, 2012; a decrease in the LOC from \$12,000,000 to \$11,000,000; and an increase in the interest rate to LIBOR plus 115 basis points. On June 26, 2012, the OCEDT authorized an extension of the LOC maturity date to June 30, 2013; a decrease in the LOC from \$11,000,000 to \$10,000,000; and a decrease in the interest rate to LIBOR plus 100 basis points. On June 11, 2013, the OCEDT authorized an extension of the LOC maturity date to June 30, 2014; a decrease in the LOC from \$10,000,000 to \$9,000,000; and a decrease in the interest rate to LIBOR plus 85 basis points. On June 11, 2014, the OCEDT authorized an extension of the LOC maturity date to June 30, 2015; a decrease in the LOC from \$9,000,000 to \$8,000,000; and keeping the interest rate to LIBOR plus 85 basis points.

In March, 2012, the City Council and the Boards of the Trust and OCPPA jointly resolved to assign the OCPPA Tax Anticipation Note, 2006, to the tax anticipation debt obligation related to TIF districts #4 and #5 from the OCPPA to the Trust and approved the related transfer of funds from OCPPA to the Trust. This indebtedness was transferred to the Trust.

At June 30, 2014 and 2013, \$6,000,000 and \$6,500,000, respectively, is outstanding on amounts drawn to fund TIF districts #4 and #5.

#### ***TIF District #8***

On December 16, 2008, the City Council established TIF district #8. The new TIF district includes a budget of \$115,000,000 for public improvements. On September 23, 2009, the City Council authorized the incurrence of indebtedness of the Trust. The Private Placement Revenue Note Series 2009 was financed from Devon Energy Corporation in the amount of \$95,000,000 at a fixed interest rate of 5% per annum for October 1, 2009 through September 30, 2015. From October 1, 2015, to maturity date June 30, 2034, the interest rate will be variable. No principal payments were required prior to October 1, 2014. Interest is payable on each April 1 and October 1. Per the loan agreement, on any interest payment date prior to October 1, 2014, the Trust may elect to defer payment of accrued interest. All deferred interest is added to the principal balance of the loan.

On April 17, 2013, the Trust issued bonds. A portion of the proceeds was designated to pay in full the Private Placement Tax Anticipation Note Series 2009. On April 17, 2013, a total payment was made to the Devon Headquarters, LLC (Devon) in the amount of \$92,918,166. This included the principal and capitalized interest in the amount of \$92,702,284 and a 17 day interest amount of \$215,882. As of June 30, 2012, \$76,600,000 has been drawn on the note and an additional \$5,701,154 in deferred interest has been added to the principal of the loan. As of June 30, 2013, there is no amount outstanding for TIF district #8 tax anticipation debt.

#### ***Changes in Tax Anticipation Debt***

	<b>2014</b>				
	Balance	Issued/		Balance	Effective
	<u>July 1, 2013</u>	<u>Transferred</u>	<u>Retired</u>	<u>June 30, 2014</u>	<u>Interest Rate</u>
TIF districts #2 and #3	\$21,085,000	\$ -	\$1,160,000	\$19,925,000	6.99%
TIF districts #2 and #3	2,750,000	-	1,250,000	1,500,000	4.20
TIF districts #4 and #5	6,500,000	-	500,000	6,000,000	1.00
TIF interest payable	<u>391,892</u>	<u>1,489,794</u>	<u>1,522,732</u>	<u>358,954</u>	
	<b><u>\$30,726,892</u></b>	<b><u>\$1,489,794</u></b>	<b><u>\$4,432,732</u></b>	<b><u>\$27,783,954</u></b>	

(continued)



*Changes in Tax Anticipation Debt (continued)*

	2013				
	Balance <u>July 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>June 30, 2013</u>	Effective <u>Interest Rate</u>
TIF districts #2 and #3	\$22,170,012	\$ -	\$1,085,012	\$21,085,000	6.99%
TIF districts #2 and #3	3,750,000	-	1,000,000	2,750,000	4.20
TIF districts #4 and #5	7,000,000	-	500,000	6,500,000	1.19
TIF district #8	82,301,154	10,401,130	92,702,284	-	5.00
TIF interest payable	<u>1,444,666</u>	<u>5,944,385</u>	<u>6,997,159</u>	<u>391,892</u>	
	<b><u>\$116,665,832</u></b>	<b><u>\$16,345,515</u></b>	<b><u>\$102,284,455</u></b>	<b><u>\$30,726,892</u></b>	

