



# *Oklahoma City Economic Development Trust*

*A discrete component unit of The City of Oklahoma City, Oklahoma  
Annual Financial Report \ for the Fiscal Year ended June 30, 2018*





# **OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST**

A Discrete Component Unit of  
Oklahoma City, Oklahoma

## ***Board of Trustees***

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Rhonda Hooper, Vice Chairman

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James D. Couch, General Manager

Catherine O'Connor, Surrogate General Manager

Annual Financial Report for the Fiscal Year Ended June 30, 2018

Prepared by The Oklahoma City Finance Department, Accounting Services Division  
Laura L. Papas, Controller



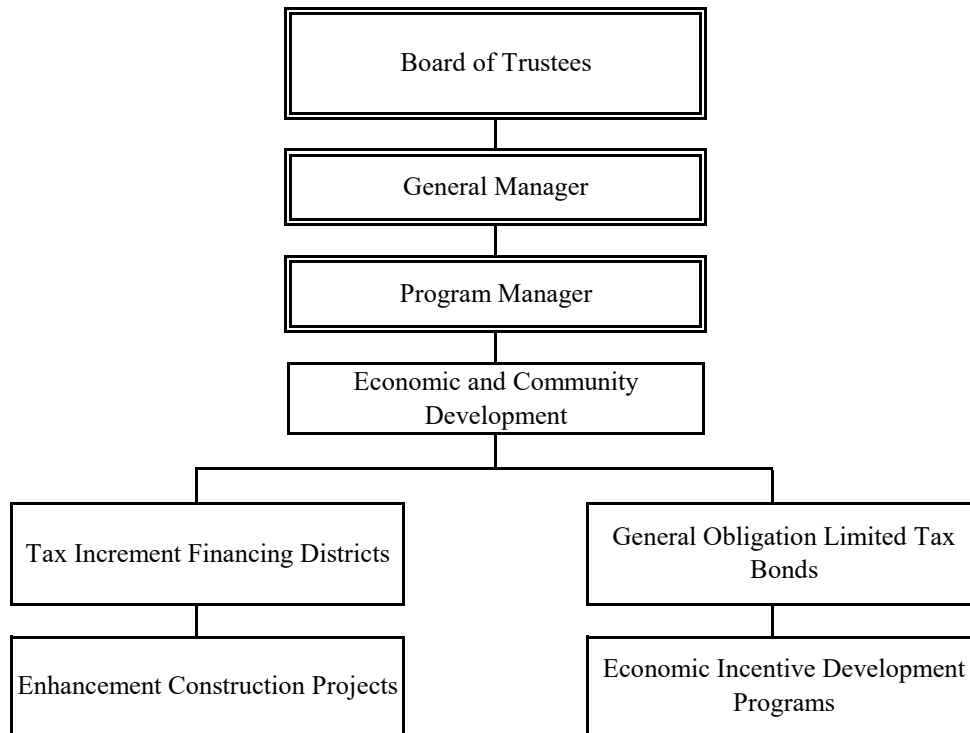
**OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST**

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# Oklahoma City Economic Development Trust Organization Chart



# **Introductory Section**







# The City of **OKLAHOMA CITY**

November 16, 2018

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 years ended June 30, 2018 and 2017. It complies with reporting requirements specified by Oklahoma State Statutes. 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 auditor, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for fiscal years ended June 30, 2018 and 2017, is in the MD&A section of this report, immediately following the independent auditor's 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 \$75.00 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 inception in 2007, the Trust has entered into agreements that allocated approximately \$68.00 million in GOLT funds that are projected to lead to the creation of approximately 13,267 jobs with an estimated annual payroll of \$803.00 million and an investment of \$1.07 billion. Through 2018, 5,111 jobs have been created through the Strategic Investment Program, earning incentive payments of \$49.90 million.

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

TIF districts #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 2018, the Trust provided \$3.00 million to 10th & Shartel, LLC, to construct an upscale apartment complex. The Trust also provided \$4.75 million to JRB Holdings, LLC, to redevelop the Journal Record Building into a multi-use commercial building and construct a multi-story parking garage. In 2017, the Trust provided \$2.00 million as an incentive payment to the 21c Hotel for the rehabilitation of the Fred Jones Manufacturing facility into a boutique hotel as a catalytic project for the western side of downtown.

TIF districts #4 and #5 were created for continuing development around the Dell Business Services Center along the Oklahoma River. Completed projects under these TIFs include the Dell Business Services Center and surrounding improvements including the river landing and trails along the surrounding land.

TIF district #8 was created for continuing downtown redevelopment projects centered around the Devon Tower and Project 180. Project 180 includes landscaping, public art, marked bike lines, decorative street lights, on-street parking and improvements to downtown park areas. Completed projects under TIF #8 include associated construction and groundscape of the completed Devon tower and several phases of Project 180. In fiscal year 2014, several new phases of Project 180 were started and are currently in their last phases.

TIF district # 9 was created to support public and private redevelopment in Northeast Oklahoma City. In 2018, the Trust provided \$480,000 for the NE 23rd Street Clinic.

TIF district #10 was created to renovate the First National Center in downtown Oklahoma City.

TIF district #12 was created for the development of the Wheeler District Project located within the Western Gateway Project Area.

TIF district #13 was created for the development of the new Convention Center Hotel Project located in the Core to Shore Project Area.

The GOLT bond funds are used to fund the Strategic Investment Program and aid in projects that improve the economic development opportunities within the City. In 2018 and 2017, the Trust provided \$3.51 million and \$3.99 million, respectively, through the Strategic Investment Program to enhance economic growth.

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.

