

**OKLAHOMA CITY
ECONOMIC DEVELOPMENT
TRUST**

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State Auditor & Inspector

A Discrete Component Unit of
Oklahoma City, Oklahoma

**RECEIPT #
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Annual Financial Report for the Fiscal Year Ended June 30, 2011

Prepared by The Oklahoma City Finance Department, Accounting Services Division
Glen D. Earley, Controller

Introductory Section

OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

TABLE OF CONTENTS

For the Fiscal Years Ended June 30, 2011 and 2010

	PAGE
Transmittal Letter	ii
Oklahoma City Economic Development Trust Organization Chart	v
Independent Accountants' Report on Financial Statements and Supplementary Information	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
<i>Trust-wide Financial Statements:</i>	
Statement Of Net Assets (Deficit)	8
Statement Of Activities	9
<i>Fund Financial Statements:</i>	
Balance Sheets	10
Statements of Revenues, Expenditures, and Changes in Fund Balances	11
Notes to Financial Statements	13
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27



The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 2, 2011

The Board of Trustees
Oklahoma City Economic Development Trust

The Oklahoma City Economic Development Trust (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the fiscal year ended June 30, 2011. It complies with reporting requirements specified by Oklahoma State Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with generally accepted accounting principles in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust.

The Trust's annual report includes the reports of independent accountants, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for fiscal year ended June 30, 2011, is in the MD&A section of this report, immediately following the independent accountants' report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. The Trust is a discretely presented component unit of the City of Oklahoma City (City) and, as such, is included within the City's Comprehensive Annual Financial Report (CAFR).

The Trust was established by City Council resolution on October 9, 2007 to support the City's economic and community development goals. With the approval of a \$75 million general obligation limited tax (GOLT) bond authorization by the citizens in 2007, the Trust developed the Strategic Investment Program that incentivizes companies to locate or expand in the Oklahoma City area. Since the inception of the Trust in 2007, the Trust has entered into 14 agreements that allocated approximately \$13.9 million in GOLT funds that are projected to lead to the creation of approximately 2,835 jobs with an estimated annual payroll of \$129.8 million and an investment of \$106.8 million.

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

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

In fiscal year 2009, the Trust issued a \$25 million tax anticipation note. The Trust transferred \$20.5 million to the OCPPA to retire a temporary line of credit related to TIF #2 and #3. The remainder of the proceeds from the tax anticipation note is available to fund future TIF #2 and #3 projects.

On February 4, 2010, the Trust issued a \$5 million private placement tax anticipation note. The proceeds are to fund redevelopment and improvements within TIF #2 and #3 districts.

In 2010 the City Council established TIF District #8 for public improvements in the area surrounding the new Devon World Headquarters. A private placement tax anticipation note was approved in the amount of \$95 million. A portion of the proceeds from the note will be used to partially fund Project 180, a \$140 million renovation of over 180 acres in the downtown area. Project 180 will include landscaping, public art, marked bike lines, decorative street lights, on-street parking and improvements to downtown park areas. The projects began in May of 2010 and are planned for completion in 2014.

In June 2010, the Trust entered into an agreement with Horizon Group to develop a 340,000 square foot regional outlet mall. The agreement called for the City and the Trust to provide certain incentives in the form of public improvements and reimbursement for regional marketing expenses. The project broke ground on July 21, 2010 and the outlet mall opened on August 5, 2011.

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

The economic environment and outlook for Oklahoma City are positive. Although the City experienced the economic downturn other cities faced over the last few years, the current year demonstrates a solid economy and recovery trend. Dr. Russell R. Evans, Director and Research Economist for the Center for Applied Economic Research at Oklahoma State University, reviewed the economic condition of the City and State in January 2011 and projected a modest national recovery in 2011. For Oklahoma, he projected employment and personal incomes to grow, unemployment to rise slightly then fall, and retail sales to continue their growth.

An unemployment rate of 5.7% in June 2011, annual personal income increase of 3.5%, significant gains in oil and natural gas rotary rig count from the same period last year, increased sales in motor vehicles, an additional 28,300 nonfarm jobs, and significant increases in sales tax revenues are strong indicators of economic growth. In fact, August 2011 sales tax collections were up 18 percent compared to the same month the previous year.

Several large commercial construction projects including a significant upgrade for airport retail shops and the opening of a new outlet mall with full occupancy of 82 new businesses contribute to the City's current economic condition. According to the June 21, 2011 Business Journal, these and other factors put Oklahoma City on the radar of every national retailer.

The City is also developing infrastructure for this growth through a major quality of life program funded by a temporary one-cent sales tax. This seven-year plan with improvements estimated to cost \$777 million, includes a 70-acre downtown park, a modern streetcar system, a new convention center, sidewalks, trails, improvements to the Oklahoma River, senior health and wellness centers, and expansion of the Oklahoma City Fairgrounds public event buildings.

The diversity of Oklahoma City's economy is reflected in the OKC Thunder, the City's NBA team, being ranked 6th-Best Pro Sports Franchise and 2nd Best in the NBA by ESPN.

Oklahoma City's continued high rankings among metropolitan cities in the United States promises an immediate and sustainable economic growth outlook for the next few years. The City was ranked number 1 in America's Most Affordable City by Forbes Magazine (October 28, 2010); #1 in Tech Job Growth by Tech-America Foundation (December 2, 2010), 1st in Real GDP Gains among the Top 50 Markets by The Bureau of Economic Analysis (February 23, 2011), 2nd-Best Place to Start a Small Business by The Fiscal Times (July 1, 2011), and # 3 Best Cities for Recent Grads by Newsweek (June 1, 2011).

Oklahoma City's central location at the intersection of Interstate highways I-35, I-44 and I-40, its regional transportation hub at Will Rogers World Airport, ample water supplies, numerous performing arts, entertainment, and recreational facilities all contribute to a positive economic outlook for the near future.

