

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Independent Auditor's Reports and Financial Statements
June 30, 2020 and 2019



Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
June 30, 2020 and 2019

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Independent Auditor's Report

Board of Trustees
Oklahoma City Redevelopment Authority
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of the Oklahoma City Redevelopment Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2020 and 2019, and the related notes to the basic financial statements, which collectively comprise the Authority'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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 and the major funds of the Authority as of June 30, 2020 and 2019, and the respective changes in financial position thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The budget-to-actual expenditure comparison (project life-to-date) and related notes, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The information for the fiscal years 2012 and prior was audited by other auditors, who issued an unmodified opinion on the information on November 30, 2012. The information for the fiscal years 2013 onward was subjected by BKD to the procedures noted above. In our opinion, the information for 2013 through 2020 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated October 16, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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

Board of Trustees
Oklahoma City Redevelopment Authority
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effectiveness of the Authority'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 Authority's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
October 16, 2020

Oklahoma City Redevelopment Authority

A Component Unit of the City of Oklahoma City, Oklahoma

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

Introduction

This management's discussion and analysis of the financial performance of the Oklahoma City Redevelopment Authority (the Authority), a discretely presented component unit of the City of Oklahoma City, Oklahoma (the City), provides an overview of the Authority's financial activities for the years ended June 30, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

- Cash and cash equivalents increased in 2020 by \$47,178 and decreased in 2019 by \$549,490.
- The Authority's capital assets decreased in 2020 and 2019 by \$974,801 and \$57,608, respectively.
- Long-term debt decreased in 2020 and 2019 by \$842,709 and \$812,796, respectively.
- The Authority's net position decreased in 2020 by \$328,433 and increased in 2019 by \$1,625,308.

Using This Annual Report

The Authority's financial statements are separated into two sections—government-wide financial statements and fund financial statements. These statements provide information about the activities of the Authority.

The government-wide financial statements report the Authority as a whole. The statements of net position and activities are presented using the economic resources measurement focus and the accrual basis of accounting, similar to private business enterprises.

The fund financial statements—the balance sheet and statement of revenues, expenditures, and changes in fund balances—are presented using the current financial resources measurement focus and the modified accrual basis of accounting. These statements measure only the current financial resources available to the Authority. Also included are reconciliations of the fund financial statements to the government-wide financial statements outlining the differences between the two sets of statements.

Statement of Net Position

The statement of net position presents assets, liabilities, and net position. The purpose of the statement of net position is to present to readers of the financial statements a fiscal snapshot of the Authority.

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the Authority. They are also able to determine how much is owed to the Authority and how much the Authority owes its vendors and lenders.

Total assets of the Authority decreased by \$1,556,554 in 2020 and increased by \$1,471,963 in 2019. In 2020, increases in cash and cash equivalents and receivables from other governments were offset by decreases in investments, rent, and capital assets.

Total liabilities decreased in 2020 and 2019 by \$1,228,121 and \$153,345, respectively. In 2020, regular debt service naturally decreased along with decreases in accounts payable.

In 2020, the Authority purchased a large plot of land for approximately \$4,400,000, which was subsequently transferred to the Oklahoma City Urban Renewal Authority (Urban Renewal), and a small building to be held for sale for approximately \$400,000. The Authority also sold or transferred two capital assets: a different plot of land to Urban Renewal for approximately \$287,000 and an undivided ownership interest in a building located at Research Park in Oklahoma City with a historical cost of approximately \$1,337,000. In 2019, no significant changes occurred in capital assets and debt other than depreciation and payment of principal.

Table 1: Condensed Statements of Net Position

	2020	2019	Change	% Change	2018	Change	% Change
Current and other assets	\$ 30,807,334	\$ 31,389,087	\$ (581,753)	-2%	\$29,859,516	\$ 1,529,571	5%
Capital assets	4,363,061	5,337,862	(974,801)	-18%	5,395,470	(57,608)	-1%
Total assets	35,170,395	36,726,949	(1,556,554)	-4%	35,254,986	1,471,963	4%
Long-term liabilities	954,947	1,797,656	(842,709)	-47%	2,610,452	(812,796)	-31%
Other liabilities	1,395,416	1,780,828	(385,412)	-22%	1,121,377	659,451	59%
Total liabilities	2,350,363	3,578,484	(1,228,121)	-34%	3,731,829	(153,345)	-4%
Net investment in capital assets	2,730,192	3,545,132	(814,940)	-23%	3,056,193	488,939	16%
Restricted	30,089,840	29,603,333	486,507	2%	28,466,964	1,136,369	4%
Net position	\$ 32,820,032	\$ 33,148,465	\$ (328,433)	-1%	\$ 31,523,157	\$ 1,625,308	5%

Statement of Activities

The statement of activities reports how the Authority's net position changed during the fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. For the year ended June 30, 2020, net position decreased by \$328,433, and for the year ended June 30, 2019, net position increased by \$1,625,308. The decrease in 2020 was primarily due to decreases in charges for services and operating grants, contributions, and restricted interest of \$256,678 and \$410,670, respectively, combined with decreases in apportioned ad valorem taxes and payments in lieu of taxes totaling \$1,104,452, with economic development expenses increasing by \$198,199. The increase in 2019 was primarily due to increases in charges for services and operating grants, contributions, and restricted interest of \$191,598 and \$750,710, respectively, offset by decreases in apportioned ad valorem taxes and payments in lieu of taxes totaling \$506,944, with economic development expenses increasing by \$2,566,781.

Table 2: Condensed Statements of Activities

	2020	2019	Change	% Change	2018	Change	% Change
Charges for services	\$ 141,763	\$ 398,441	\$ (256,678)	-64%	\$ 206,843	\$ 191,598	100%
Operating grants, contributions, and restricted interest	959,091	1,369,761	(410,670)	-30%	608,797	760,964	125%
General revenues	2,354,087	3,458,539	(1,104,452)	-32%	3,975,737	(517,198)	-13%
Total revenues	3,454,941	5,226,741	(1,771,800)	-34%	4,791,377	435,364	9%
Economic development expenses	3,707,714	3,509,515	198,199	6%	942,734	2,566,781	272%
Interest expense	75,660	91,918	(16,258)	-18%	82,934	8,984	11%
Total operating expenses	3,783,374	3,601,433	181,941	5%	1,025,668	2,575,765	251%
Change in net position	\$ (328,433)	\$ 1,625,308	\$ (1,953,741)	-120%	\$ 3,765,709	\$ (2,140,401)	-57%

Fund Financial Statements

The fund financial statements provide a detailed short-term view of the activity in the Authority's two special revenue funds—TIF and Skirvin Hotel Project. The information helps to determine the amount of current financial resources available and focuses on how money flows in and out of each fund and the balances available at year-end.