Oklahoma City's recovery from the regional recession caused by the significant downturn in the energy industry took hold during fiscal year 2018. Higher oil and natural gas prices have meant significant gains in employment and investment in the energy sector and have led to broad economic strength in Oklahoma. While Oklahoma City has a diverse economic base, the energy industry still has a major impact on the health of the local economy. Going forward, Oklahoma City has a number of factors in its favor. The cost of living and the cost of doing business are consistently rated among the best in the country. In addition, low commuting times, convenient airline travel, and excellent entertainment and sports opportunities make Oklahoma City a great place for businesses and residents.

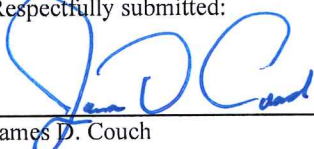
Oklahoma City is being recognized more and more as a great place to work, live, and visit. According to CNBC and Go Banking Rates, Oklahoma City was the number 1 city in the country where wages most outpaced expenses based on average annual income and average monthly living expenses. Oklahoma City was ranked as one of the top 10 "Best Cities for New Small Businesses" based on average annual revenue and profitability. The website OnlineDegrees.com rated the Oklahoma City metro as the number eleven "Best Big Cities for New Grads." Business Insider rated Oklahoma City as number 8 on their list of most popular cities everyone wants to live in right now based on factors such as migration ratio and growth rate. Southern Living magazine and Money magazine both ranked Oklahoma City as a top destination for travel.

In his February 6, 2018 report, Dr. Russel Evans, Executive Director of the Steven C. Agee Economic Research & Policy Institute of Oklahoma City University, provided his economic forecast to the City Council during the annual budget workshop. Dr. Evans highlighted state economic performance relative to the U.S. economy and how the two diverged significantly between 2015-early 2017 with Oklahoma impacted by the contraction in the oil and gas industry. Dr. Evans noted how important the metro areas in Oklahoma have become to the state economy and how much better Oklahoma City has performed on his macroeconomic performance index compared to Tulsa and the rest of the state. The macroeconomic index tracks employment, income and business creation. Dr. Evans forecasted U.S. Gross Domestic Product (GDP) to grow at a rate of 2.2% in 2018 and 2.1% in 2019. He is projecting higher growth in Oklahoma with projected gross state product growth of 3.6% in 2018 and 3.2% in 2019. The outlook for Oklahoma City is also very positive, with projections for steady growth in population, per capita personal income, and employment. Dr. Evans' fiscal forecast for Oklahoma City projects sales tax growth in FY19 of 3.0%-3.3%.

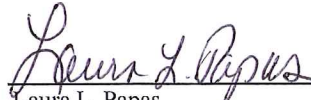
The five Trustees are nominated by the Mayor and confirmed by the City Council. The Trust participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's 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 auditor competitively selected by the City. In compliance with that resolution, the Trust engaged AGH, L.C. to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent auditors.

Respectfully submitted:

  
James D. Couch  
General Manager

  
Brent Bryant  
Economic Development  
Program Manager

  
Laura L. Papas  
City of Oklahoma City Controller

# **Financial Section**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
**Oklahoma City Economic Development Trust**  
Oklahoma City, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Oklahoma City Economic Development Trust (Trust), a discretely presented component unit of the City of Oklahoma City, Oklahoma (City), as of and for the years ended June 30, 2018 and 2017, the financial statements of each major fund of the Trust as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities as of June 30, 2018 and 2017, and each major fund of the Trust as of June 30, 2018, and the respective changes in financial position for governmental activities for the years ended June 30, 2018 and 2017, and for each major fund for the year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Fund Financial Statements Prior Year Comparative Information*

The fund financial statements include summarized prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended June 30, 2017, from which such summarized information was derived.

### *Required Supplementary Information*

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

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The accompanying transmittal letter is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

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

November 16, 2018  
Wichita, KS

## 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, 2018 and 2017. The Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Trust is a discretely presented component unit of the City of Oklahoma City (City).

### *Financial Summary*

- Trust liabilities and deferred inflows exceeded assets by \$40,001,988 (net deficit) liabilities exceeded assets by \$42,138,863 (net deficit) for 2018 and 2017, respectively.
- Total net position (deficit) is comprised of the following:
  - (1) Net investment in capital assets, of (\$24,557,110) and (\$58,212,020) for 2018 and 2017, respectively, include property and equipment, net of accumulated depreciation and related debt.
  - (2) Restricted for debt service of \$6,318,109 and \$3,770,132 for 2018 and 2017, respectively, are constrained for repayment of debt service.
  - (3) Restricted net position for public services of \$25,227,331 and \$35,161,744 for 2018 and 2017, respectively, is constrained for general obligation limited tax (GOLT) bond related economic development.
  - (4) Unrestricted deficit is \$46,990,318 for 2018 and \$22,858,719 for 2017.
- The Trust's governmental funds reported total ending fund balance totaling \$107,932,719 in 2018 and ending fund balance of \$51,500,388 in 2017 showing an increase of \$56,432,331 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 position (deficit), (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 to which the Trust has met its operating objectives efficiently and effectively using all the resources available and whether the Trust can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these statements is the statement of net position. This statement presents information that includes all of the Trust's assets and liabilities, with the difference reported as net position. Increases or decreases in net position may indicate whether the financial position of the Trust, as a whole, is improving or deteriorating, identify financial strengths and weaknesses, and be used to assess liquidity.

The second statement is the statement of activities which reports how the Trust's net position 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 four funds, all of which are governmental funds. All of the funds of the Trust are reported as major funds.

Governmental Funds

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 deficit at June 30, 2018 and 2017 is \$40,001,988 and \$42,138,863, respectively. The overall financial condition of the Trust improved in fiscal year 2018.

