

**Oklahoma City Redevelopment Authority**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
Independent Auditor's Reports and Financial Statements  
June 30, 2016 and 2015





**Oklahoma City Redevelopment Authority**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**June 30, 2016 and 2015**

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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 basic 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, 2016 and 2015, 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, 2016 and 2015, 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 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.

### ***Supplementary Information***

Our audit was 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 listed in the table of contents, is presented for purposes of additional analysis and is 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 audit 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 as of and from the years ended June 30, 2016 and 2015, 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 have also issued our report dated November 11, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*BKD, LLP*

Oklahoma City, Oklahoma  
November 11, 2016

**Oklahoma City Redevelopment Authority**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2016 and 2015**

***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, 2016 and 2015. It should be read in conjunction with the accompanying financial statements of the Authority.

***Financial Highlights***

- Cash and cash equivalents increased in 2016 and 2015 by \$1,660,037 and \$2,264,278, respectively.
- The Authority's capital assets decreased in 2016 and 2015 by \$344,608 and \$344,609, respectively.
- Long-term debt decreased in 2016 and 2015 by \$788,480 and \$777,754, respectively.
- The Authority's net position decreased in 2016 by \$4,188,710 and increased in 2015 by \$2,059,795.

***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 the 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 increased by \$64,730 and 1,406,092 in 2016 and 2015, respectively. In 2016, increases in cash and cash equivalents and amounts due from other governments were offset by reductions in investments, rent and note receivables and capital assets. Similarly, the 2015 increase was primarily due to an increase in cash and cash equivalents and amounts due from other governments (grant receivable from the Economic Development Administration), offset by reductions in investments, capital assets and notes receivable.

Total liabilities increased in 2016 by \$4,253,440 and decreased in 2015 by \$653,703. For 2016, regular debt service and reductions in accounts payable and deferred revenue were offset by the increase in the amount due from the Oklahoma City Urban Renewal Authority (Urban Renewal). The 2015 decrease was due to regular annual debt service payments.

In 2016 and 2015, no significant changes occurred in capital assets and debt other than depreciation and payment of principal.

**Table 1: Condensed Statements of Net Position**

	2016	2015	Change	% Change	2014	Change	% Change
Current and other assets	\$ 28,945,228	\$ 28,535,890	\$ 409,338	1%	\$ 26,785,189	\$ 1,750,701	7%
Capital assets	6,050,385	6,394,993	(344,608)	-5%	6,739,602	(344,609)	-5%
Total assets	34,995,613	34,930,883	64,730	0%	33,524,791	1,406,092	4%
Long-term liabilities	4,211,634	5,004,065	(792,431)	-16%	5,792,528	(788,463)	-14%
Other liabilities	6,246,175	1,200,304	5,045,871	420%	1,065,544	134,760	13%
Total liabilities	10,457,809	6,204,369	4,253,440	69%	6,858,072	(653,703)	-10%
Net investment in capital assets	2,626,563	2,431,684	194,879	8%	2,244,146	187,538	8%
Restricted	21,911,241	26,294,830	(4,383,589)	-17%	24,422,573	1,872,257	8%
Net position	\$ 24,537,804	\$ 28,726,514	\$ (4,188,710)	-15%	\$ 26,666,719	\$ 2,059,795	8%

### 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 years ended June 30, 2016 and 2015, net position decreased by \$4,188,710 and increased by \$2,059,795, respectively. The 2016 decrease was primarily a result of decreases in rental income of \$122,493 and grant revenue of \$330,605 offset by increases in apportioned ad valorem taxes and payments in lieu of taxes totaling \$210,819. Other changes include a decrease in project costs of approximately \$700,000 and an increase in Skirvin expenditures resulting from a decrease in payments to the City and an increase in payments to Urban Renewal. In 2015, the change in net position was \$580,015 less than the previous year. The change was due to a decrease in rental revenue of \$190,000, an increase in project costs of \$621,000 and the \$693,000 payment to the City to retire debt associated with the Skirvin Hotel Project, offset by a \$505,000 increase in grant revenues, \$180,000 increase in Tax Increment Financing (TIF) related revenues and decreases in interest and depreciation expenses.

