# Oklahoma City Redevelopment Authority

## A Component Unit of the City of Oklahoma City, Oklahoma

Auditor's Reports and Financial Statements

June 30, 2014 and 2013

BKD LLP
CPAs & Advisors

# Oklahoma City Redevelopment Authority
## A Component Unit of the City of Oklahoma City, Oklahoma
### June 30, 2014 and 2013

## Contents

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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, 2014 and 2013, 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 an opinion 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 each major fund of the Authority as of June 30, 2014 and 2013, 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.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

### *Supplementary 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 expenditures comparison (project life-to-date) 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 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 auditors other than **BKD, LLP** (BKD), who issued an unmodified opinion on the information on November 30, 2012. The information for the fiscal years 2014 and 2013 was subjected by BKD to the procedures noted above. In our opinion, the information as of and for the years ended June 30, 2014 and 2013, 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 20, 2014, 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 20, 2014

### *Introduction*

This management's discussion and analysis of the financial performance of the Oklahoma City Redevelopment Authority (the Authority), a discreetly presented component unit of the City of Oklahoma City, Oklahoma, provides an overview of the Authority's financial activities for the years ended June 30, 2014 and 2013. It should be read in conjunction with the accompanying financial statements of the Authority.

### *Financial Highlights*

- Cash and cash equivalents increased in 2014 by $127,700 and decreased in 2013 by $1,299,957.
- The Authority's capital assets decreased by $12,538,456 in 2014 and $980,809 in 2013.
- Long-term debt decreased in 2014 and 2013 by $12,865,412 and $2,006,700, respectively.
- The Authority's net position increased in 2014 and 2013 by $2,639,810 and $2,983,347, respectively.

### *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—balance sheet and statement of revenues, expenditures and changes in fund balance, 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 decreased by $10,427,337 in 2014 compared to an increase of $1,017,471 in 2013. The 2014 decrease was primarily a reduction in capital assets, a result of the sale of parking garages in October 2013 to the Presbyterian Health Foundation (PHF) in conjunction with PHF's sale of the research park to the Board of Regents of the University of Oklahoma. The 2013 increase was the result of a $3,188,000 increase in investments, offset by decreases in cash and cash equivalents of $1,299,957 and capital assets, due to accumulated depreciation, of $980,809.

Total liabilities decreased in 2014 by $13,067,147 primarily as a result of the cancellation of long-term debt related to the parking garages sold to PHF. The 2013 decrease of $1,965,876 was mainly due to debt service on the notes payable.

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

| | 2014 | 2013 | Change | % Change | 2012 | Change | % Change |
|---|---|---|---|---|---|---|---|
| Current and other assets | $ 26,785,189 | $ 24,674,070 | $ 2,111,119 | 9% | $ 22,675,790 | $ 1,998,280 | 9% |
| Capital assets | 6,739,602 | 19,278,058 | (12,538,456) | -65% | 20,258,867 | (980,809) | -5% |
| Total assets | 33,524,791 | 43,952,128 | (10,427,337) | -24% | 42,934,657 | 1,017,471 | 2% |
| Long-term liabilities | 5,792,528 | 17,566,861 | (11,774,333) | -67% | 19,865,694 | (2,298,833) | -12% |
| Other liabilities | 1,065,544 | 2,358,358 | (1,292,814) | -55% | 2,025,401 | 332,957 | 16% |
| Total liabilities | 6,858,072 | 19,925,219 | (13,067,147) | -66% | 21,891,095 | (1,965,876) | -9% |
| Net investment in capital assets | 2,244,146 | 1,979,178 | 264,968 | 13% | 1,190,299 | 788,879 | 66% |
| Restricted | 24,422,573 | 22,047,731 | 2,374,842 | 11% | 19,853,263 | 2,194,468 | 11% |
| Net position | $ 26,666,719 | $ 24,026,909 | $ 2,639,810 | 11% | $ 21,043,562 | $ 2,983,347 | 14% |

### *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, 2014 and 2013, net position increased by $2,639,810 and $2,983,347, respectively. The 2014 change in net position was $343,537 less than the change for 2013, mainly as a result of a decrease in rental income from the parking garages sold to PHF of $405,514, a decrease in Tax Increment Financing (TIF) 1 apportioned ad valorem taxes of $96,000 and offset by a decrease in interest expense related to the notes payable associated with the parking garages sold to PHF of $167,780. In comparison, the change in net position increased by $277,550 from 2012 to 2013 primarily due to increases in net revenues from governmental activities of $40,279 and TIF 1 apportioned ad valorem tax of $234,717.