	<b>Summary of Net Position (Deficit)</b>						
	2018	2017	2018-2017	2018-2017	2016	2017-2016	2017-2016
			Amount	%		Amount	%
			of Change	Change		of Change	Change
<b>Assets</b>							
Current assets	\$90,494,031	\$67,277,869	\$23,216,162	34.5%	\$76,406,008	(\$9,128,139)	(11.9%)
Capital assets, net	25,412,250	18,851,685	6,560,565	34.8	44,100,775	(25,249,090)	(57.3)
Other non-current assets	<u>54,691,605</u>	<u>29,359,059</u>	<u>25,332,546</u>	86.3	<u>30,729,867</u>	<u>(1,370,808)</u>	(4.5)
<b>Total assets</b>	<b><u>170,597,886</u></b>	<b><u>115,488,613</u></b>	<b><u>55,109,273</u></b>	47.7	<b><u>151,236,650</u></b>	<b><u>(35,748,037)</u></b>	(23.6)
<b>Liabilities</b>							
Current liabilities	28,598,223	27,494,150	1,104,073	4.0	32,694,238	(5,200,088)	(15.9)
Non-current liabilities	<u>171,501,651</u>	<u>130,133,326</u>	<u>41,368,325</u>	31.8	<u>137,210,001</u>	<u>(7,076,675)</u>	(5.2)
<b>Total liabilities</b>	<b><u>200,099,874</u></b>	<b><u>157,627,476</u></b>	<b><u>42,472,398</u></b>	26.9	<b><u>169,904,239</u></b>	<b><u>(12,276,763)</u></b>	(7.2)
<b>Deferred inflows</b>	<b><u>10,500,000</u></b>	<b><u>-</u></b>	<b><u>10,500,000</u></b>	100.0	<b><u>-</u></b>	<b><u>-</u></b>	0.0
<b>Net position (deficit)</b>							
Net investment in capital assets	(24,557,110)	(58,212,020)	33,654,910	57.8	31,940,001	(90,152,021)	(282.3)
Restricted for debt service	6,318,109	3,770,132	2,547,977	67.6	8,938,069	(5,167,937)	(57.8)
Restricted for public services	25,227,331	35,161,744	(9,934,413)	(28.3)	29,931,047	5,230,697	17.5
Unrestricted	<u>(46,990,318)</u>	<u>(22,858,719)</u>	<u>(24,131,599)</u>	(105.6)	<u>(89,476,706)</u>	<u>66,617,987</u>	74.5
<b>Total net position (deficit)</b>	<b><u>(\$40,001,988)</u></b>	<b><u>(\$42,138,863)</u></b>	<b><u>\$2,136,875</u></b>	5.1	<b><u>(\$18,667,589)</u></b>	<b><u>(\$23,471,274)</u></b>	(125.7)



Current assets increased by \$23.22 million in fiscal year 2018. Cash and investments increased by \$21.47 million. Receivables decreased by \$555 thousand. Receivables from the City decreased by \$608 thousand primarily related to receipt of matching funds for sales tax. Intergovernmental advance funding decreased by \$383 thousand due to additional work performed at the Oklahoma County Annex building. Notes and economic incentives receivable increased by \$2.68 million due to new long-term, low interest loans and economic incentive loans to developers. The decrease in current assets of \$9.13 million in fiscal year 2017 is primarily due to a decrease in cash and investments of \$8.64 million. Receivable from the City decreased by \$837 thousand primarily for spending projects at the Capitol Hill Library, the Myriad Gardens erosion project, and the Quietzone project. Intergovernmental advance funding decreased by \$257 thousand due to work performed at the Oklahoma County Annex building. Notes receivable increased by \$410 thousand due to new long-term low interest loans and economic incentive loans to developers.

The increase of \$6.56 million in capital assets in fiscal year 2018 primarily consists of \$5.41 million in capital outlay, less \$442 thousand in depreciation. The decrease of \$25.25 million in capital assets in fiscal year 2017 primarily consists of \$29.86 million in donated assets and \$6.28 million in capital outlay, less \$1.66 million in depreciation.

The increase of \$25.33 million in non-current assets in fiscal year 2018 is primarily due to an increase of \$6.74 million for new investment reserves from the 2018 bond issue, an increase of \$7.65 million in new long-term low interest loans and economic incentive loans to developers, \$12.00 million for land purchased by the American Indian Cultural Center and Museum (AICCM). The decrease of \$1.37 million in fiscal year 2017 is primarily due to an increase of \$2.13 million for new long-term low interest loans and economic incentive loans to developers and a decrease of \$3.50 million in receivables from the City due to a reimbursement of advanced funding for improvements to the Amateur Softball Association (ASA) Softball Hall of Fame for \$3.00 million.

Current liabilities increased by \$1.09 million in fiscal year 2018. Accounts payable increased by \$11.14 million primarily due to the City's contribution to the AICCM project for \$9.00 million with the remaining change due to the timing of payments to vendors. Payables to the City and City component units decreased by \$490 thousand. Tax anticipation debt decreased \$16.54 million due to repayment from the proceeds from the 2018 Bond issue. Bonds payable increased by \$6.07 million due to the 2018 bond issue and interest payable increased by \$918 thousand. Current liabilities decreased by \$5.20 million in fiscal year 2017. Accounts payable decreased by \$4.23 million primarily due to timing of payments to vendors. Tax anticipation debt decreased by \$1.38 million due to normal debt payments. Bonds payable increased by \$85 thousand due to normal scheduled payments.

Non-current liabilities increased in 2018 by \$41.37 million. Tax anticipation debt decreased by \$14.38 million due to repayment from the proceeds of the 2018 bond issue. Bonds payable increased by \$55.87 million due to the new bond issue and normal scheduled payments. Non-current liabilities decreased in 2017 by \$7.08 million due to a decrease in tax anticipation debt of \$1.54 million and a decrease in bonds payable of \$5.54 million due to normal scheduled payments.

