



# Oklahoma City MAPS Investment & Operating Trust

A blended component unit of The City of Oklahoma City, Oklahoma  
Annual Financial Report | for the Fiscal Year ended June 30, 2022



# **OKLAHOMA CITY MAPS INVESTMENT AND OPERATING TRUST**

A Blended Component Unit of  
Oklahoma City, Oklahoma

## ***Board of Trustees***

Teresa Rose, Chair

Brent Bryant, Vice Chair

Jessica Martinez-Brooks

Kevin Moore

Laura Johnson

Joanne LaFontant-Dooley

Robert Ponkilla

## ***Management***

Craig A. Freeman, General Manager

Miki Graham, Assistant Secretary

Laura McDevitt, Assistant Municipal Counselor

Annual Financial Report for the Fiscal Year Ended June 30, 2022

Prepared by The Oklahoma City Finance Department, Accounting Services Division  
Alex E. Fedak, CPA, Controller

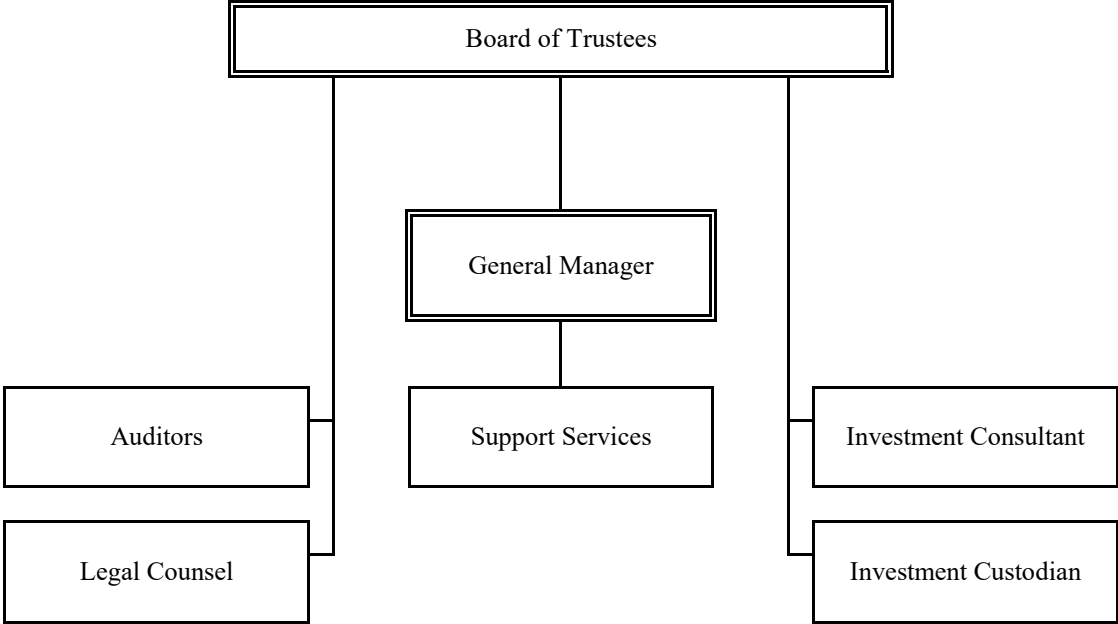


**OKLAHOMA CITY MAPS INVESTMENT AND OPERATING TRUST**

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For the Fiscal Year Ended June 30, 2022

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# Oklahoma City Maps Investment and Operating Trust Organization Chart



# **Introductory Section**







The City of  
**OKLAHOMA CITY**

November 23, 2022

Chair and Trustees  
Oklahoma City MAPS Investment and Operating Trust

The Oklahoma City MAPS Investment and Operating Trust (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the past fiscal year. 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, has 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's management.