**Table 2: Condensed Statements of Activities**

	2016	2015	Change	% Change	2014	Change	% Change
Charges for services	\$ 487,789	\$ 643,365	\$ (155,576)	-24%	\$ 824,335	\$ (180,970)	-22%
Operating grants, contributions and restricted interest	573,766	882,588	(308,822)	-35%	368,733	513,855	139%
General revenues	3,141,934	2,929,469	212,465	7%	2,750,385	179,084	7%
Total revenues	4,203,489	4,455,422	(251,933)	-6%	3,943,453	511,969	13%
Economic development expenses	8,327,535	2,318,911	6,008,624	259%	1,172,889	1,146,022	98%
Interest expense	64,664	76,716	(12,052)	-16%	130,754	(54,038)	-41%
Total operating expenses	8,392,199	2,395,627	5,996,572	250%	1,303,643	1,091,984	84%
Change in net position	\$ (4,188,710)	\$ 2,059,795	\$ (6,248,505)	-303%	\$ 2,639,810	\$ (580,015)	-22%

**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 1 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 1 Fund**

	2016	2015	Change	% Change	2014	Change	% Change
<b>TIF 1</b>							
Total assets	\$ 13,136,645	\$ 11,531,376	\$ 1,605,269	14%	\$ 10,060,174	\$ 1,471,202	15%
Total liabilities	(53,761)	(411,841)	358,080	-87%	(287,790)	(124,051)	43%
Deferred inflows of resources	(693,478)	(537,808)	(155,670)	29%	(18,760)	(519,048)	2767%
Fund balance	\$ 12,389,406	\$ 10,581,727	\$ 1,807,679	17%	\$ 9,753,624	\$ 828,103	8%

The TIF 1 fund balance increased \$1,807,679 and \$828,103 in 2016 and 2015, respectively. Revenues were slightly higher in 2016 primarily due to a \$210,819 increase in apportioned ad valorem taxes and payments in lieu of taxes and an increase in interest income of \$36,196, offset by a decrease in grant revenue of \$330,605. The 2016 expenditures decreased by \$710,514 due to decreases in project expenditures of approximately \$730,000, an interest expense of \$12,000 and an increase in administrative costs of \$32,000. Revenues remained steady in 2015 while total expenditures increased by approximately \$305,000, the result of a \$675,000 increase in project expenditures, offset by a \$361,000 decrease in debt service. Primary differences included a decrease in rental revenue from the garages sold to Presbyterian Health Foundation (PHF) of \$418,352, an increase in TIF category expenditures of \$436,689 and a decrease in total debt service of \$1,089,768, mainly due to the cancelation of the two notes associated with the parking garages sold to PHF.

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

	2016	2015	Change	% Change	2014	Change	% Change
<b>Skirvin Hotel Project</b>							
Rental income	\$ 505,199	\$ 642,496	\$ (137,297)	-21%	\$ 633,220	\$ 9,276	1%
Principal payment on note receivable	212,602	206,205	6,397	3%	200,000	6,205	3%
Interest income on loan	304,245	310,528	(6,283)	-2%	316,620	(6,092)	-2%
Investment income	12,566	19,952	(7,386)	-37%	26,152	(6,200)	-24%
<b>Total revenues</b>	<b>1,034,612</b>	<b>1,179,181</b>	<b>(144,569)</b>	<b>-12%</b>	<b>1,175,992</b>	<b>3,189</b>	<b>0%</b>
<b>Expenditures</b>	<b>7,400,000</b>	<b>692,911</b>	<b>6,707,089</b>	<b>968%</b>	<b>830</b>	<b>692,081</b>	<b>83383%</b>
<b>Change infund balance</b>	<b>\$ (6,365,388)</b>	<b>\$ 486,270</b>	<b>\$ (6,851,658)</b>	<b>-1409%</b>	<b>\$ 1,175,162</b>	<b>\$ (688,892)</b>	<b>-59%</b>

The Skirvin Hotel Project fund balance decreased \$6,365,388 in 2016 compared to an increase of \$486,270 in 2015. The decrease in the fund balance was the result of a decrease in payments to the City of \$692,911 to retire debt associated with the project and a \$7,400,000 increase in expenditures to Urban Renewal. The fund balances for both TIF 1 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 and 7. To date, the Authority has collected \$26 million for TIF 1. There have been no revenues collected for TIF 7; however, the Authority expects they will begin in fiscal year 2017. 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 also 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**  
**Government-Wide Statements of Net Position**  
**June 30, 2016 and 2015**