### *Table 2: Condensed Statements of Activities*

| | 2014 | 2013 | Change | % Change | 2012 | Change | % Change |
|---|---|---|---|---|---|---|---|
| Charges for services | $ 824,335 | $ 1,239,724 | $ (415,389) | -34% | $ 1,088,829 | $ 150,895 | 14% |
| Operating grants, contributions and restricted interest | 368,733 | 380,845 | (12,112) | -3% | 397,034 | (16,189) | -4% |
| General revenues | 2,750,385 | 2,821,750 | (71,365) | -3% | 2,584,479 | 237,271 | 9% |
| Total revenues | 3,943,453 | 4,442,319 | (498,866) | -11% | 4,070,342 | 371,977 | 9% |
| Economic development expenses | 1,172,889 | 1,160,438 | 12,451 | 1% | 1,076,143 | 84,295 | 8% |
| Interest expense | 130,754 | 298,534 | (167,780) | -56% | 288,402 | 10,132 | 4% |
| Total operating expenses | 1,303,643 | 1,458,972 | (155,329) | -11% | 1,364,545 | 94,427 | 7% |
| Change in net position | $ 2,639,810 | $ 2,983,347 | $ (343,537) | -12% | $ 2,705,797 | $ 277,550 | 10% |

### *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*

| | 2014 | 2013 | Change | % Change | 2012 | Change | % Change |
|---|---|---|---|---|---|---|---|
| **TIF 1** | | | | | | | |
| Total assets | $ 10,060,174 | $ 8,924,310 | $ 1,135,864 | 13% | $ 7,880,820 | $ 1,043,490 | 13% |
| Total liabilities | (287,790) | (309,525) | 21,735 | -7% | (268,701) | (40,824) | 15% |
| Deferred inflows of resources | (18,760) | (10,442) | (8,318) | 80% | - | (10,442) | -100% |
| Fund balance | $ 9,753,624 | $ 8,604,343 | $ 1,149,281 | 13% | $ 7,612,119 | $ 992,224 | 13% |

The TIF 1 fund balance increased $1,149,281 in 2014 compared to an increase of $992,224 in 2013. The 2014 total revenues and expenditures decreased by $496,022 and $653,079, respectively, for a net increase in the net change in fund balance of $157,057. Primary differences included a decrease in rental revenue from the garages sold to 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. The 2013 total revenues and expenditures increased by $412,221 and $103,786, respectively, for a net increase of $308,435. Revenue increases included TIF 1 ad valorem taxes collected of $274,649 and rental income of $122,794. The increase in expenditures was due to increased legal fees related to the sale of the parking garages.

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

| | 2014 | 2013 | Change | % Change | 2012 | Change | % Change |
|---|---|---|---|---|---|---|---|
| **Skirvin Hotel Project** | | | | | | | |
| Total assets | $ 6,271,015 | $ 6,078,747 | $ 192,268 | 3% | $ 4,102,566 | $ 1,976,181 | 48% |
| Total liabilities | - | (982,987) | 982,987 | -100% | - | (982,987) | 100% |
| Deferred inflows of resources | (43,595) | (44,332) | 737 | -2% | - | (44,332) | 100% |
| Fund balance | $ 6,227,420 | $ 5,051,428 | $ 1,175,992 | 23% | $ 4,102,566 | $ 948,862 | 23% |

The Skirvin Hotel Project fund balance increased $1,175,992 in 2014 compared to an increase of $948,862 in 2013, an increase of $226,300. Skirvin partners started to pay annual principal payments in 2014, in addition to the interest payment they have been making. The first payment was $200,000, accounting for most of the increase noted above.

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 $23 million for TIF 1. There have been no revenues collected for TIF 7; however, the Authority expects they will begin in fiscal year 2015. 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, 2014 and 2013

## Assets

| | 2014 | 2013 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ 5,317,839 | $ 5,190,139 |
| Investments, at fair value | 4,900,000 | 4,168,000 |
| Due from other governments | 14,350 | 6,358 |
| Rent receivable | 370,834 | 395,463 |
| Interest receivable | 26,135 | 26,635 |
| Investment income receivable | 12,031 | 13,475 |
| Current portion of notes receivable | 206,205 | 200,000 |
| Total current assets | 10,847,394 | 10,000,070 |
| **Capital Assets** | | |
| Land | 506,891 | 506,891 |
| Building, parking garages and undivided ownership interest in buildings, net | 6,232,711 | 18,771,167 |
| Total capital assets | 6,739,602 | 19,278,058 |
| **Other Noncurrent Assets** | | |
| Investments, at fair value | 5,390,000 | 3,920,000 |
| Notes receivable | 10,247,795 | 10,454,000 |
| Other assets – deposits | 300,000 | 300,000 |
| Total other noncurrent assets | 15,937,795 | 14,674,000 |
| Total assets | $ 33,524,791 | $ 43,952,128 |