The Trust's annual report includes the reports of independent auditors, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for fiscal year ended June 30, 2022, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. The Trust is a blended component unit of the City of Oklahoma City (City) and, as such, is included within the City's Annual Comprehensive Financial Report (ACFR). See Note I.B. for additional information related to the basis of presentation and relationship to the City.

The Trust was established in 2021 to enable prudent financial management of funds paid over to and entrusted to the Trust by the City for investment and other purposes, including but not limited to funds arising from the sales tax generated by the MAPS 4 Program (MAPS 4). This funding mechanism is to assist in future operational and maintenance costs of certain MAPS projects, on a long term basis, benefiting the General Fund of the City. In 2022 the City paid \$80 million to fund the Trust from the MAPS 4 sales tax revenues.

The Trust's intent is to enrich the funding mechanism by providing for the long-term preservation and growth of the Trust estate and the assets paid or transferred over to the Trust. The Trust will have oversight responsibility for the financial management of the MAPS 4 funds transferred to the Trust in total and the distribution of their proceeds to facilitate, enable, operate, manage, market, administer, and finance all forms of economic or community development projects associated with MAPS 4, within or near the City. The Trust must not deviate from the Council's intent by not diminishing the original funds, for a term of no less than 40 years beyond the final date of any revenue collected. The Trust shall have the power to provide for potential uses of the remaining principal in the years beyond the MAPS 4 program.

As provided in the Trust, the Trustees are authorized to invest the Trust assets and to take appropriate action regarding the investment management and custodianship of the Trust assets. The investment responsibilities of the Trustees include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers and evaluating performance results to assure adherence to guidelines and the achievement of objectives. The Trustees recognize the need to maintain a balanced investment approach to not only maximize investment results but also to reduce risk. The Trustees, along with the investment advisor is involved in a thorough review of each investment manager and asset type to assure they are fulfilling their role in achieving total portfolio performance.

The Trust has invested in equity and fixed income securities in accordance with the investment policy. The investment policy provides for a target of 33.25% of investments allocated to fixed income to safeguard against market volatility with the remaining portion invested in equity securities allocated to provide long term growth. At June 30, 2022, the actual investment allocation of equity securities is 59.35% versus allowable percentage of the model portfolio of 47-61%.

Dr. Russell Evans, Partner and Chief Economist at the Thorberg Collectorate, provides an annual economic outlook to City leaders in February. This year's forecast highlighted substantial recent economic growth that reflects national trends and artificial support from federal policy and is therefore not sustainable. The forecast was that Oklahoma City would continue to see strong growth in fiscal year 2022 with weaker growth and possible declines in 2023. He presented two baseline scenarios which incorporate consumer pricing and inflation expectations into the forecast as well as a scenario for a mild recession. All three scenarios predicted significant economic expansion in fiscal year 2022 eventually levelling off and declining in 2023. Per-capita personal income in Oklahoma City is expected to increase to \$58,989 in 2022, aided by recent fiscal stimulus. The forecast for nonfarm employment in Oklahoma City was for 4.1% growth in the number of people employed. Dr. Evans' forecast predicted sales tax growth of 16.5% for fiscal year 2022, boosted by fiscal policy to augment household income during the COVID-19 pandemic.

In September 2022, Dr. Evans provided a mid-year update which took into consideration the current inflationary cycle and tightening monetary policy. The likelihood of the U.S. entering a recession in late 2022 or early 2023 has increased, although Oklahoma will enter such a period with a strong labor market and after sustained economic growth. Oklahoma City is expected to maintain positive fiscal performance further into fiscal year 2023, before growth begins to decline leading into fiscal year 2024. Dr. Evans presented two plausible paths for sales tax collections in fiscal year 2023 which predict different impacts from federal monetary policy. The "soft landing" scenario in which a strong recession is averted has sales tax growth of 6.3% in fiscal year 2023, while a "hard landing" approach in which an outright recession materializes has growth of 1.9%.