*Tax Anticipation Debt Service Requirements to Maturity*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$8,745,000	\$1,447,042	\$10,192,042
2016	1,335,000	1,260,862	2,595,862
2017	1,435,000	1,160,739	2,595,739
2018	1,535,000	1,058,608	2,593,608
2019	1,650,000	947,303	2,597,303
2020-2024	10,220,000	2,762,268	12,982,268
2025-2029	<u>2,505,000</u>	<u>87,550</u>	<u>2,592,550</u>
	<b><u>\$27,425,000</u></b>	<b><u>\$8,724,372</u></b>	<b><u>\$36,149,372</u></b>

*Pledged Revenues*

The Trust issued and assumed tax anticipation notes to support its economic development activities. The TIF Fund financial statements report revenue-supported debt. In 2014 and 2013, the Trust recognized \$7,597,072 and \$7,067,813, respectively, in property taxes and \$666,273 and \$621,265 in payments from the City for sales tax. In addition, if the principal and interest on the TIF debt is not paid as due, the City transfers amounts sufficient to pay the principal and interest due.

**III. B. UNEARNED REVENUE**

On August 25, 2009, the Trust purchased property for economic development. The property was occupied at the time of purchase. The occupants of the property have a month to month arrangement to pay the Trust \$1,250 per month. The Trust received the July 2013 payment in June 2013, creating an unearned revenue of \$1,250 as of June 30, 2013. There was no unearned revenue as of June 30, 2014.

**III. C. TAX APPORTIONMENT BONDS**

*Bond Issuance*

On April 1, 2013, the Trust issued \$116,445,000 million Tax Apportionment Bonds, Series 2013A. The proceeds of \$116,445,000 from the bonds, less \$881,498 in issuance costs, will be used to finance construction projects in the Myriad Botanical Gardens, the Bicentennial park, and various streetscape projects in the City. The funds will also be used with future economic development projects, to the extent available.

On April 1, 2013, the Trust issued \$23,840,000 million Tax Apportionment Bonds, Series 2013B. The proceeds of \$26,295,445, including bond premiums of \$2,455,445, from the bonds, less \$313,289 in issuance costs, will be used to finance construction of various other infrastructure and public improvements in downtown Oklahoma City.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014 and 2013**

**OKLAHOMA CITY ECONOMIC  
DEVELOPMENT TRUST**

The Trust is a third party beneficiary of an agreement between the Oklahoma City Urban Renewal Authority and Devon. Per the agreement, Devon will pay a minimum annual amount of ad valorem property taxes of \$11,300,000 to cover the Trust's debt service for the bonds. The payment is to be made by December 31 of each year, with the final payment on December 31, 2034. These property taxes are pledged for the repayment of the bonds.

***Bonded Debt Service Requirements to Maturity***

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$5,230,000	\$4,558,056	\$9,788,056
2016	5,275,000	4,524,060	9,799,060
2017	5,335,000	4,472,630	9,807,630
2018	5,420,000	4,399,220	9,819,220
2019	5,515,000	4,311,090	9,826,090
2020-2024	29,755,000	19,521,376	49,276,376
2025-2029	35,140,000	14,390,848	49,530,848
2030-2034	<u>43,410,000</u>	<u>6,471,264</u>	<u>49,881,264</u>
	<b><u>\$135,080,000</u></b>	<b><u>\$62,648,544</u></b>	<b><u>\$197,728,544</u></b>

***Tax Apportionment Bonds Outstanding***

	<u>Amount</u>	<u>Interest</u>	<u>Issue</u>	<u>Principal</u>	<u>2014</u>	<u>2013</u>
	<u>Issued</u>	<u>Rate %</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Principal Balance</u>	<u>Principal Balance</u>
Tax Apportionment Bonds, Series 2013A	\$116,445,000	.40-4.30%	4/1/2013	3/1/2032	\$111,240,000	\$116,445,000
Tax Apportionment Bonds, Series 2013B	23,840,000	5.00%	4/1/2013	3/1/2034	23,840,000	23,840,000

***Bond Coverage***

	<b><u>2014</u></b>
Gross revenue, including investment income and transfers in	\$17,127,658
Direct expenditures and transfers out, excluding capital outlay and debt service	<u>6,302,036</u>
<b>Net revenue available for debt service</b>	<b><u>\$10,825,622</u></b>
Principal amounts	\$9,535,000
Interest amounts	<u>476,750</u>
<b>Total debt service requirements</b>	<b><u>\$10,011,750</u></b>
<b>Tax apportionment bond coverage</b>	<b><u>1.08</u></b>

The bond indentures require the payment of principal and interest before any other expenditures may be made. In addition, depreciation and amortization expenses are excluded from the direct operating expenses as they do not affect funds available for debt service. The required tax apportionment bond coverage is 1.05.