Table 3: Condensed Fund Financial Statements for TIF Fund

	2020	2019	Change	% Change	2018	Change	% Change
TIF 1							
Total assets	\$ 15,780,638	\$ 15,645,081	\$ 135,557	1%	\$ 13,103,706	\$ 2,541,375	19%
Total liabilities	(550,373)	(958,342)	407,969	-43%	(312,887)	(645,455)	206%
Deferred inflows of resources	(5,385,108)	(712,275)	(4,672,833)	656%	(722,698)	10,423	-1%
Fund balance	<u>\$ 9,845,157</u>	<u>\$ 13,974,464</u>	<u>\$ (4,129,307)</u>	-30%	<u>\$ 12,068,121</u>	<u>\$ 1,906,343</u>	16%
Taxes	\$ 2,079,664	\$ 3,466,702	\$ (1,387,038)	-40%	\$ 3,386,680	\$ 80,022	2%
Intergovernmental revenue	500,022	850,358	(350,336)	-41%	118,126	732,232	620%
Other income	473,252	231,908	241,344	104%	201,939	29,969	15%
Total revenues	<u>3,052,938</u>	<u>4,548,968</u>	<u>(1,496,030)</u>	-33%	<u>3,706,745</u>	<u>842,223</u>	23%
Research park-related expenditures	681,654	1,031,331	(349,677)	-34%	266,123	765,208	288%
Administration	311,578	259,176	52,402	20%	167,016	92,160	55%
Other	483,725	174,400	309,325	177%	164,987	9,413	6%
Capital outlay	4,809,476	287,000	4,522,476	1576%	34,301	252,699	100%
Debt service							
Principal	820,152	798,800	21,352	3%	792,352	6,448	1%
Interest	75,660	91,918	(16,258)	-18%	82,934	8,984	11%
Total expenditures	<u>7,182,245</u>	<u>2,642,625</u>	<u>4,539,620</u>	172%	<u>1,507,713</u>	<u>1,134,912</u>	75%
Issuance of long-term note receivable	-	-	-	-100%	(5,650,000)	5,650,000	100%
Total transfers and other financing sources (uses)	-	-	-	-100%	(5,650,000)	5,650,000	100%
Change in fund balance	<u>\$ (4,129,307)</u>	<u>\$ 1,906,343</u>	<u>\$ (6,035,650)</u>	-317%	<u>\$ (3,450,968)</u>	<u>\$ 5,357,311</u>	-155%

The change in fund balance for the TIF Fund was a decrease of \$4,129,307 in 2020 and an increase of \$1,906,343 in 2019. The 2020 revenues decreased by \$1,496,030 mainly due to a decrease in apportioned ad valorem taxes revenue while total expenditures increased by \$4,539,620 related to capital outlay. The 2019 revenues increased by \$842,223 due to increases in intergovernmental revenues while total expenditures increased \$1,134,912 related to research park-related expenditures and capital outlays.

Table 4: Condensed Fund Financial Statements for Skirvin Hotel Project Fund

	2020	2019	Change	% Change	2018	Change	% Change
Skirvin Hotel Project							
Total assets	\$ 259,951	\$ 737,021	\$ (477,070)	-65%	\$ 1,515,814	\$ (778,793)	-51%
Total liabilities	-	-	-	0%	-	-	100
Deferred inflows of resources	(91,167)	(23,392)	(67,775)	290%	(23,975)	583	-2%
Fund balance	<u>\$ 168,784</u>	<u>\$ 713,629</u>	<u>\$ (544,845)</u>	-76%	<u>\$ 1,491,839</u>	<u>\$ (778,210)</u>	-52%
Rental income	\$ 141,763	\$ 398,441	\$ (256,678)	-64%	\$ 206,843	\$ 191,598	100%
Principal payment on notes receivable	240,240	233,011	7,229	3%	225,999	7,012	3%
Interest income on loans	208,730	284,206	(75,476)	-27%	291,090	(6,884)	-2%
Investment income	6,083	6,132	(49)	-1%	10,554	(4,422)	-42%
Total revenues	<u>596,816</u>	<u>921,790</u>	<u>(324,974)</u>	-35%	<u>734,486</u>	<u>187,304</u>	26%
Expenditures	<u>1,141,661</u>	<u>1,700,000</u>	<u>(558,339)</u>	100%	<u>-</u>	<u>1,700,000</u>	100%
Change in fund balance	<u>\$ (544,845)</u>	<u>\$ (778,210)</u>	<u>\$ 233,365</u>	-30%	<u>\$ 734,486</u>	<u>\$ (1,512,696)</u>	-206%

The change in fund balance for the Skirvin Hotel Project was a decrease of \$544,845 in 2020 compared to a decrease of \$778,210 in 2019. Both decreases were due primarily to \$1,141,661 and \$1,700,000 of payments made to the City in 2020 and 2019, respectively. Rental income of \$141,763 and \$398,441 received in 2020 and 2019, respectively, partially offset the decrease in fund balance.

The fund balances for both the TIF and the Skirvin Hotel Project are restricted for debt service and economic development activities.

Economic Factors

The Authority is designated to receive tax apportionment revenues for TIF Districts 1, 7, and 11. To date, the Authority has collected approximately \$31,037,000, \$1,187,000, and \$1,259,000 for TIF 1, TIF 7, and TIF 11, respectively. Revenues will be collected throughout the life of the TIF Districts and used for economic development projects within the project areas. The Authority leases the land under the Skirvin Hotel in downtown Oklahoma City and administers a note receivable from the owner of the hotel, Skirvin Partners, LLC. Lease payments are expected monthly through December 2104, the expiration date of the 99-year ground lease. Ground lease and debt service payments collected will be retained for use in future economic development activities approved by the City.

Contacting the Authority's Management

This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate commitment to public accountability. If anyone has questions about this report or would like to request additional information, please contact the Authority's general manager at 105 N. Hudson, Suite 101, Oklahoma City, Oklahoma 73102.