Going forward, there are several factors that position Oklahoma City to successfully weather a period of economic slowdown. The cost of living and the cost of doing business remain highly competitive among large cities in the U.S. In addition, low commuting times, convenient airline travel, and excellent entertainment and sports opportunities make Oklahoma City a great place for businesses and residents. Oklahoma City received \$123 million from the American Rescue Plan Act (ARPA) and has allocated 6% to the public health response to the COVID-19 pandemic, 30% to tourism and combating the negative economic impacts of the pandemic, and 64% to capital investments in infrastructure and public amenities.

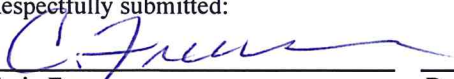
Oklahoma City is being recognized more and more as a great place to work, live and visit. As evidence, Oklahoma City ranked number two for lowest cost of living among all reporting large cities over 500,000 population by the C2ER Annual Cost of Living Index. According to recent analysis by Real Estate Witch of publicly available data from the U.S. Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics, UpCounsel, Google Trends, U.S. Patent Office, and the American Legislative Exchange Council Center for State Fiscal Reform, Oklahoma City came in at number twelve in their rankings to determine the best cities for starting a business. Oklahoma City also earned a AAA rating from Moody's and S&P for the 12 year in a row, which is the highest rating awarded by each agency.


The Board of Trustees is comprised of seven members, five of who shall be appointed by the Mayor, the City Manager or direct subordinate designee, and one who shall be the City's Finance Director who will serve by virtue of position. The City Clerk shall act as the Secretary of the Trustees. The City Treasurer and Assitant City Treasurer shall serve as Treasurer of the Trust as designated by the Trustees. 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 legal provisions.

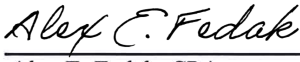
For fiscal year 2022 investments provided a negative (12.07%) rate of return. This was due to significant volatility in the market due to supply chain issues, higher energy and natural gas prices, inflation and companies paying more dollars for financing.

In compliance with statutory requirements, the Trust engaged Allen, Gibbs & Houlik, L.C. to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent auditors.

Respectfully submitted:

  
\_\_\_\_\_  
Craig Freeman  
General Manager

  
\_\_\_\_\_  
Brent Bryant  
City of Oklahoma City  
Finance Director

  
\_\_\_\_\_  
Alex E. Fedak, CPA  
City of Oklahoma City  
Controller

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# **Financial Section**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
**Oklahoma City MAPS Investment and Operating Trust**  
Oklahoma City, Oklahoma

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

#### ***Opinions***

We have audited the financial statements of the governmental activities and the major fund of the Oklahoma City MAPS Investment and Operating Trust (Trust), a blended component unit of The City of Oklahoma City, Oklahoma (City), as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Trust as of June 30, 2022, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government*

*Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If,



based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

November 23, 2022  
Wichita, KS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City MAPS Investment and Operating Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal year ended June 30, 2022. 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 blended component unit of the City of Oklahoma City (City).

### *Financial Summary*

The Trust was created in fiscal year 2021 but not funded until fiscal year 2022, therefore, there is no comparative information.

- Trust assets exceeded liabilities by \$71,336,658.
- The fair value of the Trust Investments at June 30, 2022 is \$71,311,258.
- The Trust's governmental fund reported an ending fund balance of \$71,336,658.

### *Overview of the Financial Statements*

This discussion and analysis introduces the Trust's basic financial statements. The basic financial statements include: (1) Trust-wide statements, (2) fund financial statements, and (3) 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 to which 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, 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. This statement 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. The Trust reports investment income.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Trust has only one fund, a governmental fund, which serves as the general fund of the Trust.

### Governmental Fund

The governmental fund is reported in the fund financial statements and reports the public services and culture and recreation functions 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 statements 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 position at fiscal year end is \$71,336,658.