Deferred inflows increased \$10,500,000 related to the AICCM and are reported for nonexchange resources received before timing requirements were met.

	Summary of Changes in Net Position (Deficit)						
	2018	2017	2018-2017 Amount of Change	2018-2017 %	2016	2017-2016 Amount of Change	2017-2016 %
<b>Revenues</b>							
Program revenues							
Charges for services	\$ -	\$1,250	(\$1,250)	(100.0%)	\$26,074	(\$24,824)	(95.2%)
Operating grants & contributions	12,196,485	9,521,571	2,674,914	28.1	19,593,835	(10,072,264)	(51.4)
Capital grants & contributions	5,095,646	-	5,095,646	100.0	18,968	(18,968)	(100.0)
General revenues	16,679,665	16,599,881	79,784	0.5	18,475,395	(1,875,514)	(10.2)
<b>Total revenues</b>	<b>33,971,796</b>	<b>26,122,702</b>	<b>7,849,094</b>	<b>30.0</b>	<b>38,114,272</b>	<b>(11,991,570)</b>	<b>(31.5)</b>
<b>Program expenses</b>	<b>31,834,921</b>	<b>49,593,976</b>	<b>(17,759,055)</b>	<b>(35.8)</b>	<b>18,876,235</b>	<b>\$30,717,741</b>	<b>162.7</b>
<b>Changes in net position (deficit)</b>	<b>2,136,875</b>	<b>(23,471,274)</b>	<b>25,608,149</b>	<b>109.1</b>	<b>19,238,037</b>	<b>(42,709,311)</b>	<b>(222.0)</b>
Beginning net position (deficit)	(42,138,863)	(18,667,589)	(23,471,274)	(125.7)	(37,905,626)	19,238,037	50.8
<b>Ending net position (deficit)</b>	<b>(\$40,001,988)</b>	<b>(\$42,138,863)</b>	<b>\$2,136,875</b>	<b>5.1</b>	<b>(\$18,667,589)</b>	<b>(\$23,471,274)</b>	<b>(125.7)</b>

Operating grants and contributions increased by \$2.67 million in fiscal year 2018. Payments from the City increased by \$1.74 million primarily due to contributions for the new Omni Convention Center Hotel of \$371 thousand, transfers for sales tax match for \$825 thousand, and payments for the ASA Softball Hall of Fame advance funding. Investment income increased \$469 thousand. Special assessments increased \$468 thousand due to new economic incentive loans to developers. Operating grants and contributions decreased \$10.07 million in fiscal year 2017 primarily due to the issuance and subsequent transfer of GOLT bond proceeds for \$11.90 million and an offset of special assessment revenue for \$2.07 million.

General revenues increased by \$80 thousand in fiscal year 2018 primarily due to an increase in property taxes of \$315 thousand, an increase in investment income of \$9 thousand, and a decrease in miscellaneous income of \$244 thousand. General revenues decreased by \$1.88 million in fiscal year 2017. Property tax collections decreased by \$656 thousand. Other revenue decreased by \$1.22 million due to less interest on economic incentive loans from prior years.

Program expenses decreased by \$17.76 million in fiscal year 2018, primarily due to the decrease in Payments to the City relating to donation of assets in fiscal year 2017 of \$29.84 million. Other significant changes include an increase in professional services of \$10.47 million primarily due to the City's contribution to the AICCM project of \$9.00 million, increases in economic development incentives of \$622 thousand, bond issuance costs of \$504 thousand, and interest on debt of \$1.56 million, offset by a decrease in depreciation expense of \$1.21 million. Program expenses increased by \$30.72 million in fiscal year 2017. Economic incentives increased by \$2.39 million primarily due to a decrease in payments under the Strategic Investment Program (SIP) of \$2.77 million, a reimbursement to Oklahoma City Urban Renewal Authority (OCURA) for the purchase of a parcel to be used as the Convention Center support site of \$4.50 million, and an increase in developer incentives of \$660 thousand. Professional services increased \$310 thousand primarily due to an increase in management fees. Assets of \$29.84 million were donated to the City. Normal depreciation increased by \$280 thousand.

**Governmental Funds**

Governmental funds reported ending fund balances of \$107,932,719 and \$51,500,388 for the year ended June 30, 2018 and 2017, respectively. Of these year-end totals \$7,793,238 (deficit) and \$2,221,551 (deficit) at June 30, 2018 and 2017, respectively, is unassigned. Debt is used to finance the operation costs of economic development resulting in a negative unassigned fund balance.

**Capital Assets**

The Trust's investment in capital assets, net of accumulated depreciation, for the fiscal years 2018 and 2017 consists of land, construction in progress, and infrastructure purchased for future economic development. See Note II. E. for more information regarding capital assets.