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Statements of Net Position
June 30, 2020 and 2019

Assets

	2020	2019
Current Assets		
Cash	\$ 3,486,706	\$ 3,439,528
Investments, at fair value	3,185,000	8,485,000
Due from other governments	5,486,570	925,214
Rent receivable	-	205,902
Interest receivable	123,285	41,389
Investment income receivable	29,028	45,069
Current portion of notes receivable	247,693	240,240
Total current assets	12,558,282	13,382,342
Capital Assets		
Land	541,192	828,192
Buildings, parking garages, and undivided ownership interest in buildings, net	3,821,869	4,509,670
Total capital assets	4,363,061	5,337,862
Other Noncurrent Assets		
Investments, at fair value	3,430,000	2,940,000
Notes receivable	14,519,052	14,766,745
Other assets – deposits	300,000	300,000
Total other noncurrent assets	18,249,052	18,006,745
Total assets	35,170,395	36,726,949
	068	

Liabilities

Current Liabilities		
Current portion of long-term debt	845,043	822,486
Accounts payable	122,449	351,166
Due to Urban Renewal	427,924	607,176
Total current liabilities	1,395,416	1,780,828
Noncurrent Liabilities		
Long-term debt, less current maturities	954,947	1,797,656
Total liabilities	2,350,363	3,578,484

Net Position

Net investment in capital assets	2,730,192	3,545,132
Restricted for debt service	1,116,469	1,114,847
Restricted for economic development activities	28,973,371	28,488,486
Total net position	\$ 32,820,032	\$ 33,148,465

068

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Statements of Activities
June 30, 2020 and 2019

	Revenues				
Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants, Contributions, and Restricted Interest	Net Revenues (Expenses)	
2020					
Governmental Activities					
Economic development	\$ 3,707,714	\$ 141,763	\$ -	\$ 959,091	\$ (2,606,860)
Interest expense	75,660	-	-	-	(75,660)
Total governmental activities	\$ 3,783,374	\$ 141,763	\$ -	\$ 959,091	(2,682,520)
General Revenues					
Apportioned ad valorem taxes					1,163,948
Payments in lieu of taxes					1,190,139
Total general revenues					2,354,087
Change in Net Position					
					(328,433)
Net Position, Beginning of Year					
					33,148,465
Net Position, End of Year					
					\$ 32,820,032
2019					
Governmental Activities					
Economic development	\$ 3,509,515	\$ 398,441	\$ -	\$ 1,369,761	\$ (1,741,313)
Interest expense	91,918	-	-	-	(91,918)
Total governmental activities	\$ 3,601,433	\$ 398,441	\$ -	\$ 1,369,761	(1,833,231)
General Revenues					
Apportioned ad valorem taxes					2,321,670
Payments in lieu of taxes					1,136,869
Total general revenues					3,458,539
Change in Net Position					
					1,625,308
Net Position, Beginning of Year					
					31,523,157
Net Position, End of Year					
					\$ 33,148,465

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Balance Sheets – Governmental Funds
June 30, 2020 and 2019

	2020		
	TIF	Skirvin Hotel Project	Total Governmental Funds
Assets			
Cash	\$ 3,317,922	\$ 168,784	\$ 3,486,706
Investments, at fair value	6,615,000	-	6,615,000
Interest receivable	32,118	91,167	123,285
Investment income receivable	29,028	-	29,028
Ad valorem taxes receivable	968,899	-	968,899
Receivables from other governments	4,517,671	-	4,517,671
Other assets	300,000	-	300,000
	<u>\$ 15,780,638</u>	<u>\$ 259,951</u>	<u>\$ 16,040,589</u>
	068	068	
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 122,449	\$ -	\$ 122,449
Due to Urban Renewal	427,924	-	427,924
	<u>550,373</u> ^(A)	<u>-</u>	<u>550,373</u>
Deferred Inflows of Resources	<u>5,385,108</u> ^(A)	<u>91,167</u>	<u>5,476,275</u>
Fund Balances	<u>\$5,935,481</u> ^(A)	068	
Restricted for	068		
Debt service	1,116,469	-	1,116,469
Economic development activities	-	168,784	168,784
Other TIF activities	8,728,688	-	8,728,688
	<u>9,845,157</u>	<u>168,784</u>	<u>10,013,941</u>
	068	068	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,780,638</u>	<u>\$ 259,951</u>	<u>\$ 16,040,589</u>

	2019		
	TIF	Skirvin Hotel Project	Total Governmental Funds
Assets			
Cash	\$ 3,331,803	\$ 107,725	\$ 3,439,528
Investments, at fair value	11,025,000	400,000	11,425,000
Rent receivable	-	205,902	205,902
Interest receivable	17,995	23,394	41,389
Investment income receivable	45,069	-	45,069
Ad valorem taxes receivable	698,331	-	698,331
Receivables from other governments	226,883	-	226,883
Other assets	300,000	-	300,000
	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total assets	<u>\$ 15,645,081</u>	<u>\$ 737,021</u>	<u>\$ 16,382,102</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 351,166	\$ -	\$ 351,166
Due to Urban Renewal	607,176	-	607,176
	<u>607,176</u>	<u>-</u>	<u>607,176</u>
Total liabilities	<u>958,342</u>	<u>-</u>	<u>958,342</u>
Deferred Inflows of Resources	<u>712,275</u>	<u>23,392</u>	<u>735,667</u>
Fund Balances			
Restricted for			
Debt service	1,114,847	-	1,114,847
Economic development activities	-	713,629	713,629
Other TIF activities	12,859,617	-	12,859,617
	<u>12,859,617</u>	<u>-</u>	<u>12,859,617</u>
Total fund balances	<u>13,974,464</u>	<u>713,629</u>	<u>14,688,093</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,645,081</u>	<u>\$ 737,021</u>	<u>\$ 16,382,102</u>

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Reconciliation of the Balance Sheets – Governmental Funds to
the Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Total fund balances	\$ 10,013,941	\$ 14,688,093
Amounts reported in the statements of net position are different because		
Capital assets, notes receivable, and certain other assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund		
Land	541,192	828,192
Buildings, net of accumulated depreciation; 2020 – \$3,857,237, 2019 – \$3,566,127	3,821,869	3,711,686
Undivided ownership interest in buildings, net of accumulated depreciation; 2020 – \$0, 2019 – \$539,419	-	797,984
Notes receivable	14,766,745	15,006,985
Earned but unavailable revenue	5,476,275	735,667
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the fund		
Long-term debt	(1,799,990)	(2,620,142)
Net position, per the statements of net position	\$ 32,820,032	\$ 33,148,465

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Statements of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
Years Ended June 30, 2020 and 2019