**Summary of Net Position**

	<u>2022</u>
<b>Assets</b>	
Cash	\$46,301
Receivables	30,716
Investments	<u>71,311,258</u>
<b>Total assets</b>	<b><u>71,388,275</u></b>
<b>Liabilities</b>	<b><u>51,617</u></b>
<b>Net position (deficit)</b>	
<b>Total Net Position(deficit)</b>	<b><u>\$71,336,658</u></b>

At June 30, 2022 total assets are \$71,388,275. Total assets are made up of \$46,301 in cash, \$30,716 in receivables and investments of \$71,311,258.

At June 30, 2022 total liabilities are \$51,617 and are made up entirely of vouchers payable that had not yet completed processing.

**Summary of Changes in Net Position**

	<u>2022</u>
<b>Revenues</b>	
Investment income (loss)	(\$8,615,728)
Operating grants & contributions	80,000,000
General revenues	<u>8,402</u>
<b>Total revenues</b>	<b>71,392,674</b>
<b>Program expenses</b>	<b><u>56,016</u></b>
<b>Changes in net position</b>	<b>71,336,658</b>
Beginning net position	—
<b>Ending net position</b>	<b><u>\$71,336,658</u></b>

Within total revenues, the Trust reported net investment loss of \$8,607,326 primarily due to the volatility in the market. A \$80,000,000 contribution from MAPS4 was received by the fund to invest for future projects.

In 2022, program expenses included investment management fees of \$56,016 to cover performance and custodial fees.

**Governmental Fund**

As discussed, the Trust governmental fund is reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison to upcoming financing requirements. The Trust governmental fund reported ending fund balance of \$71,336,658 in fiscal year 2022.

***Economic Factors***

The Trust recognized net investment loss of \$8,607,326 through June 30, 2022 when the rate of return on investments was negative (12.07%), due primarily to the volatility of the market.

***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.*

- \* **Governmental Activities** – *Reports MAPS4 investment activities and the general revenues of the Trust.*

## ***Fund Financial Statements***

*Focus on the Trust's governmental fund.*

### **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.*

**STATEMENT OF NET POSITION**  
**June 30,**

**OKLAHOMA CITY MAPS INVESTMENT**  
**AND OPERATING TRUST**

	<u>2022</u>
<b><u>ASSETS</u></b>	
Non-pooled cash-----	\$46,301
Non-pooled investments-----	52,695
Passive domestic stock funds-----	35,813,660
Passive bond fund-----	25,850,299
International stock-----	6,477,499
Treasury money market-----	3,117,105
Interest and dividend receivable-----	30,716
<b>Total assets-----</b>	<b><u>71,388,275</u></b>
<b><u>LIABILITIES</u></b>	
Accounts payable and accrued expenses-----	51,617
<b>Total liabilities-----</b>	<b><u>51,617</u></b>
<b><u>NET POSITION</u></b>	
Restricted for: Capital projects-----	71,336,658
<b>Total net position-----</b>	<b><u>\$71,336,658</u></b>



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

**OKLAHOMA CITY MAPS INVESTMENT**  
**AND OPERATING TRUST**

	<u>2022</u>
<b><u>PROGRAM EXPENSES</u></b>	
<b><u>OKLAHOMA CITY MAPS INVESTMENT AND OPERATING TRUST</u></b>	
Investment expense-----	\$56,016
<b>Total program expenses-----</b>	<b><u>56,016</u></b>
<b><u>PROGRAM REVENUES</u></b>	
<b><u>INVESTMENT INCOME</u></b>	
Culture and recreation-----	(6,354,100)
Public Services-----	(2,261,628)
<b><u>OPERATING GRANTS AND CONTRIBUTIONS</u></b>	
Payment from the City of Oklahoma City MAPS 4 fund-----	80,000,000
<b>Total program revenues-----</b>	<b><u>71,384,272</u></b>
<b>Net program revenue (expense)-----</b>	<b><u>71,328,256</u></b>
<b><u>GENERAL REVENUES</u></b>	
Investment income-----	8,402
<b>Total general revenues-----</b>	<b><u>8,402</u></b>
<b>Changes in net position-----</b>	<b>71,336,658</b>
Net position-beginning-----	-
<b>Net position-ending-----</b>	<b><u>\$71,336,658</u></b>