## Liabilities

| | 2014 | 2013 |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable | $ 38,353 | $ 35,029 |
| Current portion of long-term debt | 777,754 | 2,048,833 |
| Due to Urban Renewal | 1,390 | 24,496 |
| Advance PILOT payment | 248,047 | 250,000 |
| Total current liabilities | 1,065,544 | 2,358,358 |
| **Noncurrent Liabilities** | | |
| Long-term debt, less current maturities | 5,792,528 | 17,566,861 |
| Total noncurrent liabilities | 5,792,528 | 17,566,861 |
| Total liabilities | $ 6,858,072 | $ 19,925,219 |

## Net Position

| | 2014 | 2013 |
|---|---|---|
| Net investment in capital assets | $ 2,244,146 | $ 1,979,178 |
| Restricted for debt service | 1,068,087 | 2,742,690 |
| Restricted for economic development activities | 23,354,486 | 19,305,041 |
| Total net position | $ 26,666,719 | $ 24,026,909 |

# Oklahoma City Redevelopment Authority
## A Component Unit of the City of Oklahoma City, Oklahoma
### Government-Wide Statements of Activities
### Years Ended June 30, 2014 and 2013

| | Expenses | Revenues: Charges for Services | Revenues: Capital Grants and Contributions | Revenues: Operating Grants, Contributions and Restricted Interest | Net Revenues (Expenses) |
|---|---|---|---|---|---|
| **2014** | | | | | |
| **Governmental Activities** | | | | | |
| Economic development | $ 1,172,889 | $ 824,335 | $ - | $ 368,733 | $ 20,179 |
| Interest expense | 130,754 | - | - | - | (130,754) |
| Total governmental activities | $ 1,303,643 | $ 824,335 | $ - | $ 368,733 | (110,575) |
| **General Revenues** | | | | | |
| Apportioned TIF 1 ad valorem taxes | | | | | 2,750,385 |
| Total general revenues | | | | | 2,750,385 |
| **Change in Net Position** | | | | | 2,639,810 |
| **Net Position, Beginning of Year** | | | | | 24,026,909 |
| **Net Position, Ending of Year** | | | | | $ 26,666,719 |
| **2013** | | | | | |
| **Governmental Activities** | | | | | |
| Economic development | $ 1,160,438 | $ 1,239,724 | $ - | $ 380,845 | $ 460,131 |
| Interest expense | 298,534 | - | - | - | (298,534) |
| Total governmental activities | $ 1,458,972 | $ 1,239,724 | $ - | $ 380,845 | 161,597 |
| **General Revenues** | | | | | |
| Apportioned TIF 1 ad valorem taxes | | | | | 2,821,750 |
| Total general revenues | | | | | 2,821,750 |
| **Change in Net Position** | | | | | 2,983,347 |
| **Net Position, Beginning of Year** | | | | | 21,043,562 |
| **Net Position, Ending of Year** | | | | | $ 24,026,909 |

# Oklahoma City Redevelopment Authority
## A Component Unit of the City of Oklahoma City, Oklahoma
### Balance Sheets – Governmental Funds
### June 30, 2014 and 2013

| | 2014 | | |
|---|---|---|---|
| | TIF 1 | Skirvin Hotel Project | Total Governmental Funds |
| **Assets** | | | |
| Cash and cash equivalents | $ 4,258,271 | $ 1,059,568 | $ 5,317,839 |
| Investments, at fair value | 5,390,000 | 4,900,000 | 10,290,000 |
| Rent receivable | 91,073 | 279,761 | 370,834 |
| Interest receivable | - | 26,135 | 26,135 |
| Investment income receivable | 6,480 | 5,551 | 12,031 |
| Ad valorem taxes receivable | 14,350 | - | 14,350 |
| Other assets | 300,000 | - | 300,000 |
| Total assets | $ 10,060,174 | $ 6,271,015 | $ 16,331,189 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | |
| **Liabilities** | | | |
| Accounts payable | $ 38,353 | $ - | $ 38,353 |
| Due to Urban Renewal | 1,390 | - | 1,390 |
| Advance PILOT payment | 248,047 | - | 248,047 |
| Total liabilities | 287,790 | - | 287,790 |
| **Deferred Inflows of Resources** | 18,760 | 43,595 | 62,355 |
| **Fund Balances** | | | |
| Restricted for | | | |
| Debt service | 1,068,087 | - | 1,068,087 |
| Economic development activities | - | 6,227,420 | 6,227,420 |
| Other TIF activities | 8,685,537 | - | 8,685,537 |
| Total fund balances | 9,753,624 | 6,227,420 | 15,981,044 |
| Total liabilities, deferred inflows of resources and fund balances | $ 10,060,174 | $ 6,271,015 | $ 16,331,189 |

| | 2013 | | |
|---|---|---|---|
| | TIF 1 | Skirvin Hotel Project | Total Governmental Funds |