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

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

Respectfully submitted:



James D. Couch
General Manager

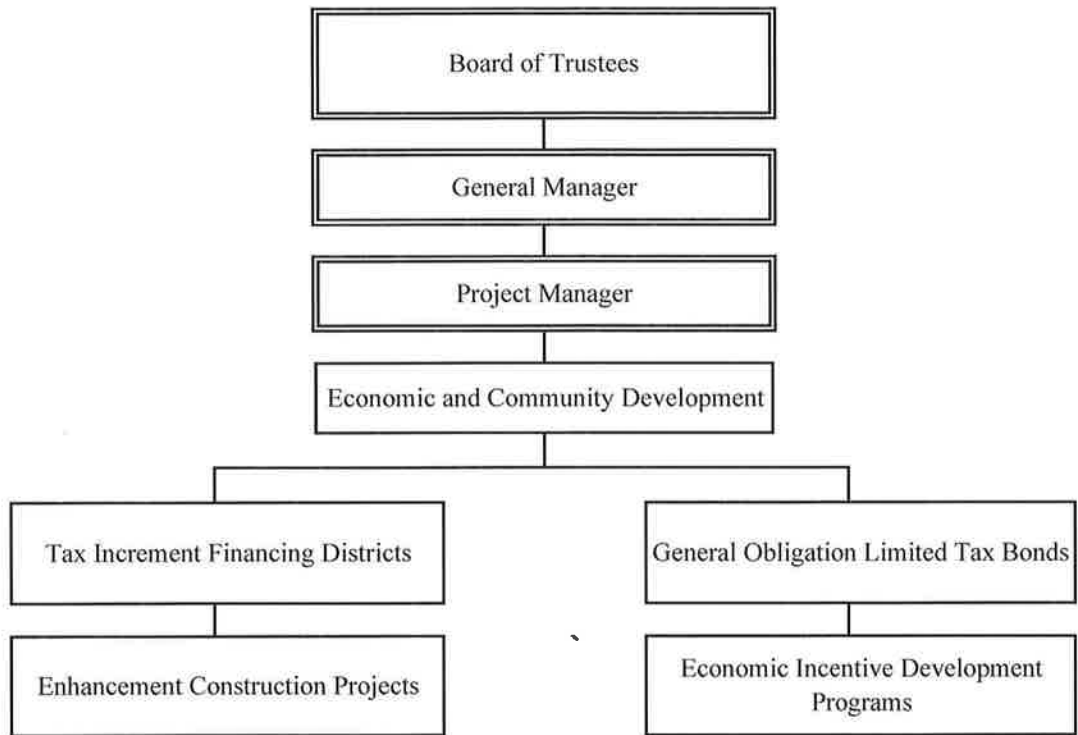


Brent Bryant
Economic Development Program Manager



Glen D. Earley
City of Oklahoma City Controller

Oklahoma City Economic Development Trust Organization Chart



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Financial Section

Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities as of and for the years ended June 30, 2011 and 2010, and each major fund as of and for the year ended June 30, 2011, of the Oklahoma City Economic Development Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma, which collectively comprise the Trust's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative major fund information has been derived from the Trust's 2010 financial statements and, in our report dated December 3, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities as of June 30, 2011 and 2010, and the changes in financial position for the years then ended and each major fund of the Trust as of June 30, 2011, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note III*, in 2011, the Trust changed its method of accounting for fund balance under Governmental Accounting Standards Board Statement No. 54 (GASB 54) by retroactively restating prior years' financial statements. GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other accountants have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKD, LLP

December 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Economic Development Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2011 and 2010. The Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Trust is a discretely presented component unit of the City of Oklahoma City (City).

Financial Summary

- Trust assets exceeded liabilities by \$16,047,613 (net assets) and \$12,973,725 (net assets) for 2011 and 2010, respectively.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets, net of related debt, of (\$4,194,888) and (\$77,010) for 2011 and 2010, respectively, include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted net assets for public services of \$35,444,647 and \$35,340,674 for 2011 and 2010, respectively, are constrained for general obligation limited tax (GOLT) bond related economic development.
 - (3) Unrestricted net deficit of \$15,202,146. This compares to the previous year when the unrestricted net deficit was \$22,289,939.
- The Trust's governmental funds reported total ending fund deficits totaling \$40,703,890 this year. This compares to the prior year ending deficits of \$1,100,240 showing a decrease of \$39,603,650 during the current year.

Overview of the Financial Statements

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

Trust-wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental fund

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

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

Notes to the financial statements

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

Financial Analysis

The Trust's net assets at June 30, 2011 and 2010 are \$16,047,613 and \$12,973,725, respectively. The overall financial condition of the Trust improved in fiscal year 2011. A reclass of 2010 net assets has been made to properly report retainages and capital related accounts payable as part of invested in capital assets net of related debt instead of unrestricted net assets and 2010 and 2009 reclass for restrictions of GOLT Fund net assets to restricted for public services instead of unrestricted net assets.

	Summary of Net Assets (Deficit)						
	2011	2010	2011-2010 Amount of Change	2011-2010 %	2009	2010-2009 Amount of Change	2010-2009 %
Assets							
Current assets	\$65,088,636	\$49,842,806	\$15,245,830	30.6%	\$14,447,913	\$35,394,893	245.0%
Capital assets, net	56,513,464	14,073,965	42,439,499	301.5	2,494,967	11,578,998	464.1
Other non-current assets	<u>258,529</u>	<u>276,984</u>	<u>(18,455)</u>	(6.7)	<u>71,370</u>	<u>205,614</u>	288.1
Total assets	<u>121,860,629</u>	<u>64,193,755</u>	<u>57,666,874</u>	89.8	<u>17,014,250</u>	<u>47,179,505</u>	277.3
Liabilities							
Current liabilities	7,983,227	4,683,987	3,299,240	70.4	1,374,926	3,309,061	240.7
Non-current liabilities	<u>97,829,789</u>	<u>46,536,043</u>	<u>51,293,746</u>	110.2	<u>24,120,000</u>	<u>22,416,043</u>	92.9
Total liabilities	<u>105,813,016</u>	<u>51,220,030</u>	<u>54,592,986</u>	106.6	<u>25,494,926</u>	<u>25,725,104</u>	100.9
Net assets (deficit)							
Invested in capital assets, net of related debt	(4,194,888)	(77,010)	(4,117,878)	(5347.2)	(34,976)	(42,034)	(120.2)
Restricted for public services	35,444,647	35,340,674	103,973	0.3	6,861,332	28,479,342	415.1
Unrestricted	<u>(15,202,146)</u>	<u>(22,289,939)</u>	<u>7,087,793</u>	31.8	<u>(15,307,032)</u>	<u>(6,982,907)</u>	(45.6)
Total net assets (deficit)	<u>\$16,047,613</u>	<u>\$12,973,725</u>	<u>\$3,073,888</u>	23.7	<u>(\$8,480,676)</u>	<u>\$21,454,401</u>	253.0