***Pledged Revenues***

The Trust issued tax anticipation bonds to support its economic development activities. The TIF Fund financial statements report revenue-supported debt. In 2014 and 2013, the Trust recognized \$11,301,318 and \$5,650,658, respectively, in property taxes. In addition, if the principal and interest on the TIF debt is not paid as due, the City transfers amounts sufficient to pay the principal and interest due.

### III. D. CHANGES IN LONG-TERM DEBT

2014						
Tax apportionment bonds	Balance July 1, 2013	Issued	Retired	Balance June 30, 2014	Due Within One Year	Due After One Year
	<u>\$140,285,000</u>	<u>\$ -</u>	<u>\$5,205,000</u>	<u>\$135,080,000</u>	<u>\$5,230,000</u>	<u>\$129,850,000</u>
2013						
Tax apportionment bonds	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013	Due Within One Year	Due After One Year
	<u>\$ -</u>	<u>\$140,285,000</u>	<u>\$ -</u>	<u>\$140,285,000</u>	<u>\$5,205,000</u>	<u>\$135,080,000</u>

### III. E. ACTIVITIES WITH REVENUE SUPPORTED DEBT

The Trust issued tax apportionment bonds to finance construction projects. The financial statements report revenue-supported debt. The Trust recognized \$11,301,317 in TIF district #8 property taxes to pay the 2013A and 2013B tax apportionment bonds in 2014. In 2013, \$7,171,482 in TIF district #8 sales taxes collected and state sales tax matches were received to pay the tax anticipation notes. The tax anticipation notes were extinguished with these payments and the issuance of the tax apportionment bonds.

#### TIF District #8 Condensed Statement of Net Position (Deficit)

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>ASSETS</u></b>		
Current Assets	\$44,527,310	\$49,810,374
Non-current assets	<u>36,409,817</u>	<u>33,724,553</u>
<b>Total Assets</b>	<b><u>80,937,127</u></b>	<b><u>83,534,927</u></b>
<b><u>LIABILITIES</u></b>		
Current Liabilities	8,145,201	10,290,075
Non-current liabilities	<u>132,153,351</u>	<u>137,505,026</u>
<b>Total Liabilities</b>	<b><u>140,298,552</u></b>	<b><u>147,795,101</u></b>
<b><u>NET POSITION (DEFICIT)</u></b>		
Net investment in capital assets	9,442,750	-
Restricted	2,279,300	1,704,404
Unrestricted	<u>(71,083,469)</u>	<u>(65,964,578)</u>
<b>Total net position (deficit)</b>	<b><u>(\$59,361,419)</u></b>	<b><u>(\$64,260,174)</u></b>

#### TIF District #8 Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>OPERATING INCOME (EXPENSES)</u></b>		
Operating revenues	\$11,476,623	\$5,410,546
Depreciation expense	(275,832)	(2,717,141)
Other operating expenses	<u>(6,299,934)</u>	<u>(60,188,125)</u>
<b>Operating income (loss)</b>	<b><u>4,900,857</u></b>	<b><u>(57,494,720)</u></b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Other	-	536,928
Transfers	<u>(2,102)</u>	-
<b>Operating revenue (expenses)</b>	<b><u>(2,102)</u></b>	<b><u>536,928</u></b>
<b>Changes in net position (deficit)</b>	<b><u>4,898,755</u></b>	<b><u>(56,957,792)</u></b>
Beginning net assets	<u>64,260,174</u>	<u>7,302,382</u>
<b>Ending net position (deficit)</b>	<b><u>\$59,361,419</u></b>	<b><u>\$64,260,174</u></b>

### III. F. GUARANTEED DEBT

#### *Implementation of New Accounting Standard*

Effective July 1, 2013, the Trust implemented GASB statement number 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the governments will be required to make a payment on the guarantee. This Statement also specifies the information required to be disclosed by governments extending nonexchange financial guarantees as well as governments that receive nonexchange financial guarantees. This Statement has been applied retroactively, when practical, for all periods presented.