## Assets

| | TIF 1 | Skirvin Hotel Project | Total Governmental Funds |
|---|---|---|---|
| Cash and cash equivalents | $ 4,803,710 | $ 386,429 | $ 5,190,139 |
| Investments, at fair value | 2,695,000 | 5,393,000 | 8,088,000 |
| Rent receivable | 129,313 | 266,150 | 395,463 |
| Interest receivable | - | 26,635 | 26,635 |
| Investment income receivable | 6,942 | 6,533 | 13,475 |
| Ad valorem taxes receivable | 6,358 | - | 6,358 |
| Due from Skirvin Hotel Project fund | 982,987 | - | 982,987 |
| Other assets | 300,000 | - | 300,000 |
| Total assets | $ 8,924,310 | $ 6,078,747 | $ 15,003,057 |

## Liabilities, Deferred Inflows of Resources and Fund Balances

| | TIF 1 | Skirvin Hotel Project | Total Governmental Funds |
|---|---|---|---|
| **Liabilities** | | | |
| Accounts payable | $ 35,029 | $ - | $ 35,029 |
| Due to TIF 1 fund | - | 982,987 | 982,987 |
| Due to Urban Renewal | 24,496 | - | 24,496 |
| Advance PILOT payment | 250,000 | - | 250,000 |
| Total liabilities | 309,525 | 982,987 | 1,292,512 |
| **Deferred Inflows of Resources** | 10,442 | 44,332 | 54,774 |
| **Fund Balances** | | | |
| Restricted for | | | |
| Debt service | 2,742,690 | - | 2,742,690 |
| Economic development activities | - | 5,051,428 | 5,051,428 |
| Other TIF activities | 5,861,653 | - | 5,861,653 |
| Total fund balances | 8,604,343 | 5,051,428 | 13,655,771 |
| Total liabilities, deferred inflows of resources and fund balances | $ 8,924,310 | $ 6,078,747 | $ 15,003,057 |

# 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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Total fund balances | $ 15,981,044 | $ 13,655,771 |
| 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 | 506,891 | 506,891 |
| Building, net of accumulated depreciation of $2,110,565 as of June 30, 2014, and $1,819,453 as of June 30, 2013 | 5,167,246 | 5,458,359 |
| Parking garages, net of accumulated depreciation of $3,711,171 as of June 30, 2013 | - | 12,193,847 |
| Undivided ownership interest in buildings, net of accumulated depreciation of $271,938 as of June 30, 2014, and $218,443 as of June 30, 2013 | 1,065,465 | 1,118,961 |
| Notes receivable | 10,454,000 | 10,654,000 |
| Earned but unavailable revenue | 62,355 | 54,774 |
| Certain liabilities are not due and payable in the current period and, therefore, are not reported in the fund | | |
| Long-term debt | (6,570,282) | (19,615,694) |
| Net position, per the statements of net position | $ 26,666,719 | $ 24,026,909 |

# 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, 2014 and 2013

| | 2014 | | |
|---|---|---|---|
| | TIF 1 | Skirvin Hotel Project | Total Governmental Funds |
| **Revenues** | | | |
| Apportioned ad valorem taxes – TIF 1 | $ 2,741,955 | $ - | $ 2,741,955 |
| Rental income | 190,291 | 633,220 | 823,511 |
| Interest income paid on tax deposits held by the Oklahoma County Treasurer | 438 | - | 438 |
| Interest income on loans | - | 316,620 | 316,620 |
| Investment income | 27,145 | 26,152 | 53,297 |
| Principal payment on note receivable | - | 200,000 | 200,000 |
| Other income | 21,131 | - | 21,131 |
| Total revenues | 2,980,960 | 1,175,992 | 4,156,952 |
| **Expenditures** | | | |
| Biomedical, biopharmaceutical and technological research and development facilities and other public research park improvements | | | |
| General | 571,846 | - | 571,846 |
| Parking facilities and other public improvements | | | |
| General | 830 | - | 830 |
| Administration | 43,537 | - | 43,537 |
| Debt service | | | |
| Principal | 1,084,712 | - | 1,084,712 |
| Interest | 130,754 | - | 130,754 |
| Total expenditures | 1,831,679 | - | 1,831,679 |
| **Net Changes in Fund Balances** | 1,149,281 | 1,175,992 | 2,325,273 |
| **Fund Balances, Beginning of Year** | 8,604,343 | 5,051,428 | 13,655,771 |
| **Fund Balances, End of Year** | $ 9,753,624 | $ 6,227,420 | $ 15,981,044 |