**Assets**

	<b>2016</b>	<b>2015</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9,242,154	\$ 7,582,117
Investments, at fair value	3,948,000	5,145,000
Due from other governments	684,944	530,067
Rent receivable	24,019	252,906
Interest receivable	25,088	25,620
Investment income receivable	15,830	14,385
Current portion of notes receivable	219,198	212,602
Total current assets	14,159,233	13,762,697
<b>Capital Assets</b>		
Land	506,891	506,891
Building, parking garages and undivided ownership interest in buildings, net	5,543,494	5,888,102
Total capital assets	6,050,385	6,394,993
<b>Other Noncurrent Assets</b>		
Investments, at fair value	4,670,000	4,438,000
Notes receivable	9,815,995	10,035,193
Other assets – deposits	300,000	300,000
Total other noncurrent assets	14,785,995	14,773,193
Total assets	\$ 34,995,613	\$ 34,930,883

## Liabilities and Net Position

	<u>2016</u>	<u>2015</u>
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 792,414	\$ 788,463
Accounts payable	7,248	266,644
Due to Urban Renewal	5,424,337	8,261
Advance PILOT payment	<u>22,176</u>	<u>136,936</u>
 Total current liabilities	 6,246,175	 1,200,304
 <b>Noncurrent Liabilities</b>		
Long-term debt, less current maturities	<u>4,211,634</u>	<u>5,004,065</u>
 Total liabilities	 <u>10,457,809</u>	 <u>6,204,369</u>
 <b>Net Position</b>		
Net investment in capital assets	2,626,563	2,431,684
Restricted for debt service	1,074,031	1,066,129
Restricted for economic development activities	<u>20,837,210</u>	<u>25,228,701</u>
 Total net position	 <u>\$ 24,537,804</u>	 <u>\$ 28,726,514</u>

**Oklahoma City Redevelopment Authority**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Government-Wide Statements of Activities**  
**Years Ended June 30, 2016 and 2015**

	Revenues				Net Revenues (Expenses)
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants, Contributions and Restricted Interest	
<b>2016</b>					
<b>Governmental Activities</b>					
Economic development	\$ 8,327,535	\$ 487,789	\$ -	\$ 573,766	\$ (7,265,980)
Interest expense	64,664	-	-	-	(64,664)
Total governmental activities	\$ 8,392,199	\$ 487,789	\$ -	\$ 573,766	(7,330,644)
<b>General Revenues</b>					
Apportioned TIF 1 ad valorem taxes					1,930,149
Payment in lieu of taxes					1,211,785
Total general revenues					3,141,934
<b>Change in Net Position</b>					(4,188,710)
<b>Net Position, Beginning of Year</b>					28,726,514
<b>Net Position, End of Year</b>					\$ 24,537,804
<b>2015</b>					
<b>Governmental Activities</b>					
Economic development	\$ 2,318,911	\$ 643,365	\$ -	\$ 882,588	\$ (792,958)
Interest expense	76,716	-	-	-	(76,716)
Total governmental activities	\$ 2,395,627	\$ 643,365	\$ -	\$ 882,588	(869,674)
<b>General Revenues</b>					
Apportioned TIF 1 ad valorem taxes					1,727,667
Payment in lieu of taxes					1,201,802
Total general revenues					2,929,469
<b>Change in Net Position</b>					2,059,795
<b>Net Position, Beginning of Year</b>					26,666,719
<b>Net Position, End of Year</b>					\$ 28,726,514

**Oklahoma City Redevelopment Authority**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Balance Sheets – Governmental Funds**  
**June 30, 2016 and 2015**

	<b>2016</b>		
	<b>TIF 1</b>	<b>Skirvin Hotel Project</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,517,871	\$ 5,724,283	\$ 9,242,154
Investments, at fair value	8,618,000	-	8,618,000
Rent receivable	-	24,019	24,019
Interest receivable	-	25,088	25,088
Investment income receivable	15,830	-	15,830
Ad valorem taxes receivable	5,061	-	5,061
Federal grant receivable	679,883	-	679,883
Other assets	300,000	-	300,000
	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total assets	<u>\$ 13,136,645</u>	<u>\$ 5,773,390</u>	<u>\$ 18,910,035</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 7,248	\$ -	\$ 7,248
Due to PHF	-	-	-
Due to TIF 1 fund	-	-	-
Due to Urban Renewal	24,337	5,400,000	5,424,337
Advance PILOT payment	22,176	-	22,176
	<u>22,176</u>	<u>-</u>	<u>22,176</u>
Total liabilities	<u>53,761</u>	<u>5,400,000</u>	<u>5,453,761</u>
Deferred Inflows of Resources	<u>693,478</u>	<u>25,088</u>	<u>718,566</u>
<b>Fund Balances</b>			
Restricted for			
Debt service	1,074,031	-	1,074,031
Economic development activities	-	348,302	348,302
Other TIF activities	11,315,375	-	11,315,375
	<u>11,315,375</u>	<u>-</u>	<u>11,315,375</u>
Total fund balances	<u>12,389,406</u>	<u>348,302</u>	<u>12,737,708</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,136,645</u>	<u>\$ 5,773,390</u>	<u>\$ 18,910,035</u>