			<b>Capital Assets</b>					
	<u>2018</u>	<u>2017</u>	<u>2018-2017</u> Amount <u>of Change</u>	<u>2018-2017</u> %	<u>2016</u>	<u>2017-2016</u> Amount <u>of Change</u>	<u>2017-2016</u> %	<u>Change</u>
<b>Non-Depreciable Assets</b>								
Land	\$5,955,465	\$4,359,820	\$1,595,645	36.6%	\$4,377,334	(\$17,514)	(0.4%)	
Construction in progress	<u>10,071,034</u>	<u>6,053,075</u>	<u>4,017,959</u>	66.4	<u>11,021,424</u>	<u>(4,968,349)</u>	(45.1)	
<b>Total capital assets</b>	<b><u>16,026,499</u></b>	<b><u>10,412,895</u></b>	<b><u>5,613,604</u></b>	53.9	<b><u>15,398,758</u></b>	<b><u>(4,985,863)</u></b>	(32.4)	
<b>Depreciable Assets</b>								
Buildings	2,127,833	2,286,054	(158,221)	(6.9)	2,531,587	(245,533)	(9.7)	
Infrastructure	<u>7,257,918</u>	<u>6,152,736</u>	<u>1,105,182</u>	18.0	<u>26,170,430</u>	<u>(20,017,694)</u>	(76.5)	
<b>Total depreciable assets</b>	<b><u>9,385,751</u></b>	<b><u>8,438,790</u></b>	<b><u>946,961</u></b>	11.2	<b><u>28,702,017</u></b>	<b><u>(20,263,227)</u></b>	(70.6)	
<b>Total net capital assets</b>	<b><u>\$25,412,250</u></b>	<b><u>\$18,851,685</u></b>	<b><u>\$6,560,565</u></b>	34.8	<b><u>\$44,100,775</u></b>	<b><u>(\$25,249,090)</u></b>	(57.3)	

Capital assets, net of accumulated depreciation, increased by \$6.56 million at June 30, 2018. This increase is largely due to land and construction in progress for \$5.61 million and infrastructure improvements for \$1.12 million. Capital assets, net of accumulated depreciation, decreased by \$25.25 million at June 30, 2017 primarily due to non-depreciable assets being donated to Oklahoma City Urban Renewal Authority and depreciable assets being donated to the City of Oklahoma City. Donated assets include the Bricktown infrastructure, Cottage District alleyways, City Hall lawn project, Criterion Event Center, Bicentennial Park, McGee Center Lobby and certain phases of Project 180. Depreciation expense increased \$280 thousand. The Myriad Botanical Gardens erosion project, Oklahoma City Community College Capitol Hill project, and more phases of Project 180 have not been completed.

**Long-term debt**

At the end of 2018 and 2017, the Trust had total long-term debt outstanding of \$181,175,000 and \$119,240,000, respectively.

**Tax Apportionment Bonds**

On April 1, 2013, the Trust issued two tax apportionment bonds, Series 2013A and 2013B Tax Apportionment Bonds. Series 2013A Tax Apportionment Bond proceeds of \$116,445,000, less \$881,498 in issuance costs and \$92,918,116 for payment of tax anticipation note for TIF district #8, were issued to finance construction projects in the Myriad Botanical Gardens, the Bicentennial Park, and various streetscape projects in the City. Series 2013B Tax Apportionment Bond proceeds of \$26,295,445 including \$3,455,455 in premiums, less \$313,289 in issuance costs, were issued to finance construction of various other infrastructure and public improvements in downtown Oklahoma City. On January 30, 2018 the Trust issued Tax Apportionment Bonds, Series 2018. The proceeds of \$66,850,805, less \$504,195 in issuance costs were used to pay \$33,740,430 of tax anticipation notes for TIF district 2 and to finance construction of infrastructure and public improvements in downtown Oklahoma City. The bonds are payable solely from the Trust. See Note III. B. for more information regarding tax apportionment bonds.

	<b>Outstanding Long-term Debt</b>						
			2018 - 2017	2018 - 2017			2017 - 2016
			Amount of	%			Amount of
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Change</u>	<u>2016</u>	<u>Change</u>	<u>Change</u>
<b>Tax Apportionment Bonds</b>	<b><u>\$181,175,000</u></b>	<b><u>\$119,240,000</u></b>	<b><u>\$61,935,000</u></b>	51.9%	<b><u>\$124,575,000</u></b>	<b><u>(\$5,335,000)</u></b>	(4.3%)

The change in outstanding debt for 2018 and 2017 is the result of the net of the issuance of bonds and normal payments made. See Note III. C. for more information regarding changes in long-term debt.

**Bond Ratings**

Standard and Poor's rating agency rates the Trust bonds AA.

**Economic Factors**

Due to the rebound in the energy sector, the City experienced a boost in construction and improvement projects with an increased number of economic incentive packages.