**BALANCE SHEET  
GOVERNMENTAL FUND  
June 30,**

**OKLAHOMA CITY MAPS INVESTMENT  
AND OPERATING TRUST**

	<u>2022</u>
<b><u>ASSETS</u></b>	
Non-pooled cash-----	\$46,301
Non-pooled investments-----	52,695
Passive domestic stock funds-----	35,813,660
Passive bond fund-----	25,850,299
International stock-----	6,477,499
Treasury money market-----	3,117,105
Interest and dividend receivable-----	30,716
<b>Total assets-----</b>	<b><u><u>\$71,388,275</u></u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>	
<b><u>LIABILITIES</u></b>	
Accounts payable and accrued expenditures-----	\$51,617
<b>Total liabilities-----</b>	<b><u><u>51,617</u></u></b>
<b><u>FUND BALANCES</u></b>	
Restricted-----	71,336,658
<b>Total fund balances-----</b>	<b><u><u>71,336,658</u></u></b>
<b>Total liabilities and fund balances-----</b>	<b><u><u>\$71,388,275</u></u></b>
<b><u>RECONCILIATION OF THE BALANCE SHEETS TO THE STATEMENTS OF</u></b>	
<b><u>NET POSITION</u></b>	
Total fund balances-----	\$71,336,658
<b>Total net position-----</b>	<b><u><u>\$71,336,658</u></u></b>

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

**OKLAHOMA CITY MAPS INVESTMENT  
AND OPERATING TRUST**

	<u>2022</u>
<b><u>REVENUES</u></b>	
Investment income (loss)-----	\$ (8,607,326)
Payment from the City of Oklahoma City MAPS 4 fund-----	80,000,000
<b>Total revenues</b> -----	<b><u>\$71,392,674</u></b>
<b><u>EXPENDITURES</u></b>	
<b><u>CURRENT</u></b>	
Investment expense-----	56,016
<b>Total expenditures</b> -----	<b><u>56,016</u></b>
<b>Net changes in fund balances</b> -----	<b>71,336,658</b>
Beginning of year, as previously reported-----	-
<b>Fund balances, ending</b> -----	<b><u>\$71,336,658</u></b>
<b><u>RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF ACTIVITIES</u></b>	
Net changes in fund balances-----	\$71,336,658
<b>Change in net position</b> -----	<b><u>\$71,336,658</u></b>

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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 MAPS Investment and Operating Trust (Trust) financial activities for the fiscal year ended June 30, 2022.

### 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 March 16, 2021 with the City of Oklahoma City (City) named as the beneficiary. The primary purpose of the Trust is to enable the prudent financial management of funds paid over to and entrusted to the Trust by the City for investment and other purposes, including but not limited to funds arising from the sales taxes generated by the MAPS 4 Program. The provisions of the trust indenture provide that the intent of the Trust is to enrich the funding mechanism by providing for the long-term preservation and growth of the Trust estate and the assets paid or transferred over to the Trust.

The Board of Trustees is comprised of seven members, five of who shall be appointed by the Mayor, the City Manager or his direct subordinate designee, and one who shall be the City's Finance Director who will serve by virtue of his position. The City Clerk shall act as the Secretary of the Trustees. The City Treasurer and Assitant City Treasurer shall serve as Treasurer of the Trust as designated by the Trustees.

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

The Trust is presented as a blended component unit of the City and is included in the City's financial reporting entity. The Trust meets the requirements for blending because it benefits the primary government.

The financial activity of the Trust is included in the City's financial reporting entity presented in the City's ACFR. The ACFR financial statement may be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

#### *Trust Administration*

The Trust has no employees. City employees perform all administrative and management functions of the Trust. The Trust does not reimburse the City for these costs.