| | 2013 | | |
|---|---|---|---|
| | TIF 1 | Skirvin Hotel Project | Total Governmental Funds |
| **Revenues** | | | |
| Apportioned ad valorem taxes – TIF 1 | $ 2,837,976 | $ - | $ 2,837,976 |
| Rental income | 608,643 | 620,382 | 1,229,025 |
| Interest income paid on tax deposits held by the Oklahoma County Treasurer | 1,122 | - | 1,122 |
| Interest income on loans | - | 311,597 | 311,597 |
| Investment income | 19,612 | 16,988 | 36,600 |
| Other income | 9,629 | - | 9,629 |
| Total revenues | 3,476,982 | 948,967 | 4,425,949 |
| **Expenditures** | | | |
| Bio-medical, bio-pharmaceutical and technological research and development facilities and other public research park improvements | | | |
| General | 104,375 | - | 104,375 |
| Administration | 75,086 | - | 75,086 |
| Other expenditures | 63 | 105 | 168 |
| Debt service | | | |
| Principal | 2,006,700 | - | 2,006,700 |
| Interest | 298,534 | - | 298,534 |
| Total expenditures | 2,484,758 | 105 | 2,484,863 |
| **Net Changes in Fund Balances** | 992,224 | 948,862 | 1,941,086 |
| **Fund Balances, Beginning of Year** | 7,612,119 | 4,102,566 | 11,714,685 |
| **Fund Balances, End of Year** | $ 8,604,343 | $ 5,051,428 | $ 13,655,771 |

# 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, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Net changes in fund balances – governmental funds | $ 2,325,273 | $ 1,941,086 |
| Amounts reported for governmental activities in the statement 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 | (503,659) | (980,809) |
| Certain income is not derived from current financial resources and, therefore, not reported as income in governmental funds | | |
| Apportioned TIF 1 ad valorem taxes | 7,992 | (17,348) |
| Rental income on parking garage | 773 | 1,070 |
| Interest income | (500) | 26,635 |
| Investment income receivable | (684) | 6,013 |
| Loss on sale of PHF parking garages is not reported in government funds | (53,017) | - |
| Proceeds recorded as income in government funds | (21,080) | - |
| Principal payment on note receivable is recorded as revenue in government funds | (200,000) | - |
| Advances from debt agreements, principal repayments and changes in certain other assets are not reflected as revenues and expenditures in the statements of activities | | |
| Principal payments on debt agreements and notes payable | 1,084,712 | 2,006,700 |
| Change in net assets, per the statements of activities | $ 2,639,810 | $ 2,983,347 |

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

### *Government-Wide Financial Statements*

The accompanying 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.

### *Fund Financial Statements*

Fund financial statements are normally organized into funds, each of which is considered to be a separate accounting entity. A fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. For the financial statement presentation, the Authority presently has 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 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 present sources and uses of available spendable financial resources during a given period. The statements use fund balances as the measure of available spendable financial resources at the end of the period.

### *Basis of Accounting*

In the government-wide statements of net 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 exchanges take place.

In the fund financial statements, the governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. 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 accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Income Taxes*

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

### *Net Position Classifications*

**Government-Wide Statements**

Equity is classified as net position and displayed 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 State of 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 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 $1,068,087 and $2,742,690 as of June 30, 2014 and 2013, respectively. The remaining fund balance in TIF 1 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.

#### *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 project life-to-date, budget-to-actual expenditure comparison that has been presented as other supplementary information.

#### *Reclassifications*

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on the change in net position.

#### *Subsequent Events*

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

## 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 to be maintained in accounts which are fully insured or collateralized. As of June 30, 2014 and 2013, the Authority had no uninsured or uncollateralized deposits. The Authority requires that investment collateral be held by a third-party custodian with whom the Authority has a current custodial agreement in the Authority's name.

Deposits, as considered for custodial credit risk under GASB Statement No. 40, include non-negotiable certificates of deposit. Consequently, deposits of the Authority at June 30, 2014 and 2013, are $15,607,839 and $13,278,139, respectively, which include the cash balances of $5,317,839 and $5,190,139, respectively, and the investment balances of $10,290,000 and $8,088,000, respectively, as shown on the Authority's financial statements.