The City has executed an agreement of support which guarantees the City will fund debt service and bond reserve requirements for the Series 2013A and Series 2013B bonds, as well as, the 2006 Tax Anticipation note, 2008 Tax Anticipation note, and 2010 Tax Anticipation note. Under Oklahoma law, the City may only be obligated to transfer up to the end of its fiscal year (June 30) and has no legal obligation or promise to transfer beyond its fiscal year. The debt instruments recognize the limitations set by state law and the City's moral obligation to renew the guarantees. The debt instruments require the City to renew the guarantees annually. The City did not and was not required to fund debt service for the Trust in 2014 or any preceding year in which the debt was outstanding.

<u>Maximum of Bond Reserve or Bond Debt Service Requirements</u>	<u>Total Amount Guaranteed (1)</u>	<u>Total Amount Outstanding</u>
Tax apportionment bonds, Series 2013A	\$8,126,868	\$111,240,000
Tax apportionment bonds, Series 2013B	<u>1,661,188</u>	<u>23,840,000</u>
	<u>9,788,056</u>	<u>135,080,000</u>
<u>Debt Service Requirements</u>		
TIF #2 and #3 tax anticipation note	4,125,950	21,425,000
TIF #4 and #5 tax anticipation note	<u>6,066,092</u>	<u>6,500,000</u>
	<u>10,192,042</u>	<u>27,925,000</u>
	<u><b>\$19,980,098</b></u>	<u><b>\$163,005,000</b></u>

(1) The amount guaranteed is only the amount of debt service due on or before June 30, 2015 and covered under the guarantee effective July 1, 2014. It is anticipated that the guarantees will be renewed annually.

### III. G. ARBITRAGE COMPLIANCE

Proceeds from tax-exempt revenue bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Trust invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. The Trust did not have an arbitrage liability as of June 30, 2014.

### III. H. DEFERRED INFLOWS OF RESOURCES

#### *Unavailable Revenues*

Unavailable revenue in the governmental fund financial statements includes revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds reported unavailable revenues of \$5,843,653 and \$5,905,551 at June 30, 2014 and 2013, respectively. Of this amount, \$15,900 and \$24,021 is from unavailable investment earnings, \$0 and \$92,549 is from unavailable notes receivable, and \$5,827,753 and \$5,788,981 is from property taxes.

#### IV. FUND EQUITY

##### IV. A. FUND BALANCE

###### *Non-spendable*

	<u>2014</u>	<u>2013</u>
Prepays	\$220,222	\$ -
Long-term receivable from the City	6,000,000	-
Tax apportionment bond reserves	9,775,156	-
Intergovernmental advance funding	<u>1,462,917</u>	<u>-</u>
	<b><u>\$17,458,295</u></b>	<b><u>\$ -</u></b>

###### *Restricted Fund Balance*

	<u>2014</u>	<u>2013</u>
Restricted for TIF #2 projects	(\$6,381,410)	(\$10,621,132)
Restricted for TIF #4 projects	(5,177,617)	(4,988,997)
Restricted for TIF #8 projects	25,997,302	49,840,477
Restricted for GOLT bond economic development	16,243,892	26,984,008
Reallocation for negative restricted	<u>11,559,027</u>	<u>15,610,129</u>
	<b><u>\$42,241,194</u></b>	<b><u>\$76,824,485</u></b>

###### *Assigned Fund Balance*

	<u>2014</u>	<u>2013</u>
Assigned for encumbrances		
of the Economic Development Fund	\$1,493,554	\$208,239
Assigned for OCMGF administration	306,777	62,500
Assigned for outlet mall marketing	(595,587)	208,442
Reallocation for negative unassigned	<u>(1,204,744)</u>	<u>(157,949)</u>
	<b><u>\$ -</u></b>	<b><u>\$321,232</u></b>

###### *Unassigned*

	<u>2014</u>	<u>2013</u>
Unassigned	\$8,623,150	(\$157,949)
Restricted negative fund balance	(11,559,027)	(15,610,129)
Assigned negative fund balance	<u>1,204,744</u>	<u>157,949</u>
	<b><u>(\$1,731,133)</u></b>	<b><u>(\$15,610,129)</u></b>

###### *Encumbrances*

Encumbrances of \$3,921,243 and \$6,656,869 at June 30, 2014 and 2013, respectively, are reported with restricted fund balances. Encumbrances related to unassigned fund balance are considered and reported as assigned fund balance.