**Contacting the Trust's Financial Management**

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

# **Basic Financial Statements**



## ***Trust-wide Financial Statements***

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

## ***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.*

**STATEMENTS OF NET POSITION (DEFICIT)**  
**June 30,**

**OKLAHOMA CITY ECONOMIC  
DEVELOPMENT TRUST**

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Pooled cash-----	\$16,468	\$1,686,723
Non-pooled cash-----	1,304,344	1,062,707
Investments-----	74,952,662	52,051,704
Property taxes receivable-----	5,952,202	5,880,554
Interest receivable-----	124,430	143,598
Receivable from the City of Oklahoma City-----	2,835,129	3,443,015
Intergovernmental advance funding-----	421,149	804,040
Notes and economic incentives receivable-----	4,887,647	2,205,528
Total current assets-----	<u>90,494,031</u>	<u>67,277,869</u>
<b><u>NON-CURRENT ASSETS</u></b>		
Investments-----	16,510,656	9,775,156
Receivable from the City of Oklahoma City-----	1,450,000	2,500,000
Notes and economic incentives receivable-----	36,730,949	17,083,903
Capital assets:		
Land and construction in progress-----	16,026,499	10,412,895
Other capital assets, net of accumulated depreciation-----	9,385,751	8,438,790
Total capital assets-----	<u>25,412,250</u>	<u>18,851,685</u>
Total non-current assets-----	<u>80,103,855</u>	<u>48,210,744</u>
<b>Total assets-----</b>	<b><u>170,597,886</u></b>	<b><u>115,488,613</u></b>
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable and accrued expenses-----	13,624,140	2,485,975
Payable to component units of the City of Oklahoma City-----	9,683	327,027
Payable to the City of Oklahoma City-----	565,541	728,651
Tax anticipation debt-----	524,237	17,066,089
Bond interest payable-----	2,384,622	1,466,408
Bonds payable-----	11,490,000	5,420,000
Total current liabilities-----	<u>28,598,223</u>	<u>27,494,150</u>
<b><u>NON-CURRENT LIABILITIES</u></b>		
Non-current tax anticipation debt-----	-	14,375,000
Bonds payable:		
Bonds payable-----	169,685,000	113,820,000
Unamortized bond premium-----	1,816,651	1,938,326
Bonds payable, net-----	<u>171,501,651</u>	<u>115,758,326</u>
Total non-current liabilities-----	<u>171,501,651</u>	<u>130,133,326</u>
<b>Total liabilities-----</b>	<b><u>200,099,874</u></b>	<b><u>157,627,476</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b> -----	<b><u>10,500,000</u></b>	<b><u>-</u></b>
<b><u>NET DEFICIT</u></b>		
Net investment in capital assets-----	(24,557,110)	(58,212,020)
Restricted for: Debt service-----	6,318,109	3,770,132
Public services-----	25,227,331	35,161,744
Unrestricted-----	(46,990,318)	(22,858,719)
<b>Total net deficit-----</b>	<b><u>(\$40,001,988)</u></b>	<b><u>(\$42,138,863)</u></b>

See accompanying notes to financial statements.



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

**OKLAHOMA CITY ECONOMIC**  
**DEVELOPMENT TRUST**

	<u>2018</u>	<u>2017</u>
<b><u>PROGRAM EXPENSES</u></b>		
Materials and supplies-----	\$225,464	\$39,377
Economic incentives and other contracts-----	8,550,003	7,928,445
Professional services-----	11,700,653	1,228,334
Assets donated to others-----	-	17,514
Other services and charges-----	1,855,341	1,881,393
Payments to the City of Oklahoma City-----	1,303,060	30,816,919
Payments to component units of the City of Oklahoma City-----	-	327,027
Depreciation-----	441,776	1,655,716
Loss on disposal of assets-----	4,314	5,000
Bond issuance costs-----	504,195	-
Other debt service-----	2,850	2,850
Interest on debt-----	7,247,265	5,691,401
<b>Total program expenses-----</b>	<b><u>31,834,921</u></b>	<b><u>49,593,976</u></b>
<b><u>PROGRAM REVENUES</u></b>		
<b><u>CHARGES FOR SERVICES</u></b>		
Economic development-----	-	1,250
<b><u>OPERATING GRANTS AND CONTRIBUTIONS</u></b>		
Payments from the City of Oklahoma City-----	3,587,494	1,850,000
Special assessments-----	7,777,818	7,309,842
Restricted investment income-----	831,173	361,729
<b><u>CAPITAL GRANTS AND CONTRIBUTIONS</u></b>		
Other capital grants and contributions-----	5,095,646	-
<b>Total program revenues-----</b>	<b><u>17,292,131</u></b>	<b><u>9,522,821</u></b>
<b>Net (expense) revenue-----</b>	<b><u>(14,542,790)</u></b>	<b><u>(40,071,155)</u></b>
<b><u>GENERAL REVENUES</u></b>		
Tax increment financing property taxes-----	16,663,729	16,348,570
Investment income-----	15,936	7,235
Other-----	-	244,076
<b>Total general revenues-----</b>	<b><u>16,679,665</u></b>	<b><u>16,599,881</u></b>
<b>Change in net position (deficit)-----</b>	<b><u>2,136,875</u></b>	<b><u>(23,471,274)</u></b>
Net position (deficit)-beginning-----	(42,138,863)	(18,667,589)
<b>Net position (deficit)-ending-----</b>	<b><u>(\$40,001,988)</u></b>	<b><u>(\$42,138,863)</u></b>

See accompanying notes to financial statements.