***Investments***

The Authority's investments at June 30, 2014 and 2013, consist entirely of certificates of deposit. All certificates of deposit held at year-end were in separate financial institutions and were fully covered by the Federal Deposit Insurance Corporation.

The Authority adopted an investment policy during the year ended June 30, 2014, which stipulates that 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.

During the year ended June 30, 2013, the Authority did not have a formal investment policy. However, its standard of operations was to only invest in short-term (maturity of less than three years) U.S. government or U.S. government agency securities or short-term (maturity of less than three years) certificates of deposit.

## Note 3: Due from Other Governments

Amounts due to the Authority from other governments at June 30, 2014 and 2013, consisted of the following:

| | 2014 | 2013 |
|---|---|---|
| TIF 1 funds held by the Oklahoma County Treasurer | $ 14,350 | $ 6,358 |

## Note 4: Rent Receivable

Rent receivable at June 30, 2014 and 2013, consisted of the following:

| | 2014 | 2013 |
|---|---|---|
| Skirvin ground lease | $ 279,761 | $ 266,150 |
| Presbyterian Health Foundation – Mobile Incubator lease | 75,275 | 88,391 |
| Presbyterian Health Foundation – parking garage | 15,798 | 40,922 |
| Total rent receivable | $ 370,834 | $ 395,463 |

## 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, and was refinanced and the outstanding principal of $6,654,000 was assigned to Skirvin Partners, LLC on December 31, 2012. Interest income of $128,422 was recognized during the year ended June 30, 2013, in the accompanying statements of activities.

### *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 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, starting December 1, 2013, with a payment of $200,000. Interest income of $316,620 and $183,175 was recognized during the years ended June 30, 2014 and 2013, respectively, in the accompanying statements of activities.

### *Summit Henderson at Arts Central, LLC*

In addition to the note receivable recorded on the accompanying financial statements, there was a note receivable with Summit Henderson at Arts Central, LLC (Summit), in the principal amount of $1,900,000, without interest. The principal amount was paid to Summit upon completion of certain improvements which Summit promised to perform pursuant to a redevelopment agreement with the Authority. Because the Authority intended to forgive the note and the remaining portion of the note was fully forgiven during the fiscal year ended June 30, 2013, it was not recorded on the accompanying financial statements.

## Note 6: Capital Assets

Capital assets at June 30, 2014 and 2013, consisted of the following:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| **2014** | | | | |
| 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 | (5,749,066) | (503,659) | 3,870,222 | (2,382,503) |
| Building, parking garages and undivided ownership interest in buildings, net | 18,771,167 | (503,659) | (12,034,797) | 6,232,711 |
| Total capital assets, net | $ 19,278,058 | $ (503,659) | $ (12,034,797) | $ 6,739,602 |
| **2013** | | | | |
| Land | $ 506,891 | $ - | $ - | $ 506,891 |
| Building | 7,277,811 | - | - | 7,277,811 |
| Presbyterian Health Foundation (PHF) | | | | |
| PHF parking garage #1 | 9,621,463 | - | - | 9,621,463 |
| PHF parking garage #2 | 6,283,556 | - | - | 6,283,556 |
| Undivided ownership interest in buildings | 1,337,403 | - | - | 1,337,403 |
| | 24,520,233 | - | - | 24,520,233 |
| Less accumulated depreciation | (4,768,257) | (980,809) | - | (5,749,066) |
| Building, parking garages and undivided ownership interest in buildings, net | 19,751,976 | (980,809) | - | 18,771,167 |
| Total capital assets, net | $ 20,258,867 | $ (980,809) | $ - | $ 19,278,058 |

### *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, 2014 and 2013.

### *Parking Garages*

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

During the year ended June 30, 2008, the Authority acquired the parking garages in exchange for two promissory notes. The parking garages are being depreciated over a 25-year life using the straight-line method of depreciation. Depreciation expense was $159,051 and $636,201 for the years ended June 30, 2014 and 2013, respectively.

The parking garages were subject to long-term lease agreements with PHF. However, only parking garage #2 generated revenues. These revenues were equal to the debt service requirements plus a 2% administration fee. In addition, PHF paid all maintenance and operating costs of the garages.