#### IV. B. NET POSITION

##### *Net Investment in Capital Assets*

	<u>2014</u>	<u>2013</u>
Capital assets, net	\$33,188,045	\$29,230,621
Tax anticipation debt	(27,783,954)	(30,726,892)
Non-capital related tax anticipation debt	24,160,436	28,087,102
Bonds payable, net	(137,383,351)	(142,710,026)
Non-capital related bonds payable	120,401,388	120,523,061
Retainages and capital related accounts payable	(783,468)	(1,775,199)
	<u><b>\$11,799,096</b></u>	<u><b>\$2,628,667</b></u>

##### *Restricted for Debt Service*

	<u>2014</u>	<u>2013</u>
Bond principal and interest accounts	\$2,279,300	\$1,704,401
Bond reserve account	9,775,156	9,775,156
Bond reserve funded with bond proceeds	(9,775,156)	(9,775,156)
	<u><b>\$2,279,300</b></u>	<u><b>\$1,704,401</b></u>

##### *Restricted for Public Services*

	<u>2014</u>	<u>2013</u> <u>(Restated)</u>
Restricted for TIF #2 projects	(\$3,763,320)	(\$7,780,439)
Restricted for TIF #4 projects	(3,838,565)	(4,970,200)
Restricted for TIF #8 projects	(75,924,922)	(63,756,338)
Restricted for GOLT bond economic development	22,480,224	26,999,598
Reallocation for negative restricted	<u>83,526,807</u>	<u>76,506,977</u>
	<u><b>\$22,480,224</b></u>	<u><b>\$26,999,598</b></u>

##### *Unrestricted*

	<u>2014</u>	<u>2013</u> <u>(Restated)</u>
Unrestricted	\$5,065,539	(\$1,886,570)
Restricted negative net position	<u>(83,526,807)</u>	<u>(76,506,977)</u>
	<u><b>(\$78,461,268)</b></u>	<u><b>(\$78,393,547)</b></u>

##### *Deficit Net Position*

Deficit net position of \$41,902,648 and \$47,060,881 was reported for fiscal years 2014 and 2013, respectively. The Trust has tax anticipation and bonded debt which is used to fund economic development including the construction or purchase of capital assets which will be subsequently transferred to others. This results in a deficit net position which will be reported for the life of the bonds. With repayment of debt, the deficit net position will eventually be eliminated.

#### IV. C. PRIOR YEAR RESTATEMENT

In February 2013, Devon agreed to pay a minimum annual amount of ad valorem property taxes to cover the Trust's debt service for the bonds. The payment is to be made by December 31 of each year. A prior period adjustment was recorded in the Trust to reflect the property tax receivable as of June 30, 2013.

	Governmental <u>Fund</u>	Trust-wide <u>Activities</u>
<b><u>Restatement of previously reported fund balance/net position (deficit)</u></b>		
Property taxes receivable	\$5,650,658	\$5,650,658
Deferred inflows of resources (unavailable revenues)	<u>5,650,658</u>	<u>-</u>
Fund balance/net position (deficit)	<u>\$-</u>	<u>\$5,650,658</u>
<b><u>Restatement of previously reported changes in fund balance/net position (deficit)</u></b>		
Property tax revenues	<u>\$-</u>	<u>\$5,650,000</u>