The increase in current assets of \$15.25 million in fiscal year 2011 is primarily due to a \$13.00 million draw on the Tax Increment Financing (TIF) District #8 note in June of 2011 for projects related to the renovation of over 180 acres in downtown Oklahoma City, consisting of streetscape improvements within the TIF districts and renovations to the Myriad Botanical Gardens (Project 180). Current assets also increased because of a \$4.40 million note receivable from the Myriad Garden Foundation to purchase land adjacent to the Myriad Botanical Gardens. The increase in current assets of \$35.39 million fiscal year 2010 is primarily because of a receivable from the City General Obligation Bond Fund of \$28.90 million for GOLT proceeds and a \$4.96 million increase in investments due to the \$5 million tax anticipation note for redevelopment in TIF Districts #2 and #3. The increase in capital assets, net, in 2011 and 2010 of \$42.44 million and \$11.58 million, respectively, is primarily the result of increases in construction in progress of \$42.28 million and \$11.31 million related to TIF projects. Liabilities increased in 2011 and 2010 by \$54.59 million and \$25.73 million, respectively, due to \$51.00 million in tax anticipation debt issued in 2011 related to TIF District #8 and \$23.62 million in debt issued in 2010 related to TIF Districts #2, #3 and #8.

Summary of Changes in Net Assets (Deficit)

	<u>2011</u>	<u>2010</u>	2011-2010 Amount <u>of Change</u>	2011-2010 %	<u>2009</u>	2010-2009 Amount <u>of Change</u>	2010-2009 %
Revenues							
Program revenues							
Charges for services	\$11,250	\$11,492	(\$242)	(2.1%)	\$ -	\$11,492	100.0%
Operating grants & contributions	6,219,945	31,845,368	(25,625,423)	(80.5)	11,108,454	\$20,736,914	186.7
General revenues	<u>5,579,220</u>	<u>5,061,647</u>	<u>517,573</u>	10.2	<u>4,161,720</u>	<u>899,927</u>	21.6
Total revenues	<u>11,810,415</u>	<u>36,918,507</u>	<u>(25,108,092)</u>	(68.0)	<u>15,270,174</u>	<u>21,648,333</u>	141.8
Program expenses	<u>8,736,527</u>	<u>15,464,106</u>	<u>(6,727,579)</u>	(43.5)	<u>23,750,850</u>	<u>(\$8,286,744)</u>	(34.9)
Changes in net assets (deficit)	3,073,888	21,454,401	(18,380,513)	(85.7)	(8,480,676)	29,935,077	353.0
Beginning net assets (deficit)	<u>12,973,725</u>	<u>(8,480,676)</u>	<u>8,480,676</u>	100.0	-	<u>(8,480,676)</u>	100.0
Ending net assets (deficit)	<u>\$16,047,613</u>	<u>\$12,973,725</u>	<u>(\$9,899,837)</u>	(76.3)	<u>(\$8,480,676)</u>	<u>\$21,454,401</u>	253.0

Operating grants and contributions decreased \$25.63 million in 2011 and increased \$20.74 million in 2010 primarily because of a \$28.90 million payment from the City General Obligation Bond Fund in fiscal year 2010 for GOLT proceeds.

Program expenses decreased \$6.73 million in 2011 and \$8.29 million in 2010. The Trust made payments to the Central Oklahoma Transportation and Parking Authority (COTPA) of \$9 thousand in 2011 for construction projects and \$8.23 million for construction projects and bond defeasement costs in 2010 and \$2.21 million to the City Capital Improvement Fund for Regatta Park land acquisitions in 2010. In addition, in 2011, program expenses increased by \$2.17 million because of GOLT program costs and increased interest on debt of \$1.54 million based on the additional draws on the TIF District #8 note. Program expenses decreased in 2010 compared to 2009 because during fiscal year 2009 the Trust made a payment to the Oklahoma City Public Property Authority of \$20.52 million to retire the debt related to TIF Districts #2 and #3 offset by the 2010 payments to COTPA and the City Capital Improvement Fund.

Capital Assets

The Trust's investment in capital assets, net of accumulated depreciation for the fiscal year 2011 and 2010 consists of land and construction in progress purchased for future economic development. See Note II. A. 2. for more information regarding capital assets.

	Capital Assets						
	2011	2010	2011-2010 Amount of Change	2011-2010 %	2009	2010-2009 Amount of Change	2010-2009 %
Non-Depreciable Assets							
Land	\$2,622,816	\$2,583,101	\$39,715	1.5%	\$2,320,131	\$262,970	11.3%
Construction in progress	<u>53,775,832</u>	<u>11,490,864</u>	<u>42,284,968</u>	368.0	<u>174,836</u>	<u>11,316,028</u>	6472.4
Total capital assets	<u>56,398,648</u>	<u>14,073,965</u>	<u>42,324,683</u>	300.7	<u>2,494,967</u>	<u>11,578,998</u>	464.1
Depreciable Assets							
Buildings	\$1,014	\$ -	\$1,014	100.0%	\$ -	\$ -	0.0%
Infrastructure	<u>113,802</u>	-	<u>113,802</u>	100.0	-	-	0.0
Total depreciable assets	<u>114,816</u>	-	<u>114,816</u>	100.0	-	-	0.0
Total net capital assets	<u>\$56,513,464</u>	<u>\$14,073,965</u>	<u>\$42,438,485</u>	301.5	<u>\$2,494,967</u>	<u>\$11,578,998</u>	464.1

The increase in capital assets primarily consists of expenditures for Project 180 construction.