On October 1, 2013, the Authority sold the parking garages to the Board of Regents of the University of Oklahoma (OU). As part of this sales transaction, PHF exercised its option to purchase the parking facilities from the Authority, and PHF endorsed the Parity Tax Apportionment Revenue Note No. A-3 and Parity Parking Revenue Note No. B-1 to OU (see *Note 9*). In consideration of the sale, the Authority received the cancellation of Note A-3 and Note B-1 as well as the termination of the lease agreement between PHF and the Authority.

| | |
|---|---|
| Assets sold, net | $ (12,034,797) |
| Liabilities transferred | 11,960,700 |
| Cash proceeds | 21,080 |
| Net loss | $ (53,017) |

### *Land*

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

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

#### *Undivided Interest*

The undivided interest represents a 1.89423% ownership interest in the PHF Research Park Mobile Incubator buildings (other than the building and parking garages already owned by the Authority). The ownership interest was acquired in May 2009 for a total cost of $1,337,403. The cost included $200,000 as an allowance for tenant improvements. The undivided interest is being depreciated over a 25-year life using the straight-line method of depreciation. Depreciation expense was $53,496 for each of the years ended June 30, 2014 and 2013.

As part of the sales transaction between PHF and OU, PHF assigned the Mobile Incubator Agreement between PHF and the Authority over to OU. 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 (PHF in the year ended June 30, 2013) to the tenant. Lease payments of $106,109 and $38,816 were received for the years ended June 30, 2014 and 2013, respectively. Lease receivables of $75,275 and $88,391 were received for the years ended June 30, 2014 and 2013, respectively.

## Note 7: Other Assets

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

| | 2014 | 2013 |
|---|---|---|
| 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 sales transaction between PHF and OU (see *Note 6* above), 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 paid $1,953 in taxes on behalf of OK Kids Korral. The balance of the prepayment is $248,047 and $250,000 as of June 30, 2014 and 2013, respectively.

## Note 9: Long-Term Debt

A summary of changes in long-term debt for 2014 and 2013 is as follows:

| | Beginning Balance | Advances | Payments | Ending Balance |
|---|---|---|---|---|
| **2014** | | | | |
| Dean A. McGee Note A-1 | $ 2,316,814 | $ - | $ (241,988) | $ 2,074,826 |
| Biopharmaceutical Manufacturing Facility Note A-2 | 5,019,765 | - | (524,309) | 4,495,456 |
| PHF Note A-3 | 8,186,077 | - | (8,186,077) | - |
| PHF Note B-1 | 4,093,038 | - | (4,093,038) | - |
| | $ 19,615,694 | $ - | $ (13,045,412) | $ 6,570,282 |
| **2013** | | | | |
| Dean A. McGee Note A-1 | $ 2,553,826 | $ - | $ (237,012) | $ 2,316,814 |
| Biopharmaceutical Manufacturing Facility Note A-2 | 5,533,290 | - | (513,525) | 5,019,765 |
| PHF Note A-3 | 9,023,519 | - | (837,442) | 8,186,077 |
| PHF Note B-1 | 4,511,759 | - | (418,721) | 4,093,038 |
| | $ 21,622,394 | $ - | $ (2,006,700) | $ 19,615,694 |

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, 2014 and 2013, was $28,450 and $35,260, respectively, and the interest rate as of June 30, 2014 and 2013, was 1.2731% and 1.4606%, 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, 2014 and 2013, was $67,458 and $67,562, 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, 2014 and 2013, was $269,833 and $270,438, respectively.

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

As of June 30, 2004, the Authority issued a $7,000,000 tax apportionment revenue note to a local bank (BancFirst). The revenue note bore interest at 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 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% (1.2731% and 1.4606% at June 30, 2014 and 2013, 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, 2014 and 2013, $61,641 and $76,397, 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, 2014 and 2013, was $146,159 and $146,385, 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, 2014 and 2013, was $584,637 and $585,948, respectively.

#### *PHF Note A-3*

The Authority issued a $10,600,000 parity tax apportionment revenue note on August 31, 2007 (PHF Note A-3). The note matures on July 1, 2022, and interest on the note is calculated as either 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; then, commencing on August 1, 2010, both interest and principal were due on the note. Payments are to be made on the first day of each month. The amount of interest paid for the years ended June 30, 2014 and 2013, was $27,109 and $124,585, respectively, and the interest rate at June 30, 2013 was 1.4606%.

This note was fully paid off as part of the sale of the Research Park Parking garages (see *Note 6*).

The note required a reserve fund be maintained. The reserve fund was 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, 2013, was $238,720. 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, 2013, was $955,547.

#### *PHF Note B-1*

The Authority issued a $5,300,000 parity parking revenue note on August 31, 2007 (PHF Note B-1). The interest on the note is calculated as either 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; then, commencing on August 1, 2010, both interest and principal were due on the note. Payments are to be made on the first day of each month. The amount of interest paid for the years ended June 30, 2014 and 2013, was $13,554 and $62,292, respectively, and the interest rate at June 30, 2013 was 1.4606%.