#### I. B. 2. BASIC FINANCIAL STATEMENTS

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

#### *Trust-Wide Financial Statements*

The statement of net position 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. Program revenue includes operating and capital grants as well as contributions and investment income directly related to program activity. 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**

*Trust-Wide Financial Statements*

The financial statements of the Trust are prepared in accordance with accounting principles generally accepted in the United States (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.

**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 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. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

In 2022, the Trust implemented the following accounting standards. The implementation of these standards did not have a material impact on the Trust's financial statements.

The Trust implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This standard was applied retrospectively.



The Trust implemented GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The primary objectives of this Statement are to improve the consistency of comparability of financial reporting in financial statements using both economic resources measurement focus and the current financial resources measurement focus. Prior to this Statement funds using the economic resources measurement focus were capitalizing interest costs incurred before the end of a construction period and governmental funds using the current financial resources measurement focus were expensing these costs as period costs. Going forward all funds will expense interest costs incurred before the end of a construction period as period costs. This standard has been applied prospectively.

The Trust implemented GASB Statement No. 92, Omnibus 2020. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The Trust implemented all requirements of GASB Statement No. 93, Replacement of Interbank Offered Rate (LIBOR)-most notably, the London Interbank Offered Rate (LIBOR) effective for the Trust in fiscal year 2022. The primary purpose of this Statement is to preserve the consistency and comparability of reporting hedging derivative instruments and leases after amending or replacing agreements to replace an Interbank Offered Rate. As a result of global reference rate reform, LIBOR is being phased out and will cease to exist at the end of fiscal year 2023, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. All Trust agreements referencing the use of LIBOR rates have been adjusted.

The Trust implemented GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans effective for the Trust in fiscal year 2022. This Statement provides guidance on financial reporting for certain 457 deferred compensation plans amending prior pronouncements No. 14 and No. 84.

#### **I. D. 2. CASH AND INVESTMENTS**

The Trustees adopted a formal investment policy in February 2022. Unrestricted investments are managed by the City Treasurer. All other investments are administered by an investment committee.

Investments are reported at fair value and determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds not listed on an established market are reported at estimated fair value as determined by the respective investment managers based on quoted sales prices of the underlying securities. Cash equivalents are reported with investments. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

Accounting guidance establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These different levels of valuation hierarchy are described as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable.

Level 3 - Significant unobservable prices or inputs.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

### **I. D. 3. 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 and non-current receivables and advances.

##### **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 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 nor committed. Fund balance may be assigned by formal action of the City Finance Director.

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

Unassigned fund balance includes fund balance which has not been classified within the above mentioned categories.

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

The Trust uses restricted amounts when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as 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 position invested in capital assets, net of related debt, 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 include purpose restrictions from enabling legislation and other external sources.

**I. E. 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. F. 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 has no 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. G. MAJOR REVENUES**

Revenues are primarily from investment activities and contributions. Program revenues include investment income including interest earned that is restricted for specific functions and contributions from the City's MAPS 4 program.

**I. H. 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.

II. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

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 investment policy does not formally address custodial credit risk for deposits, however, true cash deposits are minimal and required to be collateralized at 110% for any deposits in excess of Federal deposit insurance limits.

At June 30, 2022 the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust, less 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, 2022								
	Cost	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Non-Pooled								
investments(4)(5)	\$52,695	\$52,695	\$52,695	\$ -	\$ -	\$ -	AAA/Aaa	1.60
Domestic								
common stock	42,434,072	35,813,660	35,813,660	-	-	-	N/A	N/A
Passive								
bond funds	27,292,734	25,850,299	25,850,299	-	-	-	N/A	N/A
International								
stock	7,378,160	6,477,499	6,477,499	-	-	-	Not Rated	58.14
Money								
market(4)(5)	<u>3,117,105</u>	<u>3,117,105</u>	<u>3,117,105</u>	-	-	-	AAAm/Aaa-mf	0.47
<b>Total</b>								
<b>investment</b>	<b><u>\$80,274,766</u></b>	<b><u>\$71,311,258</u></b>	<b><u>\$71,311,258</u></b>	<b><u>\$-</u></b>	<b><u>\$-</u></b>	<b><u>\$-</u></b>		