Economic Factors

The Trust has greatly benefited from the improving local economy of Oklahoma City. The momentum created by the improving local economy has resulted in a number of new construction projects, including the 50-story, 850 foot Devon Energy World headquarters in TIF district #8.

Contacting the Trust's Financial Management

This financial report is designed to provide a general overview of the Trust's finances, comply with finance-related laws and regulations, and demonstrate commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

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Basic Financial Statements

Trust-wide Financial Statements

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

Fund Financial Statements

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

Governmental Fund Financial Statements

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

STATEMENT OF NET ASSETS (DEFICIT)
June 30,

**OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST**

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Pooled cash-----	\$3	\$1
Non-pooled cash-----	13,151,350	2
Investments-----	44,798,454	19,123,015
Property taxes receivable-----	168,381	-
Interest receivable-----	56,237	1,310
Receivable from the City of Oklahoma City-----	2,518,420	30,718,478
Notes receivable-----	4,395,791	-
Total current assets-----	<u>65,088,636</u>	<u>49,842,806</u>
<u>NON-CURRENT ASSETS</u>		
Deferred debt expense, net-----	258,529	276,984
Capital assets:		
Land and construction in progress-----	56,398,648	14,073,965
Other capital assets, net of accumulated depreciation-----	114,816	-
Total non-current assets-----	<u>56,771,993</u>	<u>14,350,949</u>
Total assets -----	<u>121,860,629</u>	<u>64,193,755</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable-----	5,332,024	2,199,053
Payable to component units of the City of Oklahoma City-----	-	400,004
Payable to the City of Oklahoma City-----	445,079	169,681
Tax anticipation debt-----	2,206,124	1,915,249
Total current liabilities-----	<u>7,983,227</u>	<u>4,683,987</u>
<u>NON-CURRENT LIABILITIES</u>		
Non-current tax anticipation debt-----	97,829,789	46,536,043
Total liabilities -----	<u>105,813,016</u>	<u>51,220,030</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt-----	(4,194,888)	(77,010)
Restricted for public services-----	35,444,647	35,340,674
Unrestricted-----	(15,202,146)	(22,289,939)
Total net assets (deficit) -----	<u>\$16,047,613</u>	<u>\$12,973,725</u>

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30,

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

	<u>2011</u>	<u>2010</u>
<u>PROGRAM EXPENSES</u>		
Materials and supplies-----	\$93,817	\$2,554
Professional services-----	160,152	172,354
Other services and charges-----	3,864,718	1,497,963
Payments to the City of Oklahoma City-----	580,333	2,267,260
Payments to component units of the City of Oklahoma City-----	12,061	9,070,550
Depreciation-----	29,617	-
Interest on debt-----	3,995,829	2,453,425
Total program expenses-----	<u>8,736,527</u>	<u>15,464,106</u>
<u>PROGRAM REVENUES</u>		
<u>CHARGES FOR SERVICES</u>		
Economic development-----	11,250	11,492
<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		
Payments from the City of Oklahoma City-----	5,760,905	31,845,368
Restricted investment income-----	459,040	-
Total program revenues-----	<u>6,231,195</u>	<u>31,856,860</u>
Net (expense) revenue-----	<u>(2,505,332)</u>	<u>16,392,754</u>
<u>GENERAL REVENUES</u>		
Tax increment financing property taxes-----	5,577,054	5,043,892
Investment income-----	2,166	17,755
Total general revenues-----	<u>5,579,220</u>	<u>5,061,647</u>
Change in net assets-----	<u>3,073,888</u>	<u>21,454,401</u>
Net assets (deficit)-beginning-----	12,973,725	(8,480,676)
Net assets (deficit)-ending-----	<u>\$16,047,613</u>	<u>\$12,973,725</u>

See accompanying notes to financial statements.

BALANCE SHEETS
June 30,

**OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST**

	2011			2010	
	Economic Development Fund	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Total	2010 Total
ASSETS					
Pooled cash-----	\$ -	\$3	\$ -	\$3	\$1
Non-pooled cash-----	-	13,151,350	-	13,151,350	2
Investments-----	221,214	11,498,786	33,078,461	44,798,461	19,123,015
Property taxes receivable-----	-	168,381	-	168,381	-
Interest receivable-----	694	4,282	51,255	56,231	1,310
Due within the Trust-----	(492)	8,852	(8,360)	-	-
Receivable from City of Oklahoma City General Fund-----	-	204,563	-	204,563	-
Receivable from City of Oklahoma City General Obligation Bond Fund-----	-	-	-	-	28,899,422
Receivable from City of Oklahoma City Tax Incremental Financing Fund-----	-	2,313,857	-	2,313,857	1,819,056
Notes receivable, current-----	-	4,395,790	-	4,395,790	-
Deferred debt expense-----	-	258,529	-	258,529	276,984
Total assets-----	\$221,416	\$32,004,393	\$33,121,356	\$65,347,165	\$50,119,790
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable-----	\$197,560	\$5,134,461	\$ -	\$5,332,021	\$2,199,053
Payable to component units of the City Oklahoma City, current-----	-	-	-	-	400,004
Payable to City of Oklahoma City-----	-	366,315	78,764	445,079	169,681
Tax anticipation notes payable-----	-	100,035,913	-	100,035,913	48,451,292
Deferred revenue-----	276	196,335	41,431	238,042	-
Total liabilities-----	197,836	105,733,024	120,195	106,051,055	51,220,030
FUND BALANCES					
Non-spendable-----	-	4,190,138	-	4,190,138	-
Restricted-----	-	2,401,675	33,001,161	35,402,836	35,340,675
Assigned-----	23,580	-	-	23,580	1,233
Unassigned-----	-	(80,320,444)	-	(80,320,444)	(36,442,148)
Total fund balances-----	23,580	(73,728,631)	33,001,161	(40,703,890)	(1,100,240)
Total liabilities and fund balances-----	\$221,416	\$32,004,393	\$33,121,356	\$65,347,165	\$50,119,790
RECONCILIATION OF THE BALANCE SHEETS TO THE STATEMENT OF NET ASSETS					
Total fund balances-----	\$23,580	(\$73,728,631)	\$33,001,161	(\$40,703,890)	(\$1,100,240)
Capital assets-----	-	56,543,080	-	56,543,080	14,073,965
Accumulated depreciation-----	-	(29,616)	-	(29,616)	-
Deferred revenue earned but unavailable-----	277	196,333	41,429	238,039	-
Total net assets (deficit)-----	\$23,856	(\$17,018,829)	\$33,042,588	\$16,047,613	\$12,973,725

See accompanying notes to financial statements.