See Notes to Financial Statements

	<b>2015</b>		
	<b>TIF 1</b>	<b>Skirvin Hotel Project</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,577,045	\$ 5,005,072	\$ 7,582,117
Investments, at fair value	8,113,000	1,470,000	9,583,000
Rent receivable	-	252,906	252,906
Interest receivable	-	25,620	25,620
Investment income receivable	11,264	3,121	14,385
Ad valorem taxes receivable	24,823	-	24,823
Federal grant receivable	505,244	-	505,244
Other assets	300,000	-	300,000
	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total assets	<u>\$ 11,531,376</u>	<u>\$ 6,756,719</u>	<u>\$ 18,288,095</u>

### Liabilities, Deferred Inflows of Resources and Fund Balances

<b>Liabilities</b>			
Accounts payable	\$ 266,644	\$ -	\$ 266,644
Due to Urban Renewal	8,261	-	8,261
Advance PILOT payment	136,936	-	136,936
	<u>136,936</u>	<u>-</u>	<u>136,936</u>
Total liabilities	<u>411,841</u>	<u>-</u>	<u>411,841</u>
<b>Deferred Inflows of Resources</b>	<u>537,808</u>	<u>43,029</u>	<u>580,837</u>
<b>Fund Balances</b>			
Restricted for			
Debt service	1,066,129	-	1,066,129
Economic development activities	-	6,713,690	6,713,690
Other TIF activities	9,515,598	-	9,515,598
	<u>9,515,598</u>	<u>-</u>	<u>9,515,598</u>
Total fund balances	<u>10,581,727</u>	<u>6,713,690</u>	<u>17,295,417</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,531,376</u>	<u>\$ 6,756,719</u>	<u>\$ 18,288,095</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, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
Total fund balances	\$ 12,737,708	\$ 17,295,417
<p>Amounts reported in the statements of net position are different because</p> <p>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</p>		
Land	506,891	506,891
Building, net of accumulated depreciation of \$2,692,790 as of June 30, 2016, and \$2,401,677 as of June 30, 2015	4,585,022	4,876,134
Undivided ownership interest in buildings, net of accumulated depreciation of \$378,932 as of June 30, 2016, and \$325,436 as of June 30, 2015	958,472	1,011,967
Notes receivable	10,035,193	10,247,795
Earned but unavailable revenue	718,566	580,838
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported in the fund</p>		
Long-term debt	(5,004,048)	(5,792,528)
Net position, per the statements of net position	\$ 24,537,804	\$ 28,726,514

**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, 2016 and 2015**

	<b>2016</b>		
	<b>TIF 1</b>	<b>Skirvin Hotel Project</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Apportioned ad valorem taxes – TIF 1	\$ 1,948,121	\$ -	\$ 1,948,121
Payment in lieu of taxes	1,211,785	-	1,211,785
Rental income	-	505,199	505,199
Interest income paid on tax deposits held by the Oklahoma County Treasurer	1,790	-	1,790
Interest income on loans	-	304,245	304,245
Investment income	82,053	12,566	94,619
Principal payment on note receivable	-	212,602	212,602
Total revenues	<u>3,243,749</u>	<u>1,034,612</u>	<u>4,278,361</u>
<b>Expenditures</b>			
Biomedical, biopharmaceutical and technological research and development facilities and other public research park improvements	537,498	-	537,498
Payment to the Urban Renewal – Convention Center	-	7,400,000	7,400,000
Administration	45,428	-	45,428
Debt service			
Principal	788,480	-	788,480
Interest	64,664	-	64,664
Total expenditures	<u>1,436,070</u>	<u>7,400,000</u>	<u>8,836,070</u>
<b>Change in Fund Balances</b>	1,807,679	(6,365,388)	(4,557,709)
<b>Fund Balances, Beginning of Year</b>	<u>10,581,727</u>	<u>6,713,690</u>	<u>17,295,417</u>
<b>Fund Balances, End of Year</b>	<u>\$ 12,389,406</u>	<u>\$ 348,302</u>	<u>\$ 12,737,708</u>