- (1) The net asset value (NAV) is a practical expedient to estimate fair value.
- (2) Ratings are provided where applicable to indicate associated credit risk.
- (3) Interest rate risk is estimated using weighted average months to maturity.
- (4) Cost approximates fair value.
- (5) Consists solely of U.S. Treasury securities.

***Fair Value Measurement***

The following is a description of the valuation methodologies used for assets measured at fair value in the tables above.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Domestic common stock, international stock, and passive bond funds are purchased through the use of mutual funds. Mutual funds are valued at the daily closing price as reported to the Trust. Mutual funds held by the Trust are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Money market funds are reported at cost which approximates fair value, are traded on active markets at quoted prices, and are valued at level 1.

**Investment Policy**

The Trust investment policy provides for investment managers to have full discretion of assets allocated to them, subject to the overall investment guidelines set out in the policy unless governed by a prospectus. Investment managers performance is reviewed by a consultant who provides reports to the Trustees. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, cash equivalents, index funds, collective trust funds, mutual funds, and judgements.

The Trust's investment consultant will oversee and manage all funds invested in international equities, domestic equities, and fixed income. In accordance with the trust indenture, the City Treasurer may serve as the Treasurer of the Trust and shall have such duties and responsibilities as determined by the Trustees and will provide oversight necessary to carry out the investment policies of the Trust. As such, the Treasurer will manage any cash, cash equivalents, money market funds, and judgements deemed necessary to accommodate the operational activities of the Trust. These assets will be reported separately and segregated from the asset allocation managed by the investment consultant.

Custodial credit risk policy provides for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the Trustees. The Trust has no investments not held in the name of the Trust by the investment counterparty.

**Asset Allocation Guidelines**

	<b>2022</b>			
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Actual(1)</u>
Domestic Equities	41.00%	46.00%	51.00%	50.26%
International Equities	6.00%	8.00%	10.00%	9.09%
Total Fixed Income	28.25%	33.25%	38.25%	36.28%
Real Estate/REITS	3.00%	5.50%	8.00%	0.00%
Alternatives	2.50%	3.75%	5.00%	0.00%
Cash	0.00%	3.50%	5.00%	4.37%
Judgements	0.00%	0.00%	5.00%	0.00%

(1) Funds held by the Trust Treasurer for cash flow purposes are invested temporarily in money market funds. These funds have not been made available to the investment manager and therefore are not included in actual percentages above. At June 30, 2022, the amount of funds invested by the Treasurer temporarily in money market funds is \$52,695.

Trust policy provides risk parameters for various portfolio compositions. These address credit risk, interest rate risk, and foreign currency risk applicable to the portfolio. The Trust contractually delegates portfolio management to investment managers based on these prescribed portfolio structures. Equity securities (common stock or equivalent) must be traded on a major U.S. exchange and may include issues convertible to common stocks. International fixed income securities purchases are generally limited to issues of at least \$50 million. Investment managers may not invest in more than 7.5% of any one issuer or more than 30% of any one sector of the market. U.S. government securities are excluded from these restrictions.

Common Stock (Domestic and International)

Investments are limited to stocks expected to both appreciate in value and achieve future growth in earnings and current dividend return.

Core Fixed Income

Fixed income securities average credit quality of the fund's holdings must be above investment grade, with an average maturity between 75% and 125% of the maturity of the Barclays aggregate index.

High Yield Fixed Income

High yield fixed income securities average credit quality of the fund's holdings must be below investment grade, with an average between 75% and 125% of the maturity of the ICE BofaML High Yield Master II Index.