	2020		
	TIF	Skirvin Hotel Project	Total Governmental Funds
Revenues			
Apportioned ad valorem taxes	\$ 889,525	\$ -	\$ 889,525
Payments in lieu of taxes	1,190,139	-	1,190,139
Intergovernmental revenue	500,022	-	500,022
Rental income	-	141,763	141,763
Interest income paid on tax deposits held by the Oklahoma County Treasurer	3,855	-	3,855
Interest income on loans	14,124	208,730	222,854
Investment income	168,273	6,083	174,356
Principal payment on notes receivable	-	240,240	240,240
Payment received from disposition of capital asset	287,000	-	287,000
	<u>3,052,938</u>	<u>596,816</u>	<u>3,649,754</u>
	068	068	
Expenditures			
Biomedical, biopharmaceutical, and technological research and development facilities and other public research park improvements	681,654	-	681,654
Economic development and redevelopment activities with the Harrison-Walnut Urban Renewal Plan	483,725	-	483,725
Administration	311,578	-	311,578
Capital outlay	4,809,476	-	4,809,476
Payment to City of Oklahoma City	-	1,141,661	1,141,661
Debt service			
Principal	820,152	-	820,152
Interest	75,660	-	75,660
	<u>7,182,245</u>	<u>1,141,661</u>	<u>8,323,906</u>
	068	068	
Deficiency of Revenues over Expenditures	<u>(4,129,307)</u>	<u>(544,845)</u>	<u>(4,674,152)</u>
Change in Fund Balances	(4,129,307)	(544,845)	(4,674,152)
Fund Balances, Beginning of Year	<u>13,974,464</u>	<u>713,629</u>	<u>14,688,093</u>
Fund Balances, End of Year	<u>\$ 9,845,157</u>	<u>\$ 168,784</u>	<u>\$ 10,013,941</u>

See Notes to Financial Statements

	2019		
	TIF	Skirvin Hotel Project	Total Governmental Funds
Revenues			
Apportioned ad valorem taxes	\$ 2,329,833	\$ -	\$ 2,329,833
Payments in lieu of taxes	1,136,869	-	1,136,869
Intergovernmental revenue	850,358	-	850,358
Rental income	-	398,441	398,441
Interest income paid on tax deposits held by the Oklahoma County Treasurer	14,075	-	14,075
Interest income on loans	14,124	284,206	298,330
Investment income	203,709	6,132	209,841
Principal payment on notes receivable	-	233,011	233,011
Total revenues	<u>4,548,968</u>	<u>921,790</u>	<u>5,470,758</u>
Expenditures			
Biomedical, biopharmaceutical, and technological research and development facilities and other public research park improvements	1,031,331	-	1,031,331
Economic development and redevelopment activities with the Harrison-Walnut Urban Renewal Plan	174,400	-	174,400
Administration	259,176	-	259,176
Capital outlay	287,000	-	287,000
Payment to City of Oklahoma City	-	1,700,000	1,700,000
Debt service			
Principal	798,800	-	798,800
Interest	91,918	-	91,918
Total expenditures	<u>2,642,625</u>	<u>1,700,000</u>	<u>4,342,625</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,906,343</u>	<u>(778,210)</u>	<u>1,128,133</u>
Change in Fund Balances	1,906,343	(778,210)	1,128,133
Fund Balances, Beginning of Year	<u>12,068,121</u>	<u>1,491,839</u>	<u>13,559,960</u>
Fund Balances, End of Year	<u>\$ 13,974,464</u>	<u>\$ 713,629</u>	<u>\$ 14,688,093</u>

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Reconciliation of the Statements of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds to the Statements of Activities
Years Ended June 30, 2020 and 2019

	2020	2019
Change in fund balances – governmental funds	\$ (4,674,152)	\$ 1,128,133
Amounts reported for governmental activities in the statements of activities are different because		
Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets		
Depreciation expense	(291,112)	(344,608)
Capital outlay	4,809,476	287,000
Certain income is not derived from current financial resources and, therefore, not reported as income in governmental funds		
Apportioned ad valorem taxes	270,568	(22,238)
Interest income	67,775	(583)
Investment income receivable	(5,916)	11,815
Payment received from disposition of capital asset is reported as revenue in governmental funds	(287,000)	-
Loss on contribution of undivided ownership in building	(797,984)	-
Principal payment on notes receivable is recorded as revenue in governmental funds	(240,240)	(233,011)
Advances from debt agreements, principal repayments, and changes in certain other assets are not reflected as revenues and expenses in the statements of activities		
Principal payments on debt agreements and notes payable	820,152	798,800
Change in net position, per the statements of activities	\$ (328,433)	\$ 1,625,308

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2020 and 2019

Note 1: Summary of Significant Accounting Policies

Organization

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

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

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

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

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

TIF 11 – On December 20, 2016, the City Council approved the Oklahoma Regional Innovation District Project Plan, an Amended Oklahoma Health Center Economic Development Project Plan, to support an economic development strategy in and around the area known as the Oklahoma Health Center. The amended plan increased the Project Area, reduced the size of TIF 1 and TIF 7, and established TIF 11. The authorized budgets for TIF 1 and TIF 7 are unchanged. TIF 11 has an authorized revenue budget of \$52,000,000. Districts M and N were also created for future potential development opportunities and may be activated by the City Council within 10 years of approval of the Oklahoma Regional Innovation District Project Plan.

The districts have defined project areas and tax increment areas. TIF 1 and TIF 7 have set termination dates and are presently scheduled to terminate at June 30, 2022 and June 30, 2032, respectively. TIF 11 is set to expire June 30, 2042.

Reporting Entity

The Authority's financial statements are included in the financial statements of the City as a discretely presented component unit. These financial statements include only the activities of the Authority and not those of Urban Renewal.

Basis of Presentation

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

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2020 and 2019

Government-Wide Financial Statements

The accompanying government-wide statements of net position and statements of activities display information about the Authority as a whole. The Authority's activities are all governmental in nature and generally are financed primarily through ad valorem taxes. The Authority has no business-type activities as defined by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Fund Financial Statements

Fund financial statements are normally organized into funds, each of which is considered to be a separate accounting entity. A fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. For the financial statement presentation, the Authority presently has two special revenue funds:

- TIF – Accounts for the activities of the TIFs
- Skirvin Hotel Project – The Authority, Urban Renewal, and the City have assisted in the renovation of the historic Skirvin Hotel. Activities include collection of lease revenue and ongoing debt service. The renovation involved both public and private funds

Measurement Focus

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

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

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

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

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2020 and 2019

Basis of Accounting

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

In the fund financial statements, the governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. The Authority considers all revenue to be available if the revenue is collected within 60 days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest, which are reported when due.

Accounting Policies

The Authority's significant accounting policies related to the following basic financial statement categories are summarized below.

Cash Equivalents

The Authority considers all liquid debt instruments purchased with a maturity of three months or less and money market mutual funds to be cash equivalents. At June 30, 2020 and 2019, the Authority did not own any cash equivalents.

Investment and Investment Income

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

Capital Assets

The Authority generally capitalizes purchased or constructed assets with useful lives of more than one year and having costs of \$7,500 or greater. Capital assets are valued at historical cost or estimated historical cost. The Authority has chosen the straight-line depreciation method for its capital assets based on the estimated useful lives of the capital assets. The Authority depreciates the buildings and structures currently on its books over a 25-year useful life.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2020 and 2019

Income Taxes

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

Net Position/Fund Balance Classifications

Government-Wide Statements

The net position of the Authority is classified in three components:

- **Net Investments in Capital Assets** – Represents the net investment in capital assets less the debt associated with the capital assets.
- **Restricted** – Represents net position that has been restricted by outside sources, including the City and relevant Oklahoma Statutes. The net position has been restricted for debt service and economic development.
- **Unrestricted** – Represents the remaining net position, if any.