#### V. INTERFUND TRANSACTIONS

##### V. A. INTERFUND BALANCES

##### *Receivable From/Payable to the City*

		2014			
		Economic			
<b><u>RECEIVABLE FROM</u></b>	<b><u>Purpose</u></b>	<b><u>Development</u></b>	<b><u>TIF</u></b>	<b><u>GOLT</u></b>	<b><u>Total</u></b>
City General Fund	Bank service fees & unused subsidy	\$48,766	\$1,165	\$ -	\$49,931
City Capital Improvement Fund	Softball Hall of Fame construction	-	-	6,000,000	6,000,000
City TIF Fund	TIF sales tax	-	2,317,827	-	2,317,827
City Special Purpose Fund	Art allocation for projects	-	10,196	-	10,196
		<u>\$48,766</u>	<u>\$2,329,188</u>	<u>\$6,000,000</u>	<u>\$8,377,954</u>
<b><u>PAYABLE TO</u></b>					
City General Fund	Overfunded administrative subsidies	\$757,180	\$ -	\$ -	\$757,180
City Stormwater Drainage Fund	Construction related costs	-	12,882	-	12,882
		<u>\$757,180</u>	<u>\$12,882</u>	<u>\$-</u>	<u>\$770,062</u>
		2013			
		Economic			
<b><u>RECEIVABLE FROM</u></b>	<b><u>Purpose</u></b>	<b><u>Development</u></b>	<b><u>TIF</u></b>		<b><u>Total</u></b>
City General Fund	Bank service fees	\$1,250	\$6,126		\$7,376
City TIF Fund	TIF sales tax	-	2,067,350		2,067,350
		<u>\$1,250</u>	<u>\$2,073,476</u>		<u>\$2,074,726</u>
<b><u>PAYABLE TO</u></b>					
City Stormwater Drainage Fund	Construction related costs	<u>\$-</u>	<u>\$8,278</u>		<u>\$8,278</u>

## V. B. INTERFUND PAYMENTS

### *Interfund Payments To/From the City*

		2014			
		Economic			
<u>PAYMENTS FROM</u>	<u>Purpose</u>	<u>Development</u>	<u>TIF</u>	<u>GOLT</u>	<u>Total</u>
City General Fund	Administrative subsidies	\$2,786,421	\$ -	\$ -	\$2,786,421
City TIF Fund	TIF sales tax	-	1,583,053	-	1,583,053
		<u>\$2,786,421</u>	<u>\$1,583,053</u>	<u>\$ -</u>	<u>\$4,369,474</u>
<u>PAYMENTS TO</u>					
City TIF Fund	Trust administration	<u>\$12,461</u>	<u>\$536,261</u>	<u>\$137,733</u>	<u>\$686,455</u>
		2013			
		Economic			
<u>PAYMENTS FROM</u>	<u>Purpose</u>	<u>Development</u>	<u>TIF</u>		<u>Total</u>
City General Fund	Administrative subsidies	\$2,695,228	\$ -		\$2,695,228
City TIF Fund	TIF sales tax	-	1,049,259		1,049,259
		<u>\$2,695,228</u>	<u>\$1,049,259</u>		<u>\$3,744,487</u>
<u>PAYMENTS TO</u>					
City General Fund	Asset transfer	\$50,108,713	\$ -		\$50,108,713
City TIF Fund	Trust administration	275,054	102,970		378,024
		<u>\$50,383,767</u>	<u>\$102,970</u>		<u>\$50,486,737</u>

### *Interfund Payments To/From Component Units of the City*

In 2014, the Trust donated \$1,500,000 to the Oklahoma City Metropolitan Area Public Schools Trust for the construction at John W. Rex Charter School. In 2013, the Trust paid the Central Oklahoma Transportation and Parking Authority \$45,286 for the reimbursement of costs to build a trolley shelter at the Myriad Botanical Gardens.

## VI. REVENUES AND EXPENDITURES

On August 25, 2009, the Trust purchased property for economic development. The property was occupied at the time of purchase. The occupants of the property have a month to month arrangement to pay the trust \$1,250 per month. The Trust received \$14,996 and \$13,754 in rent payments during 2014 and 2013, respectively.

## VII. LONG-TERM COMMITMENTS

### *Economic Development Fund Commitments*

In 2010, the Trust entered into an agreement to reimburse regional marketing expenses for the outlet mall up to \$550,000 annually over a 10 year period. For the year ended June 30, 2014 and 2013, the Trust reimbursed \$524,852 and \$449,155, respectively.



***TIF Funded Commitments***

As of June 30, 2014 and 2013, the Trust has approved TIF funded projects with outstanding commitments of \$4,129,771 and \$4,342,306, respectively.

***GOLT Bond Funded Commitments***

The first series of the authorized bond issue was in March 2008. The proceeds less the issuance cost were transferred to the Trust in the amount of \$35,912,844 since the authorization of the bonds. An incentive funding program has been established and is used to negotiate with prospective companies and is generally awarded based on the company's performance. An annual review of those companies is performed to satisfy the requirements of their contracts. During the fiscal years 2014 and 2013 the Trust has approved allocation of the GOLT bond proceeds of \$4,723,216 and \$6,946,850, respectively. The Trust paid \$1,498,540 and \$4,209,975 in awards in 2014 and 2013, respectively.