	<b>2015</b>		
	<b>TIF 1</b>	<b>Skirvin Hotel Project</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Apportioned ad valorem taxes – TIF 1	\$ 1,717,051	\$ -	\$ 1,717,051
Payment in lieu of taxes	1,201,802	-	1,201,802
Rental income	-	642,496	642,496
Interest income paid on tax deposits held by the Oklahoma County Treasurer	143	-	143
Interest income on loans	-	310,528	310,528
Investment income	44,967	19,952	64,919
Principal payment on note receivable	-	206,205	206,205
	<u>2,963,963</u>	<u>1,179,181</u>	<u>4,143,144</u>
Total revenues			
<b>Expenditures</b>			
Biomedical, biopharmaceutical and technological research and development facilities and other public research park improvements	1,160,780	-	1,160,780
Parking facilities and other public improvements	34,698	-	34,698
Administration	85,912	-	85,912
Payment to the City	-	692,911	692,911
Debt service			
Principal	777,754	-	777,754
Interest	76,716	-	76,716
	<u>2,135,860</u>	<u>692,911</u>	<u>2,828,771</u>
Total expenditures			
<b>Change in Fund Balances</b>	828,103	486,270	1,314,373
<b>Fund Balances, Beginning of Year</b>	<u>9,753,624</u>	<u>6,227,420</u>	<u>15,981,044</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 10,581,727</u></u>	<u><u>\$ 6,713,690</u></u>	<u><u>\$ 17,295,417</u></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, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
Change in fund balances – governmental funds	\$ (4,557,709)	\$ 1,314,373
<p>Amounts reported for governmental activities in the statement of activities are different because</p> <p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets</p>		
Depreciation expense	(344,609)	(344,609)
<p>Certain income is not derived from current financial resources and, therefore, not reported as income in governmental funds</p>		
Apportioned TIF 1 ad valorem taxes	(19,762)	10,473
Rental income on Skirvin Hotel Project	(17,410)	869
Federal grant receivable	174,641	505,244
Interest income	(532)	(517)
Investment income receivable	793	2,413
Principal payment on note receivable is recorded as revenue in governmental funds	(212,602)	(206,205)
<p>Advances from debt agreements, principal repayments and changes in certain other assets are not reflected as revenues and expenditures in the statements of activities</p>		
Principal payments on debt agreements and notes payable	788,480	777,754
Change in net position, per the statements of activities	\$ (4,188,710)	\$ 2,059,795

**Oklahoma City Redevelopment Authority**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**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 of the City. For financial reporting purposes, the Authority is a component unit of the City.

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

The Authority has been designated as the entity to receive tax apportionment revenues for certain Tax Increment Financing (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.

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

***Reporting Entity***

The Authority's financial statements are included in the financial statements of the City 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 (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.

***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.

**Oklahoma City Redevelopment Authority**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

***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 1
- Skirvin Hotel Project

One of the funds account for the activity of the TIF. The other fund is as follows:

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

***Measurement Focus and Basis of Accounting***

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

***Measurement Focus***

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

- The 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 operating 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**  
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***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.

***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, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Income Taxes***

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

**Oklahoma City Redevelopment Authority**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

***Net Position 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 which 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.

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 1 was \$1,074,031 and \$1,066,129 as of June 30, 2016 and 2015, respectively. The remaining fund balance in TIF 1 is reflected as restricted for other TIF activities.

**Oklahoma City Redevelopment Authority**  
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**Notes to Financial Statements**  
**June 30, 2016 and 2015**

***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 Statement No. 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 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 which are fully insured or collateralized. As of June 30, 2016 and 2015, 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, 2016 and 2015, are \$9,242,154 and \$7,582,117, respectively.

***Investments***

The Authority’s investments at June 30, 2016 and 2015, consist entirely of negotiable certificates of deposit of \$8,618,000 and \$9,583,000, respectively.

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; Level 3 inputs are significant unobservable inputs.

The Authority’s recurring fair value measurements as of June 30, 2016 and 2015, are its certificates of deposit, which are valued using Level 2 inputs.

**Oklahoma City Redevelopment Authority**  
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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 5-30 years.

**Note 3: Due from Other Governments**

Amounts due to the Authority from other governments at June 30, 2016 and 2015, consisted of the following:

	<b>2016</b>	<b>2015</b>
TIF 1 funds held by the Oklahoma County Treasurer	\$ 5,061	\$ 24,823
<i>Economic Development Act</i> grant receivable	679,883	505,244
	\$ 684,944	\$ 530,067

**Note 4: Rent Receivable**

Rent receivable at June 30, 2016 and 2015, of \$24,019 and \$252,906, respectively, is related to the Skirvin ground lease (see *Note 12*).

**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, the interest rate increased to 3.86%. The completion date for the Skirvin Hotel was February 26, 2007. 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.