Fund Financial Statements

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

- **Nonspendable** – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash.
- **Restricted** – Consists of fund balance amounts with constraints placed on the use of the resources either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
- **Committed** – Reflects specific purposes pursuant to constraints imposed by formal action of the Authority's highest level of decision-making authority (the Board of Trustees). Also, such constraints can only be removed or changed by the same form or formal action.
- **Assigned** – Reflects fund balance amounts that are constrained by the Authority's intent to be used for specific purposes but meet neither the restricted nor committed forms of constraint.
- **Unassigned** – Represents fund balance amounts that have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes.

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2020 and 2019

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

- **Restricted** – The Skirvin Hotel Project activities in TIF 2 are reflected as restricted due to conditions imposed by either financing documents or the City's approvals. TIF 2 is now being administered by the City. As more fully described in *Note 9*, certain notes require a reserve fund as well as encumbered revenues to be maintained. The restricted fund balance for debt service in TIF was \$1,116,469 and \$1,114,847 as of June 30, 2020 and 2019, respectively. The remaining fund balance in TIF is reflected as restricted for other TIF activities.

Program Revenues

The primary sources of program revenues for the Authority are income earned from rental revenues of the Skirvin Hotel site, biomedical research facilities, and interest income earned on the note receivable from Skirvin Partners, LLC.

Annual Budget-to-Actual Comparison

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

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

Note 2: Deposits and Investments

Custodial credit risk is the risk that in the event of the failure of a counterparty the Authority will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority, or are held by a counterparty or the counterparty's trust department but not in the name of the Authority.

The policy of the Authority is to require all deposits be maintained in accounts that are fully insured or collateralized. As of June 30, 2020 and 2019, the Authority had no uninsured or uncollateralized deposits. The Authority requires investment collateral be held by a third-party custodian with whom the Authority has a current custodial agreement in the Authority's name.

Deposits of the Authority at June 30, 2020 and 2019, were \$3,486,704 and \$3,439,528, respectively.

Investments

The Authority's investments at June 30, 2020 and 2019, consist entirely of negotiable certificates of deposit of \$6,615,000 and \$11,425,000, respectively.

Oklahoma City Redevelopment Authority
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The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in an active market for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The Authority's recurring fair value measurements as of June 30, 2020 and 2019, were negotiable certificates of deposit, which are valued using Level 2 inputs. At June 30, 2020, current maturities of the certificates of deposit were \$3,185,000 with the balance maturing in fiscal year 2023. At June 30, 2019, current maturities of the certificates of deposit were \$8,485,000 with the balance maturing in fiscal year 2021.

The Authority's investment policy stipulates no more than 75% of the total funds available for investment may be placed in any one authorized institution. Of the funds invested, up to 100% may be invested with a maturity date of two years or less, up to 30% may be invested with a maturity of two to three years, up to 10% may be invested with a maturity of three to five years, and up to 5% may be invested with a maturity of 5 to 30 years.

Note 3: Due from Other Governments

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

	2020	2019
TIF 1 funds held by the Oklahoma County Treasurer	\$ 968,899	\$ 698,331
Due from Urban Renewal	4,408,181	-
<i>Economic Development Act</i> grant receivable	109,490	226,883
	\$ 5,486,570	\$ 925,214

Note 4: Rent Receivable

A rent receivable at June 30, 2020 and 2019, of \$0 and \$205,902, respectively, is related to the Skirvin Hotel ground lease (see *Note 12*). Due to the current economic circumstances as a result of the COVID-19 pandemic, the Skirvin Hotel does not owe any rent as of June 30, 2020. The Authority reviews outstanding receivables and, based on historical collection information and existing economic conditions, may provide for an allowance for doubtful accounts. There was no allowance recorded or considered necessary for the years ended June 30, 2020 and 2019.

Oklahoma City Redevelopment Authority
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Notes to Financial Statements
June 30, 2020 and 2019

Note 5: Notes Receivable

Skirvin Investment Fund, LLC

A \$6,654,000 loan was secured with assets of Skirvin Investment Fund, LLC (the Fund) and bore interest at the rate of 1% during the construction period of the Skirvin Hotel with interest payable monthly. After completion of the Skirvin Hotel on February 26, 2007, the interest rate increased to 3.86%. The note matured December 31, 2012, was refinanced, and the outstanding principal balance of \$6,654,000 was assigned to Skirvin Partners, LLC on December 31, 2012.

Skirvin Partners, LLC

The Authority loaned Skirvin Partners, LLC \$4,000,000. The loan is secured with the Authority's Subordinated Mortgage and bears interest at the rate of 3% with interest payable monthly. The note matured December 31, 2012, and was refinanced as of that date for \$10,654,000 at an interest rate of 3%. The refinanced note included the assigned loan to the Fund. Under the new terms, accrued interest shall be paid semiannually on June 1 and December 1, starting June 1, 2013, with a prorated payment for five months of interest with the final payment due on December 1, 2042. Principal payments shall be payable annually on December 1. Principal payments were \$240,240 and \$233,011 as of June 30, 2020 and 2019, respectively. Interest income of \$208,730 and \$284,206 was recognized during the years ended June 30, 2020 and 2019, respectively, in the accompanying government-wide statements of activities. The Board of Trustees approved a resolution allowing the deferral of one half of the June 2020 interest payment due in the amount of approximately \$68,000.

Page Woodson Development, LLC

In March 2016, the Authority agreed to loan Page Woodson Development, LLC up to \$9,150,000. The loan is secured with the Authority's Subordinated Mortgage and bears interest at the rate of 0.25% with interest payable annually. The note matures March 18, 2051, at which time all principal and accrued unpaid interest is due. At June 30, 2020 and 2019, \$5,650,000 was advanced under this loan agreement. Interest income of \$14,124 was recognized during the years ended June 30, 2020 and 2019, in the accompanying government-wide statements of activities.