Active Duration Fixed Income

Active duration fixed income managers will have full discretion within the guidelines to invest in fixed income and related securities. Any of the following fixed income securities or their options, individually or in commingled vehicles, subject to credit, diversification and marketability guidelines below, may be held outright and under resale agreement: Obligations issued or guaranteed by the U.S. government, federal agencies or U.S. government sponsored corporations and agencies backed by the full faith and credit of the U.S. government, including Treasury inflation-indexed securities (TIPS) and GNMA's. The manager shall have no maturity or duration constraints.

Cash Equivalents

Cash equivalents are limited to A1, P1 rated commercial paper; obligations of the U.S. government or its agencies maturing in one year or less; and broker or bank repurchase agreements collateralized by U.S. government or its agency assets. Money market mutual funds and bank short-term investment funds invested as listed above are also acceptable.

Index and Mutual Funds (Domestic)

Index and mutual funds are limited to investment company shares, collective trust funds of banks or trust companies, and insurance company separate accounts and must have at least a three year history, \$50 million in assets under management, and the same investment philosophy and strategy for the previous three years. The domestic index funds must strive to replicate the return of Standard and Poor's 500 Stock Index or Barclays Capital Aggregate Bond Index or another index deemed to be appropriate.

Index and Mutual Funds (International)

Index and mutual funds are limited to investment company shares, collective trust funds of banks or trust companies, and insurance company separate accounts and must have at least a three year history, \$50 million in assets under management, and the same investment philosophy and strategy for the previous three years. The international index funds must strive to replicate the return of the Morgan Stanley Capital International Europe Australia and Far East Index (MSCI/EAFE).

Judgements

Judgements may be purchased by the City Treasurer for the benefit of the Trust. The interest rate shall be in conformance with state law, 12 Oklahoma Statute 727.1(I), which currently provides that interest shall be the prime rate, as listed in the first edition of the Wall Street Journal published for each calendar year and as certified to the Administrative Director of the Courts by the State Treasurer on the first regular business day following publication in January of each year, plus two percent (2%).

The Trust's investment policy is 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.

**Concentration of Credit Risk**

Concentration of credit risk is risk that investments in any one issuer may not be recoverable. The risk exists when investments in any one issuer are in excess of 5%. The Trust investment policy places no limit on the amount the Trust may invest with any one issuer. The following are mutual funds the Trust invested in which does not create a concentration of credit risk.

<u>Investment</u>	<u>2022</u>
Fidelity Total International Index Fund	9%
Fidelity 500 Index Fund	28
Vanguard Mid-Cap Index Fund	14
Vanguard Small-Cap Index Fund	9
Dodge & Cox Inc Fund	29
Pgim High Yield Fund	7
Invesco Government & Agency Fund	4

**III. FUND EQUITY**

**III. A. FUND BALANCE**

*Restricted*

	<u>2022</u>
Restricted for Capital Projects	<u>\$71,336,658</u>

**III. B. NET POSITION**

*Restricted*

	<u>2022</u>
Restricted for Capital Projects	<u>\$71,336,658</u>

**VI. INTERFUND TRANSACTIONS**

**VI.B. INTERFUND PAYMENTS**

*Payments from the City of Oklahoma City MAPS 4 fund*

In March of 2022, the Trust received a payments totalling \$80,000,000 from the MAPS4 Fund to invest for future projects.

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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 FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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To the Board of Trustees  
**Oklahoma City MAPS Investment and Operating Trust**  
Oklahoma City, Oklahoma

We have audited, in accordance with the 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 the major fund of the Oklahoma City MAPS Investment and Operating Trust (Trust), a blended component unit of the City of Oklahoma City, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated November 23, 2022.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing 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.

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

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

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

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

## **Purpose of this Report**

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

*Allen, Gibbs & Houlik, L.C*  
CERTIFIED PUBLIC ACCOUNTANTS

November 23, 2022  
Wichita, Kansas