**Oklahoma City Redevelopment Authority**  
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***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 in the amount of \$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. Principal payments shall be payable annually on December 1. Principal payments were \$212,602 and \$206,205 as of June 30, 2016 and 2015, respectively. Interest income of \$304,245 and \$310,528 was recognized during the years ended June 30, 2016 and 2015, respectively, in the accompanying government-wide statements of activities.

***Page Woodson Development, LLC***

In March 2016, the Authority agreed in principal 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 .25%, with interest payable annually. The note matures March 18, 2051, at which time all principle and accrued unpaid interest is due. No funds were advanced under this loan agreement as of June 30, 2016.

**Oklahoma City Redevelopment Authority**  
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**Note 6: Capital Assets**

Capital assets at June 30, 2016 and 2015, consisted of the following:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>2016</b>				
Land	\$ 506,891	\$ -	\$ -	\$ 506,891
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	(2,727,112)	(344,608)	-	(3,071,720)
Building, parking garages and undivided ownership interest in buildings, net	5,888,102	(344,608)	-	5,543,494
Total capital assets, net	<u>\$ 6,394,993</u>	<u>\$ (344,608)</u>	<u>\$ -</u>	<u>\$ 6,050,385</u>
<b>2015</b>				
Land	\$ 506,891	\$ -	\$ -	\$ 506,891
Building	7,277,811	-	-	7,277,811
Presbyterian Health Foundation (PHF)				
PHF parking garage #1	9,621,463	-	(9,621,463)	-
PHF parking garage #2	6,283,556	-	(6,283,556)	-
Undivided ownership interest in buildings	1,337,403	-	-	1,337,403
	24,520,233	-	(15,905,019)	8,615,214
Less accumulated depreciation	(2,382,503)	(344,609)	-	(2,727,112)
Building, parking garages and undivided ownership interest in buildings, net	22,137,730	(344,609)	(15,905,019)	5,888,102
Total capital assets, net	<u>\$ 22,644,621</u>	<u>\$ (344,609)</u>	<u>\$ (15,905,019)</u>	<u>\$ 6,394,993</u>

**Oklahoma City Redevelopment Authority**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
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***Building***

The building relates to the Cytovance project, of which the Authority funded a portion of the construction. The building was completed during the year ended June 30, 2007, and depreciation commenced at that time. The building is being depreciated over a 25-year life using the straight-line method of depreciation. Depreciation expense was \$291,112 for each of the years ended June 30, 2016 and 2015.

***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*.

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

***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 \$53,496 for each of the years ended June 30, 2016 and 2015.

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.

The ownership interest also provides for the Authority to receive rental of \$1 per year plus net cash flow derived from the sublease of OU to the tenant. During the years ended June 30, 2016 and 2015, there were no tenants.

**Oklahoma City Redevelopment Authority**  
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**Notes to Financial Statements**  
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**Note 7: Other Assets**

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

	<b>2016</b>	<b>2015</b>
Deposits held by PHF	\$ 300,000	\$ 300,000

**Note 8: Advance Payment in Lieu of Taxes (PILOT) Payment**

In October 2011, a Supplemental Redevelopment Agreement was entered into by and among Urban Renewal, PHF and The Toby Keith Foundation (TKF) for the development of OK Kids Korral. As part of the 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 the completion of the improvements and each year thereafter. TKF has made a \$250,000 prepayment for payments in lieu of ad valorem taxes. The OK Kids Korral was completed in November 2013 and the Authority recognized \$114,760 and \$111,111 in PILOT on behalf of OK Kids Korral for the years ended June 30, 2016 and 2015, respectively. The balance of the prepayment was \$22,176 and \$136,936 as of June 30, 2016 and 2015, respectively.

As a result of the sales transaction between PHF and OU, the Authority started receiving payments in lieu of ad valorem taxes from OU, as OU is considered a component unit of the State of Oklahoma. The Authority received \$1,097,025 and \$1,090,691 in payments in lieu of ad valorem taxes in the years ended June 30, 2016 and 2015, respectively.