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A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2020 and 2019

Future principal and interest payments on the notes as of June 30, 2020, are as follows:

Year Ended June 30,	Skirvin Note Receivable		Page Woodson TIF Loan Receivable	
	Principal	Interest	Principal	Interest
2021	\$ 247,693	\$ 269,787	\$ -	\$ -
2022	255,378	262,241	-	-
2023	263,301	254,461	-	-
2024	271,470	246,440	-	-
2025	279,892	238,169	-	-
2026–2030	1,641,375	1,054,364	-	-
2031–2035	2,084,178	771,151	-	-
2036–2040	2,428,180	433,355	-	-
2041–2045	1,645,278	75,043	-	-
2046–2050	-	-	-	-
2050–2051	-	-	5,650,000	469,995
	<u>\$ 9,116,745</u>	<u>\$ 3,605,011</u>	<u>\$ 5,650,000</u>	<u>\$ 469,995</u>

Note 6: Capital Assets

Capital assets at June 30 consisted of the following:

	2020			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 828,192	\$ 4,408,181	\$ (4,695,181)	\$ 541,192
Buildings	7,277,811	-	-	7,277,811
University of Oklahoma Undivided ownership interest in buildings	1,337,403	-	(1,337,403)	-
Brockway Center (held for sale)	-	401,295	-	401,295
	<u>8,615,214</u>	<u>401,295</u>	<u>(1,337,403)</u>	<u>7,679,106</u>
Less accumulated depreciation	<u>(4,105,544)</u>	<u>(291,112)</u>	<u>539,419</u>	<u>(3,857,237)</u>
Buildings, parking garages, and undivided ownership interest in buildings, net	<u>4,509,670</u>	<u>110,183</u>	<u>(797,984)</u>	<u>3,821,869</u>
Total capital assets, net	<u>\$ 5,337,862</u>	<u>\$ 4,518,364</u>	<u>\$ (5,493,165)</u>	<u>\$ 4,363,061</u>

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2020 and 2019

	2019			Ending Balance
	Beginning Balance	Additions	Disposals	
Land	\$ 541,192	\$ 287,000	\$ -	\$ 828,192
Building	7,277,811	-	-	7,277,811
University of Oklahoma Undivided ownership interest in buildings	1,337,403	-	-	1,337,403
	8,615,214	-	-	8,615,214
Less accumulated depreciation	(3,760,936)	(344,608)	-	(4,105,544)
Building, parking garages, and undivided ownership interest in buildings, net	4,854,278	(344,608)	-	4,509,670
Total capital assets, net	\$ 5,395,470	\$ (57,608)	\$ -	\$ 5,337,862

Buildings

The Authority owns two buildings as of June 30, 2020. One is the Cytovance project, of which the Authority funded a portion of the construction. The building was completed during the year ended June 30, 2007, and depreciation commenced at that time. The building is being depreciated over a 25-year life using the straight-line method of depreciation. Depreciation expense was \$291,112 for the years ended June 30, 2020 and 2019.

The second is the Brockway Center (the Center), a landmark in Oklahoma City with historical significance. The Authority purchased this building in October 2019 for approximately \$401,000 in order to prevent the Center from being demolished. The Authority does not have any plans to use the Center in its operations and is currently sending out requests for proposals for a buyer that will preserve the site. Since the Center is being held for sale, no depreciation was taken during the year ended June 30, 2020.

Land

During the year ended June 30, 2006, the City contributed the land and building of the Skirvin Hotel to the Authority. The government-wide financial statements accounted for the transaction as contributed capital assets with an appraised value of \$130,000 for the land and \$1,131,000 for the building. The building was then sold for \$1,131,000 resulting in no gain or loss being recognized in the government-wide financial statements. The Authority leased the land beneath the Skirvin Hotel to Skirvin Partners, LLC, as more fully described in *Note 12*.

In support of the City's efforts to further develop the Boathouse District near the Oklahoma River, the Authority purchased excess right-of-way in the district from the Oklahoma Department of

Oklahoma City Redevelopment Authority
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Transportation for a purchase price of \$287,000 in June 2019. The property was transferred to the Oklahoma City Public Property Authority in September 2019 in exchange for the purchase price of \$287,000, and no gain or loss was recognized.

In September 2019, the Authority closed on a purchase of land of approximately \$4,400,000. The land is located at the southeast corner of North E.K. Gaylord Boulevard and Northwest 4th Street. After the purchase, the property was transferred to Urban Renewal, a related party. The Authority will be repaid upon sale of the property by Urban Renewal. The land has not been sold as of June 30, 2020. The Authority has recognized a receivable from other governments at June 30, 2020, for an amount equal to the purchase.

Undivided Interest

The undivided interest represents a 1.89423% ownership interest in the University of Oklahoma (OU) Research Park Mobile Incubator buildings. The ownership interest was originally acquired in May 2009 for a total cost of \$1,337,403. The cost included \$200,000 as an allowance for tenant improvements. The undivided interest is being depreciated over a 25-year life using the straight-line method of depreciation. Depreciation expense was \$0 and \$53,496 for the years ended June 30, 2020 and 2019, respectively.

The ownership interest is subject to a repurchase option. The repurchase price is the greater of total cost paid by the Authority less depreciation computed on a 25-year straight-line basis or the balance due on the tax apportionment note delivered in payment of the acquisition cost and tenant improvements for such incubator facility, if any.

Effective July 1, 2019, OU decided to exercise the option to acquire the undivided interest. The Authority decided to transfer the interest to OU for no cash consideration, and instead required OU to provide no less than 14,000 square feet in the aggregate of leasable space in the Research Park (incubator space) to incubator tenants. OU must make the space continuously available to incubator tenants for six years, terminating in June 2025. The Authority had taken \$539,419 in depreciation on the undivided interest as of July 1, 2019, and recognized a \$797,984 loss on the transfer.

Note 7: Other Assets

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

	2020	2019
Deposits held by PHF	\$ 300,000	\$ 300,000

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2020 and 2019

Note 8: Payments in Lieu of Taxes

In October 2011, a Supplemental Redevelopment Agreement was entered into by and among Urban Renewal, Presbyterian Health Foundation (PHF), and the Toby Keith Foundation (TKF) for the development of OK Kids Korral. As part of the sale of the research park by PHF to OU in October 2013, PHF assigned the OK Kids Korral Supplemental Redevelopment Agreement and the OK Kids Korral Ground Lease Agreement to OU. As part of the Supplemental Redevelopment Agreement and the Ground Lease Agreement, TKF is subject to payments in lieu of ad valorem taxes (PILOT). These payments are payable to the Authority on December 31 beginning in the year of completion of the improvements and each year thereafter. The OK Kids Korral was completed in November 2013 and the Authority recognized \$50,000 in PILOT on behalf of OK Kids Korral for the years ended June 30, 2020 and 2019.

As a result of the sales transaction between PHF and OU, the Authority started receiving PILOT from OU, as OU is considered a component unit of the State of Oklahoma. The Authority received \$1,140,139 and \$1,086,869 in PILOT in the years ended June 30, 2020 and 2019, respectively.