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

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

	2011			2010	
	Economic Development Fund	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Total	Total
REVENUES					
Property taxes-----	\$ -	\$5,577,054	\$ -	\$5,577,054	\$5,043,892
Investment income-----	1,890	63,071	158,206	223,167	17,755
Rental income-----	11,250	-	-	11,250	11,492
Payments from the City of Oklahoma City-----	790,240	4,970,665	-	5,760,905	31,845,368
Total revenues-----	803,380	10,610,790	158,206	11,572,376	36,918,507
EXPENDITURES					
CURRENT:					
Materials and supplies-----	-	93,817	-	93,817	2,554
Professional services-----	1,233	125,192	33,728	160,153	172,354
Payments to component units-----	-	12,062	-	12,062	9,070,550
Payments to the City of Oklahoma City-----	-	351,029	229,305	580,334	2,267,260
Other services and charges-----	790,240	839,787	2,234,687	3,864,714	1,497,963
Capital outlay-----	-	42,469,116	-	42,469,116	11,578,998
Debt service-----	-	3,995,830	-	3,995,830	2,453,425
Total expenditures-----	791,473	47,886,833	2,497,720	51,176,026	27,043,104
Net change in fund balances-----	11,907	(37,276,043)	(2,339,514)	(39,603,650)	9,875,403
Fund balance, beginning-----	11,673	(36,452,588)	35,340,675	(1,100,240)	(10,975,643)
Fund balances, ending-----	\$23,580	(\$73,728,631)	\$33,001,161	(\$40,703,890)	(\$1,100,240)
RECONCILIATION OF STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES OF ACTIVITIES					
Net changes in fund balances-----	\$11,907	(\$37,276,043)	(\$2,339,514)	(\$39,603,650)	\$9,875,403
Capital outlay-----	-	42,469,116	-	42,469,116	11,578,998
Depreciation expense-----	-	(29,617)	-	(29,617)	-
Recognition of earned but unavailable revenue-----	277	196,333	41,429	238,039	-
Change in net assets (deficit)-----	\$12,184	\$5,359,789	(\$2,298,085)	\$3,073,888	\$21,454,401

See accompanying notes to financial statements.

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Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Economic Development Trust (Trust) financial activities for the fiscal year ended June 30, 2011 and 2010. Governmental fund balance has been restated to conform to current year presentation. Governmental net assets have been reclassified to report retainages and capital related accounts payable with net assets in invested in capital assets and restrictions have been reclassified for General Obligation Limited Tax Fund net assets to restricted for public services instead of unrestricted net assets.

I. B. BASIS OF PRESENTATION

I. B. 1. REPORTING ENTITY AND RELATIONSHIP TO THE CITY OF OKLAHOMA CITY, OKLAHOMA

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

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

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

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

Related Organizations

Alliance for Economic Development of Oklahoma City (AEDOC)

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

Oklahoma City Myriad Gardens Foundation (OCMGF)

Created to serve as conduit for charitable contributions intended to finance a portion of the Myriad Botanical Gardens development. The Trust loaned the OCMGF \$4,190,138 in fiscal year 2011 to enable the OCMGF to acquire property in the vicinity of the Myriad Botanical Gardens for the purpose of providing for relocation of displaced Myriad Botanical Gardens facilities and ensuring that the property is used and developed in a manner compatible with the purpose of the Myriad Botanical Gardens. The OCMGF Board of Directors is comprised of thirty nine members. Eight are elected by the OCMGF Board. The remainder are selected by various community organizations including six by the City's Mayor. Financial information can be obtained at 100 Myriad Gardens, Oklahoma City, Oklahoma 73102.

Management Agreements

Oklahoma City Economic Development Foundation (OCEDF)

The OCEDF works to improve economic growth in the greater Oklahoma City area. The Trust has a professional services agreement with the OCEDF to provide certain economic development services for the Trust and the City. The agreement is effective July 1, 2010 through June 30, 2011. The agreement calls for OCEDF to assist with business retention and expansion, research, recruitment and marketing as well as managing the application process for the strategic incentive program. Financial Information can be obtained at 123 Park Avenue, Oklahoma City, OK 73102.

Trust Administration

The Trust has no employees. Trust activities are performed by City employees.

I. B. 2. BASIC FINANCIAL STATEMENTS

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

Trust-wide Financial Statements

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

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

Fund Financial Statements

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

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

Trust-wide Financial Statements

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

Fund Financial Statements

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

General Fund

Economic Development Fund

This fund provides funding for the contract with the Oklahoma City Economic Development Foundation for economic development professional services. In addition, this fund provides funding for miscellaneous economic development projects, including any conduit financing or infrastructure improvements pursuant to an economic development agreement and retail incentives.

Special Revenue Funds

Tax Increment Financing (TIF) Fund

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

General Obligation Limited Tax (GOLT) Fund

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

I. C. BUDGET LAW AND PRACTICE

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

I. D. POLICIES RELATED TO ASSETS AND LIABILITIES

I. D. 1. CASH AND INVESTMENTS

The Trust participates in the investment policy approved by the City Council. The Trust's governing board formally adopted the City's updated deposit and investment policy in March 2011.

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

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

I. D. 2. CAPITAL ASSETS AND DEPRECIATION

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

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

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

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

I. D. 3. DEFERRED DEBT EXPENSE AND DEBT ISSUANCE COSTS

The costs of issuing debt is being amortized over the term of the respective note using a method that approximates the effective interest method.