**Oklahoma City Redevelopment Authority**  
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**Note 9: Long-Term Debt**

The following is a summary of long-term obligations for the Authority for the years ended June 30, 2016 and 2015:

	<b>Beginning Balance</b>	<b>Advances</b>	<b>Payments</b>	<b>Ending Balance</b>
<b>2016</b>				
Dean A. McGee Note A-1	\$ 1,829,219	\$ -	\$ (248,994)	\$ 1,580,225
Biopharmaceutical Manufacturing Facility Note A-2	3,963,309	-	(539,486)	3,423,823
	<u>\$ 5,792,528</u>	<u>\$ -</u>	<u>\$ (788,480)</u>	<u>\$ 5,004,048</u>
<b>2015</b>				
Dean A. McGee Note A-1	\$ 2,074,826	\$ -	\$ (245,607)	\$ 1,829,219
Biopharmaceutical Manufacturing Facility Note A-2	4,495,456	-	(532,147)	3,963,309
	<u>\$ 6,570,282</u>	<u>\$ -</u>	<u>\$ (777,754)</u>	<u>\$ 5,792,528</u>

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

**Dean A. McGee Note A-1**

The Authority issued a \$3,000,000 parity tax apportionment revenue note on August 3, 2007 (Dean A. McGee Note A-1). The note matures on July 1, 2022, and interest on the note is calculated as either the 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 on August 1, 2010, both interest and principal are due on the note. The amount of interest paid for the years ended June 30, 2016 and 2015, was \$20,420 and \$24,226, respectively, and the interest rate as of June 30, 2016 and 2015, was 1.46505% and 1.1865%, 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, 2016 and 2015, was \$67,834 and \$67,315, 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, 2016 and 2015, was \$271,334 and \$269,259, respectively.

**Oklahoma City Redevelopment Authority**  
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***TIF 1 Tax Apportionment Note (Presently Note A-2)***

As of June 30, 2004, the Authority issued a \$7,000,000 tax apportionment revenue note to a local bank (BancFirst). The revenue note bore interest at 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% (1.46505% and 1.1865% at June 30, 2016 and 2015, 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 interest and principal payments commenced. For the years ended June 30, 2016 and 2015, \$44,244 and \$52,490, respectively, of interest 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, 2016 and 2015, was \$146,973 and \$145,911, 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, 2016 and 2015, was \$587,890 and \$583,644, respectively.

**Oklahoma City Redevelopment Authority**  
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Future principal and interest payments on the notes for the year ended July 1, 2016, are as follows:

Year Ended June 30,	Dean A McGee Note A-1		Biopharmaceutical Manufacturing Facility Note A-2	
	Principal	Interest	Principal	Interest
2017	\$ 250,236	\$ 21,098	\$ 542,178	\$ 45,713
2018	253,747	17,776	549,783	38,514
2019	257,489	14,033	557,892	30,405
2020	261,287	10,235	566,121	22,177
2021	265,141	6,382	574,470	13,827
	<u>1,287,900</u>	<u>69,524</u>	<u>2,790,444</u>	<u>150,636</u>
2021–2023	<u>292,325</u>	<u>2,499</u>	<u>633,379</u>	<u>5,413</u>
	<u>\$ 1,580,225</u>	<u>\$ 72,023</u>	<u>\$ 3,423,823</u>	<u>\$ 156,049</u>

The following is a summary of the notes as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Dean A. McGee Note A-1	\$ 1,580,225	\$ 1,829,219
Biopharmaceutical Manufacturing Facility Note A-2	<u>3,423,823</u>	<u>3,963,309</u>
	5,004,048	5,792,528
Less current maturities	<u>(792,414)</u>	<u>(788,463)</u>
Long-term debt, less current maturities	<u>\$ 4,211,634</u>	<u>\$ 5,004,065</u>

**Note 10: Net Position**

The accompanying government-wide statements of net position reflect the following types of net position as of June 30, 2016 and 2015:

**Net Investment in Capital Assets** – Represents a balance of \$2,626,563 and \$2,431,684 at June 30, 2016 and 2015, respectively. The debt associated with capital assets had a balance of \$3,423,823 and \$3,963,309 at June 30, 2016 and 2015, respectively.

**Restricted** – Represents net position which has been restricted by outside sources. The net position restricted for debt service was \$1,074,031 and \$1,066,129 at June 30, 2016 and 2015, respectively. The net position restricted for economic development activities was \$26,237,210 and \$25,228,701 at June 30, 2016 and 2015, respectively.