This note was fully paid off as part of the sale of the Research Park Parking garages (see *Note 6*).

There were no reserve funds or encumbered revenue required for the note. The note was collateralized by the revenues collected from operations of the garage.

Future principal and interest payments on the notes using rates in effect at July 1, 2014 and 2013 are as follows:

| | Dean A McGee Note A-1 | | Biopharmaceutical Manufacturing Facility Note A-2 | |
|---|---|---|---|---|
| **Year Ended June 30,** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2015 | $ 245,606 | $ 24,226 | $ 532,147 | $ 52,490 |
| 2016 | 248,682 | 21,113 | 538,811 | 45,744 |
| 2017 | 251,760 | 18,035 | 545,480 | 39,075 |
| 2018 | 254,876 | 14,919 | 552,231 | 32,324 |
| 2019 | 258,030 | 11,764 | 559,066 | 25,489 |
| | 1,258,954 | 90,057 | 2,727,735 | 195,122 |
| 2020–2023 | 815,872 | 15,996 | 1,767,721 | 34,658 |
| | $ 2,074,826 | $ 106,053 | $ 4,495,456 | $ 229,780 |

The following is a summary of the notes as of June 30, 2014 and 2013:

| | **2014** | **2013** |
|---|---|---|
| Dean A. McGee Note A-1 | $ 2,074,826 | $ 2,316,814 |
| Biopharmaceutical Manufacturing Facility Note A-2 | 4,495,456 | 5,019,765 |
| PHF Note A-3 | - | 8,186,077 |
| PHF Note B-1 | - | 4,093,038 |
| | 6,570,282 | 19,615,694 |
| Less current maturities | (777,754) | (2,048,833) |
| Long-term debt, less current maturities | $ 5,792,528 | $ 17,566,861 |

## Note 10: Net Position

The accompanying statements of net position reflects the following types of net position as of June 30, 2014 and 2013:

**Net Investment in Capital Assets** – Represents a balance of $2,244,146 and $1,979,178 at June 30, 2014 and 2013, respectively. The debt associated with capital assets had a balance of $4,495,456 and $17,298,880 at June 30, 2014 and 2013, respectively.

**Restricted** – Represents net position which has been restricted by outside sources. The net position restricted for debt service was $1,068,087 and $2,742,690 at June 30, 2014 and 2013, respectively. The net position restricted for economic development activities was $23,354,486 and $19,305,041 at June 30, 2014 and 2013, respectively.

## Note 11: Revenue

Revenue is generated through apportionment of ad valorem tax increments collected within TIF 1. The increment of ad valorem taxes, as defined by the *Oklahoma Local Development 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, 2014 and 2013, is as follows:

| | |
|---|---|
| **2014** | |
| Tax year | |
| 2011 | $ 28,041 |
| 2012 | 35,412 |
| 2013 | 2,678,502 |
| | 2,741,955 |
| Interest received | 438 |
| Net change in tax receivable from Oklahoma County Treasurer | 7,992 |
| | $ 2,750,385 |
| **2013** | |
| Tax year | |
| 2010 | $ 1,579 |
| 2011 | 182,758 |
| 2012 | 2,653,639 |
| | 2,837,976 |
| Interest received | 1,122 |
| Net change in tax receivable from Oklahoma County Treasurer | (17,348) |
| | $ 2,821,750 |

## 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. 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 of Oklahoma City or its designee.

Rent revenues recognized under the lease agreement were $633,220 and $620,382 for the years ended June 30, 2014 and 2013, respectively.

## Note 13: Related-Party Transactions

### *Urban Renewal*

At June 30, 2014 and 2013, the Authority owed $1,390 and 24,496, respectively, of TIF 1 funds to Urban Renewal for project 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, 2014 and 2013

| TIF 1 | Category A | Category B | Category C |
|---|---|---|---|
| Total budget | $ 22,000,000 | $ 23,000,000 | $ 2,000,000 |
| Expenditures | | | |
| For years 2014 and 2013 | (676,221) | (830) | (118,623) |
| For year 2012 and prior | (9,719,370) | (14,516,056) | (1,422,249) |
| Budget amount remaining | $ 11,604,409 | $ 8,483,114 | $ 459,128 |

| 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 year 2012 and prior | - | - | - | (504,816) |
| Budget amount remaining | $ 4,000,000 | $ 5,000,000 | $ 1,000,000 | $ 10,495,184 |

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, 2014 and 2013

## 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, 2014, 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 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, 2014, 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 20, 2014.

## *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, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

### *Compliance and Other Matters*

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

We noted certain matters that we reported to the Authority's management in a separate letter dated November 20, 2014.

### *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 20, 2014