	<u>2014</u>	<u>2013</u>
	<u>Outstanding Award</u>	<u>Outstanding Award</u>
CSAA California State Association	\$490,932	\$1,106,765
Paycom	439,000	1,068,833
The Boeing Company C-130	1,046,000	1,346,000
Chesapeake Energy	-	1,575,000
ARINC	447,500	528,750
Continental Resources	4,174,950	5,677,500
Centek LTD	92,750	170,000
UE Manufacturing	40,000	165,000
Grocery Supply Acquisition Group	96,050	221,050
Boeing #2	3,800,000	4,450,000
Paycom #2	1,250,000	1,250,000
ATT	300,000	-
Terex	2,000,000	-
General Electric	1,000,000	-
Baker Hughes	850,000	-
	<u>\$16,027,182</u>	<u>\$17,558,898</u>

**VIII. MANAGEMENT FEES**

***Administrative Chargebacks***

For fiscal years ending June 30, 2014 and 2013, the Trust reported payments to the City to reimburse for the cost of providing administrative and operational services of \$363,027 and \$378,024, respectively.

***Management Fees***

For fiscal years ending June 30, 2014 and 2013, the Trust reported payments to the related parties for economic development services of \$2,744,900 and \$2,232,550, respectively.

	<u>2014</u>	<u>2013</u>
OCMGF	\$1,544,900	\$1,043,037
OCEDF	900,000	900,000
AEDOC	300,000	289,513
	<u>\$2,744,900</u>	<u>\$2,232,550</u>

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**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Trustees  
Oklahoma City Economic Development 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 financial statements of the governmental activities and each major fund of the Oklahoma City Economic Development Trust (the Trust), a discretely presented component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements and have issued our report thereon dated December 11, 2014, which contains an *Emphasis of Matter* paragraph relating to the restatement of prior period financial statements for a misstatement and an *Other Matter* paragraph relating to the prior year comparative information.

***Internal Control over Financial Reporting***

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Trust's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and, therefore, there can be no assurance that all material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit the attention of those charged with governance. 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 14-01 to be a material weakness.

### ***Compliance***

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

### ***Trust's Response to the Finding***

The Trust's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Trust's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Other Matters***

We also noted certain matters that we reported to the Trust's management in a separate letter dated December 11, 2014.

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* of the City should be read in conjunction with this report.

### ***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 compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKD, LLP*

Oklahoma City, Oklahoma  
December 11, 2014

# Oklahoma City Economic Development Trust

## Schedule of Findings and Responses

### Year Ended June 30, 2014

Reference Number	Finding
14-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – In February 2013, Devon Development agreed to make minimum annual ad valorem tax payments of \$11,300,000 to support the repayment of bonds issued by the Trust in 2013. Devon Development further agreed that the entire Devon Development would go on the tax rolls on January 1, 2013. The Trust did not initially record a receivable at June 30, 2013, for taxes receivable due to the Trust and was, therefore, required to restate the 2013 Trust-wide financial statements to correct for this error. In addition, in June 2010, the Trust agreed to reimburse Horizon Group LP up to \$550,000 annually over a 10-year period for regional marketing expenses as long as expenses were offset by sales tax receipts. An audit adjustment of approximately \$302,000 was needed to record this estimated reimbursement for the period from February 2014 through June 2014.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – As indicated above, a prior period adjustment was recognized in the current period financial statements to recognize that a tax receivable should have been recorded at June 30, 2013, for the proportionate share of the 2013 minimum annual ad valorem tax payment from the Devon Development for the calendar year ended December 31, 2013. Also, a current year audit entry was required to correct the liability to the Horizon Group LP.</p> <p>Cause – The accountants for the Trust did not understand the need to record the tax receivable at June 30, 2013, and the additional payable at June 30, 2014, and did not have access to the agreements indicating the need to record this receivable and payable.</p> <p>Recommendation – We recommend management thoroughly review bond offering documents and related documents referenced therein to determine proper accounting is being accorded to transactions identified in the bond offering documents. We also recommend management become familiar with the other agreements which require the reporting of payables or receivables at year-end, which may not be identified by reviewing subsequent receipts and disbursements.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the finding. Since OCEDT has very unique and complex contract stipulations, finance will assist by reviewing all of their contracts and this will enable us to make sure that proper accounting is done in accordance with the provisions of the bond covenant or other agreements.</p>

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