I. D. 4. TIF

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

I. D. 5. FUND EQUITY

Fund Balance

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

Fund Balance Usage

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

Net Assets

Net assets invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Net Assets Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

I. D. 6. USE OF ESTIMATES

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

I. E. MAJOR REVENUES

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

I. F. TAX STATUS

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

I. G. RETAINAGES

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

II. ASSETS AND LIABILITIES

II. A. ASSETS

II. A. 1. DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2011 and 2010 the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust, less the Federal depository insurance.

Investments

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

	June 30, 2011			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	Average Credit Quality/ Ratings (1)	Weighted Average Months to Maturity (2)
Federal obligations	\$25,556,409	\$25,556,410	AAA/Aaa	18.09
U.S. Treasury notes	5,030,650	5,030,650	N/A	9.17
Money market funds	<u>14,211,395</u>	<u>14,211,395</u>	AAA/Aaa	1.43
	<u>\$44,798,454</u>	<u>\$44,798,455</u>		
	June 30, 2010			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	Average Credit Quality/ Ratings (1)	Weighted Average Months to Maturity (2)
Money market funds	<u>\$19,123,015</u>	<u>\$19,123,015</u>	AAA/Aaa	1.37

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

(2) Interest Rate Risk is estimated using weighted average months to maturity.

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

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

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. Cumulatively, portfolios of the Trust may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Trust portfolio may be placed with any single financial institution. U.S. government securities, SLGS, City judgments, repurchase agreements, and money market funds are excluded from these restrictions.

Portfolio Structure (1)

Investment Type Limitations		Maturity Limitations	
Percentage of Total Invested Principal		Percentage of Total Invested Principal	
	Maximum % (2)		Maximum % (4)
Repurchase agreements	100.0%	0-1 year	100%
U.S. Treasury securities (3)	100.0	1-3 years	90
Certificates of deposit	50.0	3-5 years	90
Money market funds	100.0		
Savings accounts	100.0		
U.S. noncallable agencies securities	100.0		
U.S. Callable Agency Securities	20.0		
Prime Commercial Paper	7.5		
City judgments	5.0		

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

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

Investments Held by Others

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

Compliance with State Restrictions

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

II. A. 2. NOTE RECEIVABLE

During Fiscal Year 2011 the Trust Loaned OCMGF \$4,190,138 at an interest rate of 6.25% per annum to enable OCMGF to acquire property in the vicinity of the Myriad Botanical Gardens for the purposes of providing for relocation of displaced Myriad Botanical Gardens facilities and ensuring that the property is used and developed in a manner compatible with the purpose of the Myriad Botanical Gardens. The receivable balance is \$4,395,791 including \$205,653 in accrued interest.

II. A. 3. CAPITAL ASSETS

Changes in Capital Assets

	2011							Total Capital Assets, net
	Capital Assets, not depreciated			Capital Assets, depreciated				
	Land	Construction In Progress	Total	Improvements Other Than Buildings	Buildings	Infrastructure	Total	
<u>CAPITAL ASSETS</u>								
Balance, June 30, 2010	\$2,583,101	\$11,490,864	\$14,073,965	\$ -	\$ -	\$ -	\$ -	\$14,073,965
Increases	39,715	42,469,116	42,508,831	-	1,054	143,379	144,433	42,653,264
Decreases	-	(184,148)	(184,148)	-	-	-	-	(184,148)
Balance, June 30, 2011	<u>2,622,816</u>	<u>53,775,832</u>	<u>56,398,648</u>	<u>-</u>	<u>1,054</u>	<u>143,379</u>	<u>144,433</u>	<u>56,543,081</u>
<u>ACCUMULATED DEPRECIATION</u>								
Balance, June 30, 2010				-	-	-	-	-
Increases				-	40	29,577	29,617	29,617
Balance, June 30, 2011				<u>-</u>	<u>40</u>	<u>29,577</u>	<u>29,617</u>	<u>29,617</u>
Capital assets, Net	<u>\$2,622,816</u>	<u>\$53,775,832</u>	<u>\$56,398,648</u>	<u>\$ -</u>	<u>\$1,014</u>	<u>\$113,802</u>	<u>\$114,816</u>	<u>\$56,513,464</u>

	2010							
	Capital Assets, not depreciated			Capital Assets, depreciated				
<u>CAPITAL ASSETS</u>								
Balance, June 30, 2009	\$2,320,131	\$174,836	\$2,494,967	\$ -	\$ -	\$ -	\$ -	\$2,494,967
Increases	<u>262,970</u>	<u>11,316,028</u>	<u>11,578,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,578,998</u>
Capital assets, net	<u>\$2,583,101</u>	<u>\$11,490,864</u>	<u>\$14,073,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,073,965</u>

II. B. LIABILITIES

II. B. 1. DEFERRED REVENUE

Governmental funds reported deferred revenue of \$238,039 June 30, 2011. Of this amount, \$181,910 is the accrued interest related to the note receivable from OCMGF and \$56,129 from deferred investment earnings. Revenues are deferred if the revenues are earned but received more than 60 days following year end (unavailable to pay liabilities of the current period). Deferred revenue received after 60 days is fully recognized as revenue in the trust-wide statements.

II. B. 2. TAX ANTICIPATION DEBT

TIF Districts #2 and #3

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

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

**OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST**

On February 4, 2010, the Trust issued a \$5 million Private Placement Tax Anticipation Note from JP Morgan Chase Bank, N.A. with a fixed interest rate of 4.20% for a 5 year term. The proceeds from the 2010 note are to fund redevelopment and improvements within the districts. At June 30, 2011, \$27,680,000 has been drawn to fund TIF Districts #2 and #3 projects. Of the amount due, \$25,920,000 is reported with non-current liabilities.

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

TIF District #8

On December 16, 2008, the City Council established TIF District #8. The new TIF district includes a budget of \$115 million for public improvements. On September 23, 2009, the City Council authorized the incurrence of indebtedness of the Trust. The Private Placement Revenue Note Series 2009 will be financed from Devon Energy Corporation in the amount of \$95 million at a fixed interest rate of 5% per annum for October 1, 2009 through September 30, 2015. From October 1, 2015, to maturity date June 30, 2034, the interest rate will be variable. No principal payments are required prior to October 1, 2014. Interest is payable on each April 1 and October 1. Per the loan agreement, on any interest payment date prior to October 1, 2014, the Trust may elect to defer payment of accrued interest. All deferred interest is added to the principal balance of the loan. As of June 30, 2011 and 2010, \$69,100,000 and \$18,200,000 has been drawn on the note and an additional \$2,082,716 and \$423,836 in deferred interest has been added to the principal of the loan, respectively.