**BALANCE SHEETS**  
**June 30,**

**OKLAHOMA CITY ECONOMIC  
DEVELOPMENT TRUST**

	2018				2017	
	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Economic Development Fund	Convention Center Hotel Fund	Total	Total
<b>ASSETS</b>						
Pooled cash-----	\$16,468	\$ -	\$ -	\$ -	\$16,468	\$1,686,723
Non-pooled cash-----	1,304,344	-	-	-	1,304,344	1,062,707
Investments-----	55,385,200	18,429,801	757,837	379,824	74,952,662	52,051,704
Property taxes receivable-----	5,952,202	-	-	-	5,952,202	5,880,554
Interest receivable-----	105,638	17,698	728	366	124,430	143,598
Due within the Trust-----	408,613	(384,621)	(15,390)	(8,602)	-	-
Receivable from City of Oklahoma City-----	1,817,426	800,000	217,703	-	2,835,129	3,443,015
Intergovernmental advance funding-----	421,149	-	-	-	421,149	804,040
Notes and economic incentives receivable, current-----	2,887,647	-	2,000,000	-	4,887,647	2,205,528
Notes and economic incentives receivable, non-current-----	24,730,949	-	12,000,000	-	36,730,949	17,083,903
Investments, non-current-----	16,510,656	-	-	-	16,510,656	9,775,156
Advance to other funds-----	-	1,300,000	-	-	1,300,000	-
Receivable from City of Oklahoma City, non-current-----	-	1,450,000	-	-	1,450,000	2,500,000
<b>Total assets-----</b>	<b>109,540,292</b>	<b>21,612,878</b>	<b>14,960,878</b>	<b>371,588</b>	<b>146,485,636</b>	<b>96,636,928</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued expenditures-----	2,150,490	249,335	11,224,315	-	13,624,140	2,485,975
Payable to component units, current-----	-	9,683	-	-	9,683	327,027
Payable to City of Oklahoma City General Fund-----	11,860	-	553,681	-	565,541	728,651
Tax anticipation notes payable-----	524,237	-	-	-	524,237	31,441,089
Advance from other funds-----	1,300,000	-	-	-	1,300,000	-
Total liabilities-----	3,986,587	259,018	11,777,996	-	16,023,601	34,982,742
<b>DEFERRED INFLOWS OF RESOURCES-----</b>	<b>12,027,250</b>	<b>1,945</b>	<b>10,500,081</b>	<b>40</b>	<b>22,529,316</b>	<b>10,153,798</b>
<b>FUND BALANCES</b>						
Non-spendable-----	421,149	-	-	-	421,149	804,040
Restricted-----	93,581,345	21,351,915	-	-	114,933,260	52,917,899
Committed-----	-	-	-	371,548	371,548	-
Unassigned-----	(476,039)	-	(7,317,199)	-	(7,793,238)	(2,221,551)
Total fund balances-----	93,526,455	21,351,915	(7,317,199)	371,548	107,932,719	51,500,388
<b>Total liabilities, deferred inflows of resources and fund balances-----</b>	<b>\$109,540,292</b>	<b>\$21,612,878</b>	<b>\$14,960,878</b>	<b>\$371,588</b>	<b>\$146,485,636</b>	<b>\$96,636,928</b>
<b>RECONCILIATION OF THE BALANCE TO THE STATEMENT OF NET POSITION (DEFICIT)</b>						
Total fund balances-----	\$93,526,455	\$21,351,915	(\$7,317,199)	\$371,548	\$107,932,719	\$51,500,388
Capital assets-----	25,673,424	-	1,595,645	-	27,269,069	20,267,878
Accumulated depreciation-----	(1,856,819)	-	-	-	(1,856,819)	(1,416,193)
Earned but unavailable revenue-----	12,027,250	1,945	81	40	12,029,316	10,153,798
Long-term debt-----	(182,991,651)	-	-	-	(182,991,651)	(121,178,326)
Interest payable on long-term debt-----	(2,384,622)	-	-	-	(2,384,622)	(1,466,408)
<b>Total net position (deficit)-----</b>	<b>(\$56,005,963)</b>	<b>\$21,353,860</b>	<b>(\$5,721,473)</b>	<b>\$371,588</b>	<b>(\$40,001,988)</b>	<b>(\$42,138,863)</b>

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**

	2018				2017	
	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Economic Development Fund	Convention Center Hotel Fund	Total	Total
<b>REVENUES</b>						
Property taxes-----	\$16,602,636	\$ -	\$ -	\$ -	\$16,602,636	\$16,280,348
Investment income-----	626,338	200,355	15,151	658	842,502	368,964
Rental income-----	-	-	-	-	-	1,250
Special assessments-----	5,791,407	-	-	-	5,791,407	6,125,758
Payments from the City of Oklahoma City-----	1,983,237	150,000	1,259,960	370,890	3,764,087	3,215,174
Other-----	-	-	-	-	-	244,076
<b>Total revenues-----</b>	<b>25,003,618</b>	<b>350,355</b>	<b>1,275,111</b>	<b>371,548</b>	<b>27,000,632</b>	<b>26,235,570</b>
<b>EXPENDITURES</b>						
Materials and supplies-----	225,464	-	-	-	225,464	39,377
Economic incentives and other contracts-----	3,974,569	4,543,169	32,265	-	8,550,003	7,928,445
Professional services-----	139,097	182,766	11,378,790	-	11,700,653	1,228,334
Payments to component units-----	-	-	-	-	-	327,027
Payments to the City of Oklahoma City-----	974,086	-	328,974	-	1,303,060	977,908
Other services and charges-----	1,682,708	172,368	265	-	1,855,341	1,881,393
Capital outlay-----	5,411,012	-	-	-	5,411,012	6,268,151
Debt service-----	12,377,768	-	-	-	12,377,768	11,175,394
<b>Total expenditures-----</b>	<b>24,784,704</b>	<b>4,898,303</b>	<b>11,740,294</b>	<b>-</b>	<b>41,423,301</b>	<b>29,826,029</b>
<b>OTHER FINANCING SOURCES</b>						
Capital financing-----	-	-	1,500,000	-	1,500,000	-
Sale of assets-----	-	-	2,000,000	-	2,000,000	-
Long-term debt issued-----	67,355,000	-	-	-	67,355,000	-
<b>Net other financing sources-----</b>	<b>67,355,000</b>	<b>-</b>	<b>3,500,000</b>	<b>-</b>	<b>70,855,000</b>	<b>-</b>
<b>Net change in fund balances-----</b>	<b>67,573,914</b>	<b>(4,547,948)</b>	<b>(6,965,183)</b>	<b>371,548</b>	<b>56,432,331</b>	<b>(3,590,459)</b>
Fund balance, beginning-----	25,952,541	25,899,863	(352,016)	-	51,500,388	\$55,090,847
<b>Fund balances, ending-----</b>	<b>\$93,526,455</b>	<b>\$21,351,915</b>	<b>(\$7,317,199)</b>	<b>\$371,548</b>	<b>\$107,932,719</b>	<b>\$51,500,388</b>
<b>RECONCILIATION OF STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES</b>						
Net changes in fund balances-----	\$67,573,914	(\$4,547,948)	(\$6,965,183)	\$371,548	\$56,432,331	(\$3,590,459)
Capital outlay-----	5,411,012	-	-	-	5,411,012	6,268,151
Depreciation expense-----	(441,776)	-	-	-	(441,776)	(1,655,716)
Issuance of long-term debt-----	(67,355,000)	-	-	-	(67,355,000)	-
Principal and interest on long-term debt-----	4,623,458	-	-	-	4,623,458	5,481,143
Loss on disposal of assets-----	(4,314)	-	-	-	(4,314)	(5,000)
Gain on disposal of assets-----	-	-	(2,000,000)	-	(2,000,000)	-
Donated assets-----	-	-	3,595,646	-	3,595,646	-
Assets donated to others-----	-	-	-	-	-	(29,856,525)
Recognition of earned but unavailable revenue-----	1,873,452	1,945	81	40	1,875,518	(112,868)
<b>Change in net position (deficit)-----</b>	<b>\$11,680,746</b>	<b>(\$4,546,003)</b>	<b>(\$5,369,456)</b>	<b>\$371,588</b>	<b>\$2,136,875</b>	<b>(\$23,471,274)</b>