**Oklahoma City Redevelopment Authority**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Note 11: Ad Valorem Tax Revenue**

Revenue is generated through apportionment of ad valorem tax increments collected within TIF 1. The increment of ad valorem taxes, as defined by the *Oklahoma Local Development 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 as of June 30, 2016 and 2015, is as follows:

<b>2016</b>	
Tax year	
2009	\$ 169
2014	104,344
2015	<u>1,843,609</u>
	1,948,122
Interest received	1,790
Net change in tax receivable from Oklahoma County Treasurer	<u>(19,762)</u>
	<u>\$ 1,930,150</u>
 <b>2015</b>	
Tax year	
2012	\$ 57
2013	137,572
2014	<u>1,579,422</u>
	1,717,051
Interest received	143
Net change in tax receivable from Oklahoma County Treasurer	<u>10,473</u>
	<u>\$ 1,727,667</u>

**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.

**Oklahoma City Redevelopment Authority**  
**A Component Unit of the City of Oklahoma City, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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

During the year ended June 30, 2015, the City Council approved the use of Skirvin funds to pay off a Brownfield loan the City had related to the cleanup of the Skirvin site. The Authority transferred \$692,911 to the City for this purpose.

In May 2016, the City Council approved the use of \$7,400,000 of the Skirvin funds to be transferred to Urban Renewal to support the proposed convention center hotel project. The Authority transferred \$2,000,000 during the year ended June 30, 2016. The remaining \$5,400,000 will be transferred during the fiscal year ending June 30, 2017, and is included in due to Urban Renewal in the accompanying financial statements.

Rent revenues recognized under the lease agreement were \$505,199 and \$642,496 for the years ended June 30, 2016 and 2015, respectively.

**Note 13: Related-Party Transactions**

***Urban Renewal***

At June 30, 2016 and 2015, the Authority owed \$24,337 and \$8,261, respectively, of TIF 1 funds to Urban Renewal for administrative costs.

## **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, 2016**

<b>TIF 1</b>	<b>Category A</b>	<b>Category B</b>	<b>Category C</b>
Total budget	\$ 22,000,000	\$ 23,000,000	\$ 2,000,000
Expenditures			
For years 2013 through 2016	(2,125,147)	(830)	(198,749)
For years 2012 and prior	<u>(9,719,370)</u>	<u>(14,516,056)</u>	<u>(1,422,249)</u>
Budget amount remaining	<u>\$ 10,155,483</u>	<u>\$ 8,483,114</u>	<u>\$ 379,002</u>

<b>TIF 7</b>	<b>Category A</b>	<b>Category B</b>	<b>Category C</b>	<b>Category D</b>
Total budget	\$ 4,000,000	\$ 5,000,000	\$ 1,000,000	\$ 11,000,000
Expenditures				
For years 2013 through 2016	(249,352)	-	-	(85,912)
For years 2012 and prior	<u>-</u>	<u>-</u>	<u>-</u>	<u>(504,816)</u>
Budget amount remaining	<u>\$ 3,750,648</u>	<u>\$ 5,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 10,409,272</u>

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

**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, 2016 and 2015**

**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 and August 1, 2006, are as follows:

**Category A** – The cost of planning; financing; assistance in developing financing; acquiring and constructing biomedical, biopharmaceutical and technological research and development facilities; complementary commercial facilities; and other public research park improvements by the Authority, a public trust.

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

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

***TIF 7***

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

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

During the years ended June 30, 2008 through 2011, TIF 1 paid TIF 7 Category D costs. The project plan allows TIF 1 to advance funds for TIF 7 expenditures and TIF 7 to reimburse those amounts when funding is received. As of June 30, 2016, no TIF 7 funding has been received. As these funds will be repaid once funding is received, they have been included in the TIF 7 budget-to-actual schedule.

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

Board of Trustees  
Oklahoma City 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, 2016, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated November 11, 2016.

***Internal Control over Financial Reporting***

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Authority’s internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 Authority’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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2016-001 that we consider to be a significant deficiency.

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

### ***Authority's Response to Finding***

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

### ***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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Oklahoma City, Oklahoma  
November 11, 2016

**Oklahoma City Redevelopment Authority**  
**(A Component Unit of the City of Oklahoma City)**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2016**

**Findings Required to be Reported by *Governmental Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
2016-001	<p>Criteria or Specific Requirement – Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The Council of the City approved \$7.4 million in Skirvin lease revenue to be transferred from the Authority to Urban Renewal to be used for the purchase of property to build the future Convention Center Hotel. Only \$2.0 million was transferred in fiscal year 2016 and the remaining \$5.4 million should have been recorded as a liability, but was omitted.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Misstatement in the financial statements resulted from the omission noted above and was not detected and/or corrected in a timely manner, resulting in a material adjustment to the current year financial statements.</p> <p>Cause – The review process failed to identify the proper accrual of expenditures and posting of liabilities to the general ledger.</p> <p>Recommendation – We recommend management review their procedures for ensuring expenditures are recognized and posted in the proper period.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management agrees with the finding and will review and implement procedures to ensure accruals are properly recognized.</p>