On September 23, 2009, the Trust authorized the transfer of not more than \$4 million of TIF note proceeds and revenues to the Central Oklahoma Transportation and Parking Authority (COTPA) to reimburse COTPA for costs and expenses related to a truck dock relocation project within the TIF #8 project area. As of June 30, 2011 and 2010, the Trust has made payments of \$8,729 and \$3,865,550 to COTPA, respectively.

Changes in Tax Anticipation Debt

	2011				
	Balance <u>July 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>June 30, 2011</u>	Effective <u>Interest Rate</u>
TIF #2 and #3	\$29,120,000	\$ -	\$1,440,000	\$27,680,000	6.99%
TIF #8	18,623,836	52,558,880	-	71,182,716	5.00
TIF interest payable	<u>707,456</u>	<u>3,977,376</u>	<u>3,511,635</u>	<u>1,173,197</u>	
	<u>\$48,451,292</u>	<u>\$56,536,256</u>	<u>\$4,951,635</u>	<u>\$100,035,913</u>	
	2010				
	Balance <u>July 1, 2009</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>June 30, 2010</u>	Effective <u>Interest Rate</u>
TIF #2 and #3	\$25,000,000	\$5,000,000	\$880,000	\$29,120,000	6.99%
TIF #8	-	18,623,836	-	18,623,836	5.00
TIF interest payable	<u>436,875</u>	<u>2,019,628</u>	<u>1,749,047</u>	<u>707,456</u>	
	<u>\$25,436,875</u>	<u>\$25,643,464</u>	<u>\$2,629,047</u>	<u>\$48,451,292</u>	

Tax Anticipation Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$1,760,000	\$5,594,766	\$7,354,766
2013	2,085,000	6,065,467	8,150,467
2014	2,410,000	5,479,651	7,889,651
2015	73,927,716	1,380,950	75,308,666
2016	1,335,000	1,260,862	2,595,862
2017-2021	8,285,000	4,694,141	12,979,141
2022-2026	<u>9,060,000</u>	<u>1,322,327</u>	<u>10,382,327</u>
	<u>\$98,862,716</u>	<u>\$25,798,164</u>	<u>\$124,660,880</u>

Pledged Revenues

The Trust issued tax anticipation notes to support its economic development activities. The TIF Fund financial statements report revenue-supported debt. In 2011 and 2010, the Trust recognized \$5,577,054 and \$5,043,892, respectively, in property taxes and \$4,776,702 and \$2,158,732 in payments from the City for sales tax.

II. C. INTERFUND BALANCES

Payable To/From the City

The Trust reported \$2,518,420 and \$30,718,478 receivable from the City at June 30, 2011 and 2010, respectively. The 2011 amount includes \$204,563 receivable from the City General Fund and \$2,313,857 and receivable from the City TIF Fund for sales tax collections. The 2010 amount includes \$28,899,422 receivable from the City General Obligation Bond Fund and \$1,819,056 receivable from the City General Fund for TIF sales tax collections.

The Trust reported \$445,078 and \$169,681 payable to the City at June 30, 2011 and 2010, respectively. The 2011 amount includes \$440,658 payable to the City General Fund, \$4,405 to the City Stormwater Drainage Fund and \$15 to the City TIF Fund for construction related costs incurred by the City on behalf of the Trust and administrative services. The Trust had \$155,036 payable to the City General Fund and \$14,645 to the City Drainage Fund at June 30, 2010 for construction related costs incurred by the City on behalf of the Trust.

Payable To/From Component units of the City

The Trust reported \$400,004 at June 30, 2010, payable to COTPA Parking Fund for reimbursements for the construction of a loading dock within TIF #8 project area.

III. FUND EQUITY

III. A. FUND BALANCE

Adoption of New Accounting Standard

Effective July 1, 2010, the Authority implemented GASB Statement 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. This statement requires the Authority to classify fund balances as spendable or non-spendable and to specifically identify restrictions or limitations on spendable amounts. Implementing this standard had no impact on reported total fund balances, only the classification of those fund balances.

Non-spendable

	<u>2011</u>	<u>2010</u>
Note receivable	<u>\$4,190,138</u>	<u>\$ -</u>

Restricted Fund Balance

	<u>2011</u>	<u>2010</u>
Restricted for TIF districts	\$2,401,676	\$ -
Restricted for GOLT bond economic development	<u>33,001,160</u>	<u>35,340,675</u>
	<u>\$35,402,836</u>	<u>\$35,340,675</u>

Assigned Fund Balance

	<u>2011</u>	<u>2010</u>
Assigned for encumbrances of the Economic Development Fund	\$203,802	\$1,233
Reallocation for negative unassigned	<u>(180,222)</u>	<u>-</u>
	<u>\$23,580</u>	<u>\$1,233</u>

Unassigned

	<u>2011</u>	<u>2010</u>
Unassigned	(\$180,222)	\$10,440
Restricted for TIF districts negative net assets	(80,320,444)	(36,452,588)
Assigned for negative fund balance	<u>180,222</u>	<u>-</u>
	<u>(\$80,320,444)</u>	<u>(\$36,442,148)</u>

Encumbrances

Encumbrances of \$16,475,649 and \$6,088 at June 30, 2011 and 2010, respectively, are reported with restricted fund balances. Encumbrances related to unassigned fund balance considered and reported as assigned fund balance.