Note 9: Long-Term Debt

The following is a summary of long-term obligations for the Authority for the years ended June 30:

	Beginning Balance	Advances	Payments	Ending Balance
2020				
Dean A. McGee Note A-1 Biopharmaceutical Manufacturing Facility Note A-2	\$ 827,412	\$ -	(258,995)	\$ 568,417
	<u>1,792,730</u>	<u>-</u>	<u>(561,157)</u>	<u>1,231,573</u>
	<u>\$ 2,620,142</u>	<u>\$ -</u>	<u>\$ (820,152)</u>	<u>\$ 1,799,990</u>
2019				
Dean A. McGee Note A-1 Biopharmaceutical Manufacturing Facility Note A-2	\$ 1,079,665	\$ -	\$ (252,253)	\$ 827,412
	<u>2,339,277</u>	<u>-</u>	<u>(546,547)</u>	<u>1,792,730</u>
	<u>\$ 3,418,942</u>	<u>\$ -</u>	<u>\$ (798,800)</u>	<u>\$ 2,620,142</u>

Oklahoma City Redevelopment Authority
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Following is a description of long-term debt summarized in the above table:

Dean A. McGee Note A-1

The Authority issued a \$3,000,000 parity tax apportionment revenue note on August 3, 2007 (Dean A. McGee Note A-1). The note matures on July 1, 2022, and interest on the note is calculated as either the London InterBank Offered Rate (LIBOR) plus 1% or the prime rate minus 1%, whichever is less, adjusted annually on July 1 of each year. From the issue date to July 1, 2010, only interest was due on the note; commencing August 1, 2010, both interest and principal are due on the note. The amount of interest paid for the years ended June 30, 2020 and 2019, was \$23,893 and \$29,027, respectively, and the interest rate as of June 30, 2020 and 2019, was 3.398% and 3.0925%, respectively.

The note requires a reserve fund be maintained. The reserve fund is calculated as equaling 25% of the annual debt service determined to be due by the next recalculation date, July 1, of each year the note is outstanding. The amount of reserve fund required at June 30, 2020 and 2019, was \$70,510 and \$70,421, respectively. The note also requires encumbered revenues be maintained. Encumbered revenues are the amount of funds necessary to service the debt obligation during a given year. The amount of encumbered funds required at June 30, 2020 and 2019, was \$282,042 and \$281,683, respectively.

Biopharmaceutical Manufacturing Facility Note A-2

As of June 30, 2004, the Authority issued a \$7,000,000 tax apportionment revenue note to a local bank (BancFirst). The revenue note bore interest at 0.5% below prime and was interest only for the first year; interest was paid monthly commencing August 1, 2004. Principal payments were due in monthly installments. The note had a maturity date of July 1, 2011.

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

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

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

The note was refinanced on August 31, 2007, as the Biopharmaceutical Manufacturing Facility Note A-2. The amount refinanced, after advancing \$27,668 for closing costs, was \$6,500,000. The note bears interest at the lesser of LIBOR plus 1% or prime rate minus 1% (3.398% and 3.09025% at June 30, 2020 and 2019, respectively). The rate changes annually on July 1. The note matures July 1, 2022, and required interest only to be paid monthly until August 1, 2010, at which time

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June 30, 2020 and 2019

interest and principal payments commenced. For the years ended June 30, 2020 and 2019, interest of \$51,767 and \$62,891, respectively, was paid on the note.

The note requires a reserve fund be maintained. The reserve fund is calculated as equaling 25% of the annual debt service determined to be due by the next recalculation date, July 1, of each year the note is outstanding. The amount of reserve fund required at June 30, 2020 and 2019, was \$152,783 and \$152,549, respectively. The note also requires encumbered revenues be maintained. Encumbered revenues are the amount of funds necessary to service the debt obligation during a given year. The amount of encumbered funds required at June 30, 2020 and 2019, was \$611,134 and \$610,194, respectively.

Future principal and interest payments on the notes as of June 30, 2020, are as follows:

Year Ended June 30,	Dean A. McGee Note A-1		Biopharmaceutical Manufacturing Facility Note A-2	
	Principal	Interest	Principal	Interest
2021	\$ 266,843	\$ 15,199	\$ 578,200	\$ 32,933
2022	276,053	5,989	598,157	12,977
2023	25,521	73	55,216	159
	<u>\$ 568,417</u>	<u>\$ 21,261</u>	<u>\$ 1,231,573</u>	<u>\$ 46,069</u>

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

	2020	2019
Dean A. McGee Note A-1	\$ 568,417	\$ 827,412
Biopharmaceutical Manufacturing Facility Note A-2	1,231,573	1,792,730
	<u>1,799,990</u>	<u>2,620,142</u>
Less current maturities	(845,043)	(822,486)
Long-term debt, less current maturities	<u>\$ 954,947</u>	<u>\$ 1,797,656</u>

Note 10: Net Position

The accompanying government-wide statements of net position reflect the following types of net position as of June 30:

- **Net Investment in Capital Assets** – Represents a balance of \$2,730,192 and \$3,545,132 at June 30, 2020 and 2019, respectively. The debt and other liabilities associated with capital assets had a balance of \$1,632,868 and \$1,792,730 at June 30, 2020 and 2019, respectively.

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- **Restricted** – Represents net position that has been restricted by outside sources. The net position restricted for debt service was \$1,116,469 and \$1,114,847 at June 30, 2020 and 2019, respectively. The net position restricted for economic development activities was \$28,973,371 and \$28,488,486 at June 30, 2020 and 2019, respectively.

Note 11: Ad Valorem Tax Revenue

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

A summary of the ad valorem tax revenue for the years ended June 30 is as follows:

	TIF 1	TIF 7	TIF 11	Total
2020				
Tax year				
2016	\$ -	\$ 908	\$ -	\$ 908
2017	-	951	-	951
2018	20,619	1,746	575,586	597,951
2019	-	289,714	-	289,714
	<u>20,619</u>	<u>293,319</u>	<u>575,586</u>	<u>889,524</u>
Interest received	90	1,271	2,495	3,856
Net change in tax receivable from Oklahoma County Treasurer	<u>270,568</u>	<u>-</u>	<u>-</u>	<u>270,568</u>
	<u><u>\$ 291,277</u></u>	<u><u>\$ 294,590</u></u>	<u><u>\$ 578,081</u></u>	<u><u>\$ 1,163,948</u></u>
2019				
Tax year				
2016	\$ -	\$ 597	\$ -	\$ 597
2017	30,784	1,235	683,633	715,652
2018	1,244,321	369,263	-	1,613,584
	<u>1,275,105</u>	<u>371,095</u>	<u>683,633</u>	<u>2,329,833</u>
Interest received	7,703	2,242	4,130	14,075
Net change in tax receivable from Oklahoma County Treasurer	<u>(22,238)</u>	<u>-</u>	<u>-</u>	<u>(22,238)</u>
	<u><u>\$ 1,260,570</u></u>	<u><u>\$ 373,337</u></u>	<u><u>\$ 687,763</u></u>	<u><u>\$ 2,321,670</u></u>

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Financial Statements
June 30, 2020 and 2019

Note 12: Lease Agreement

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

All rents collected under the lease agreement are to be used to repay Urban Renewal for funds loaned to the Authority, not to exceed \$1,500,000. The balance of rents collected will be retained by the Authority pending authorization and direction for the use of the revenue by the City Council or its designee. Rent payment is due annually from the Skirvin Hotel, which is based on cash flows of the entity for the fiscal year.

During 2019, a joint resolution was passed by the City Council and the Authority designating all annual receipts associated with this agreement to be paid to the City, through the Oklahoma City Economic Development Trust (OCEDT), for the purpose of servicing debt issued for the purpose of the Omni Hotel Funding Plan. Under this joint resolution, the Authority is directed to transfer the accumulated balance of any monies collected by the Authority to OCEDT, net of any contractually required retainage as invoiced by the City. During the years ended June 30, 2020 and 2019, \$1,100,000 and \$1,700,000, respectively, was transferred to OCEDT under this joint resolution.

Rent revenues recognized under the lease agreement were \$141,763 and \$398,441 for the years ended June 30, 2020 and 2019, respectively. The economic impact of COVID-19 on the Skirvin Hotel's operations resulted in lower current year receipts associated with this lease.

Note 13: Related-Party Transactions

Urban Renewal

At June 30, 2020 and 2019, the Authority owed \$26,629 and \$61,876, respectively, of TIF funds to Urban Renewal for administrative costs. At June 30, 2020 and 2019, the Authority also owed approximately \$401,000 and \$545,000, respectively, relating to the acquisition of land that was paid for by Urban Renewal but purchased by the Authority.

At June 30, 2020, Urban Renewal owed the Authority approximately \$4,400,000 relating to the acquisition of land that was purchased and paid for by the Authority and subsequently transferred to Urban Renewal.

Supplementary Information

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Budget-to-Actual Expenditure Comparison (Project Life-to-Date)
June 30, 2020

TIF 1	Category A	Category B	Category C
Total budget	\$ 22,000,000	\$ 23,000,000	\$ 2,000,000
Expenditures			
For years 2013 through 2020	(4,365,913)	(6,153)	(577,751)
For years 2012 and prior	<u>(9,719,370)</u>	<u>(14,516,056)</u>	<u>(1,422,249)</u>
Budget amount remaining	<u>\$ 7,914,717</u>	<u>\$ 8,477,791</u>	<u>\$ -</u>

TIF 7	Category A	Category B	Category C	Category D
Total budget	\$ 4,000,000	\$ 5,000,000	\$ 1,000,000	\$ 11,000,000
Expenditures				
For years 2013 through 2020	(501,619)	-	(96,056)	(537,094)
For years 2012 and prior	<u>-</u>	<u>-</u>	<u>-</u>	<u>(504,816)</u>
Budget amount remaining	<u>\$ 3,498,381</u>	<u>\$ 5,000,000</u>	<u>\$ 903,944</u>	<u>\$ 9,958,090</u>

TIF 11	Category A	Category B	Category C	Category D	Category E
Total budget	\$ 17,000,000	\$ 9,000,000	\$ 3,000,000	\$ 5,000,000	\$ 18,000,000
Expenditures					
2020	-	-	-	-	(2,650)
2019	-	-	-	-	-
2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,110)</u>
Budget amount remaining	<u>\$ 17,000,000</u>	<u>\$ 9,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 17,995,240</u>

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

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Notes to Budget-to-Actual Expenditure Comparison (Project Life-to-Date)
June 30, 2020

Note 1: Basis of Preparation

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

Note 2: Expenditures

TIF 1

TIF 1 expenses incurred by the Authority are classified into three basic categories. The categories defined by the project plan, as amended May 16, 2001, November 30, 2002, August 1, 2006, and December 20, 2016, are as follows:

Category A: Commercialization of Research and Technology – The cost of planning; financing; assistance in development financing; and acquiring and constructing research, development, and technological application facilities, business incubators, business accelerators, complementary commercial facilities, and other public research park improvements by the Authority, a public trust, and Urban Renewal, a public body corporate.

Category B: Place-Making – The cost of planning; financing; assistance in development financing; acquiring, constructing, and developing public spaces (including meeting space, gathering space, work space, community centers, conference facilities, arts and cultural space, entertainment space, open space, and green space), public ways, parks, parking facilities, and complementary commercial and retail facilities; and supporting public improvements by the Authority, a public trust, and Urban Renewal, a public body corporate.

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

TIF 7

The August 1, 2006, plan amendment added TIF 7 to the project plan. Also amended December 20, 2016, TIF 7 project cost categories follow the definitions above with the addition of Category D, defined as follows:

Category D: Supporting Development – The costs of implementing the economic development and redevelopment activities of the Authority, a public trust, in accordance with the Harrison-Walnut Urban Renewal Plan and this project plan, including assistance in development financing; contracts for implementation activities, including relocation and site preparation; and the negotiation, preparation, execution, and implementation of development and redevelopment agreements, including agreements for financing, property acquisition, construction of public

Oklahoma City Redevelopment Authority
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Notes to Budget-to-Actual Expenditure Comparison (Project Life-to-Date)
June 30, 2020

improvements, and land disposition, as authorized by the Oklahoma Urban Renewal Law, 11 O.S. § 38-101, et seq.

TIF 11

The December 20, 2016, plan amendment added TIF 11 to the project plan. TIF 11 cost categories follow the definitions above with the addition of Category E, defined as follows:

Category E: Specific Revenue Source for Public Entities for Enhanced Education, Skills Training Programs, Internships, and Entrepreneurial Support – The provision of a specific revenue source from apportioned tax increments for other public entities in the area in order to provide enhanced education (including emphasis on science, technology, engineering, arts, and mathematics – sometimes referred to as STEAM); skills training programs; intern programs; workforce development; and entrepreneurial support for the new employment to be generated by the project. Okla. Const. Art. 10, § 6C; 62 O.S. § 853(9), 14(e), 14(i); and § 854(4).

Tax increments from the Increment Districts can be spent for project costs throughout the project area. Project costs remaining unpaid upon the expiration of an Increment District may be paid from increments of the remaining Increment District(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**

Independent Auditor's Report

Board of Trustees
Oklahoma City Redevelopment Authority
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 the major funds of the Oklahoma City Redevelopment Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 16, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

Board of Trustees
Oklahoma City Redevelopment Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
October 16, 2020

Oklahoma City Redevelopment Authority
A Component Unit of the City of Oklahoma City, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2020

Reference Number	Finding
	No matters are reportable.