III. B. NET ASSETS

Invested in Capital Assets, Net of Related Debt

	<u>2011</u>	<u>2010</u>
Capital assets, net	\$56,513,464	\$14,073,965
Capital related tax anticipation debt	(55,374,028)	(14,073,965)
Retainages and capital related accounts payable	<u>(5,334,324)</u>	<u>(77,010)</u>
	<u>(\$4,194,888)</u>	<u>(\$77,010)</u>

Restricted for Public Services

	<u>2011</u>	<u>2010</u>
Restricted for TIF districts	\$2,402,057	\$ -
Restricted for GOLT bond economic development	<u>33,042,590</u>	<u>35,340,674</u>
	<u>\$35,444,647</u>	<u>\$35,340,674</u>

Unrestricted

	<u>2011</u>	<u>2010</u>
Unassigned	\$23,856	\$88,683
Restricted for TIF districts negative net assets	<u>(15,226,002)</u>	<u>(22,378,622)</u>
	<u>(\$15,202,146)</u>	<u>(\$22,289,939)</u>

Deficit Fund Balance

Deficit fund balance of \$73,728,631 reported in the TIF Fund is the result of tax anticipation notes payable issued for projects not capitalized in the Trust.

IV. INTERFUND PAYMENTS

Interfund Payments To/From the City

In 2011 the Trust received \$790,240 from the City General Fund to fund the contract with the OCEDF. The Trust received \$193,963 from the City Capital Improvement Fund that the Trust had previously paid, but due to the fact that the project was completed, the funds were returned to the Trust. The Trust additionally received \$4,776,702 from the City TIF fund. Also in 2011, the Trust paid \$528,916 and \$1,418 to the City General Fund and City TIF Fund, respectively for administrative services and paid \$50,000 to the City Grants Management Fund for matching funds for a U.S. Department of Commerce grant.

In 2010 the Trust received \$28,899,422 from the City General Obligation Bond Fund for GOLT bond proceeds and \$2,158,732 from the City TIF Fund. The City General Fund paid the Trust \$787,214 related to the OCEDF agreement which the Trust subsequently paid to the OCEDF for economic development services reported with other services and charges. The Trust paid \$2,205,180 to the City Capital Improvement Fund to be used to purchase land parcels for the shoreline improvements, Regatta Park project.

Interfund Payments To/From Component Units of the City

In 2011, the Trust paid COTPA \$8,729 for the relocation of a parking garage dock in the TIF #8 project area and paid the Oklahoma City Redevelopment Authority (OCRRA) \$3,333 for legal services associated with the Shoreline Improvements Regatta Park Project. In 2010, the Trust paid \$8,225,550 to COTPA Parking Fund. This included \$3,865,550 in reimbursements related to construction of a loading dock in the TIF #8 project area and \$4,360,000 for bond defeasement related to the sale of the City Center West Parking Garage. The Trust paid OCRRA \$845,000 in 2010 for shoreline improvements at the Oklahoma River.

V. LEASE REVENUES

On August 25, 2009, the Trust purchased property for economic development. The property was occupied at the time of purchase. The occupants of the property have a month to month arrangement to pay the trust \$1,250 per month. The Trust received \$11,250 and \$11,492 in rent payments during 2011 and 2010, respectively.

VI. LONG-TERM COMMITMENTS

GOLT Bond Funded Commitments

The first series of the authorized bond issue was in March 2008. The proceeds less the issuance cost was transferred to the Trust in the amount of \$28,899,422 in 2010. An incentive funding program has been established and is used to negotiate with prospective companies and is generally awarded based on the company's performance. An annual review of those companies is performed to satisfy the requirements of their contracts. During the fiscal years 2011 and 2010 the Trust has approved allocation of the GOLT bond proceeds of \$6,416,400 and \$3,888,000, respectively. The Trust paid \$2,249,687 and \$236,000 in awards in 2011 and 2010, respectively.

	<u>2011</u>	<u>2010</u>
	<u>Outstanding Award</u>	<u>Outstanding Award</u>
Affinia Products Corporation	\$364,000	\$364,000
CSAA California State Association	2,345,182	2,900,000
Wood Group ESP, Inc.	783,000	800,000
Quality Tubular Services of Oklahoma, LLC (1)	-	312,000
OrthoCare Innovations, LLC	265,000	265,000
Advanced Academics	965,500	1,000,000
Integra Wind Services (1)	-	820,000
Paycom	507,967	1,968,000
Land Needs Study	100,000	-
Tech Business Launch Grant Match	266,664	-
Blue Cross Blue Shield	420,000	-
The Boeing Company C-130	1,496,400	-
Chesapeake Energy	3,500,000	-
Cox Wireless TMI	450,000	-
	<u>\$11,463,713</u>	<u>\$8,429,000</u>

(1) During fiscal year 2011, these companies ceased operations in Oklahoma City therefore the amount of GOLT funds allocated to these companies have been removed.

TIF Funded Commitments

As of June 30, 2011, the Trust has approved TIF funded projects with outstanding commitments of \$23,309,892. As of June 30, 2010, the Trust had approved projects with outstanding commitments of \$19,074,149.

VII. RELATED PARTY TRANSACTIONS

For fiscal years ending June 30, 2011 and 2010, the Trust reported payments to the City to reimburse for the cost of providing administrative and operational services of \$580,334 and \$495,301, respectively.

VIII. SUBSEQUENT EVENTS

During Fiscal Year 2011 the Trust Loaned the OCMGF \$4,190,138 to enable the OCMGF to acquire property in the vicinity of the Myriad Botanical Gardens for the purposes of providing for relocation of displaced Myriad Botanical Gardens facilities and to ensure that the property is used and developed in a manner compatible with the purpose of the Myriad Botanical Gardens. The land was appraised at \$4,225,000. On August 9, 2011, the Trust approved a real estate transfer agreement between the Trust and the OCMGF naming the Trust as owners of the property purchased by the OCMGF. The transfer releases the OCMGF of the liability to the Trust for the principal amount of the loan but requires OCMGF to pay any unpaid accrued interest, which was \$188,520 at the date of the transfer under the same terms as the original note.

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

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

We have audited the financial statements of the governmental activities and each major fund of the Oklahoma City Economic Development Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2011, which collectively comprise the Trust's basic financial statements and have issued our report thereon dated December 2, 2011, which contains an explanatory paragraph regarding a change in accounting principle. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

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 Trust's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

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

The separately issued Independent Accountants' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* of the City should be read in conjunction with this report. This report is intended solely for the information and use of the Board of Trustees, management, the City and others within the Trust and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

December 2, 2011

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