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 notes are organized to provide explanations, including required disclosures, of the Oklahoma City Economic Development Trust (Trust) financial activities for the fiscal years ended June 30, 2018 and 2017.

### I. B. BASIS OF PRESENTATION

#### I. B. 1. REPORTING ENTITY AND RELATIONSHIP TO THE CITY OF OKLAHOMA CITY (CITY)

The Trust was created as a public trust pursuant to Title 60 of the Oklahoma Statutes, section 176, et seq., on October 9, 2007, with the 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 since the City appoints the Board of Trustees (Board) and the Trust is fiscally dependent on the City, as major revenues of the Trust are derived from interfund payments from the City for sales and property tax revenues. The Trust's net position represents cash and investments related to bond proceeds, capital assets, TIF sales taxes, and related debt for notes and bonds. The Trust is discretely presented since the majority of the Board is not the same as the voting majority of the City Council.

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 the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

#### *Management Agreements*

##### **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 July 1, 2016, through June 30, 2021. The thirteen member AEDOC Board includes the City Manager and a City Council representative. Financial information can be obtained at 105 N. Hudson Suite 100, Oklahoma City, OK 73102.

**Oklahoma City Economic Development Foundation (OCEDF)**

The OCEDF works to improve economic growth in the greater Oklahoma City area. The Trust has a professional service agreement with the OCEDF to provide certain economic development services for the Trust and the City. The agreement was effective July 1, 2017, through June 30, 2018. 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.

**American Indian Cultural Center and Museum (AICCM)**

The AICCM is a not-for-profit facility designed for visitors to rediscover the history of how American Indian values are expressed through language, arts, dance, music, literature, crafts, and other traditions. The City entered into a professional agreement with AICCM Land Development, LLC, to manage and operate the AICCM pre and post-completion on August 17, 2017.

***Trust Administration***

The Trust has no employees. Trust activities are performed by City employees. City employees external to the Trust perform some administrative functions which are reimbursed through administrative chargebacks recorded with operating expenses of the Trust.

**I. B. 2. BASIC FINANCIAL STATEMENTS**

The basic financial statements include the statement of net position (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 position (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 position and statement of activities report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Capital assets are recorded when purchased or constructed and depreciated over their useful lives.



### *Fund Financial Statements*

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

#### **General Fund**

##### Economic Development Fund

This fund provides funding for contracts for economic development professional services and for miscellaneous economic development projects, including any conduit financing or infrastructure improvements pursuant to economic development agreements and retail incentives.

#### **Special Revenue Funds**

##### Convention Center Hotel Fund

This fund accounts for expenditures and related debt funding for the construction of the City convention center hotel.

##### Tax Increment Financing (TIF) Fund

This fund accounts for TIF activities of the Trust. In 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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY**

#### **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 November 2017.

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.

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

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

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

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

Level 3 - Significant unobservable prices or inputs.

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

#### **I. D. 2. PROPERTY TAXES RECEIVABLE**

Property taxes are collected and remitted to the Trust by Oklahoma County for specifically identified TIF districts. Taxes are levied annually. Property taxes receivable are estimated from the prior calendar year receipts. In the governmental fund financial statements, property taxes revenues are recorded in the TIF Fund for all receipts during the year and for 60 days after year-end.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due to the Trust regardless of when cash is received.

#### **I. D. 3. 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 position 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 donated to the City upon final acceptance by the Economic Development Trustees and formal acceptance by the City.

#### **I. D. 4. DEFERRED INFLOWS OF RESOURCES**

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future or future periods and will not be recognized as revenue until that time. Unavailable revenue is reported only in the governmental fund balance sheet. These amounts are deferred and recognized as revenue in the period the amounts become available.

#### **I. D. 5. TIF**

TIF is an economic development tool that uses future gains in taxes to finance current improvements which will create the conditions for those future gains. When a development project is carried out the increase in the value of surrounding real estate, and perhaps new investment, is expected to increase property and/or sales tax revenues that 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 Authority (OCPPA) and the Oklahoma City Redevelopment Authority (OCRA) currently have TIF districts in place.

#### **I. D. 6. 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, non-current receivables and advances, and restricted non-current bond reserve investments.

##### **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 Position*

Net investment in capital assets and legally restricted amounts are separated from unrestricted net position.

### **Net Investment in Capital Assets**

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

### **Restricted Net Position**

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

## **I. D. 7. 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. D. 8. RISK MANAGEMENT**

The Trust's risk management activities are recorded in the City Risk Management Fund and the Oklahoma City Municipal Facilities Authority (OCMFA) Services Fund. The purpose of these funds is to administer property and liability insurance programs of the City, in which the Trust participates. These funds account for the risk financing activities of the Trust and constitute a transfer of risk from the Trust.

The Trust pays premiums to the City included with other administrative chargebacks and has no other costs or liabilities related to risk management activities. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the City Risk Management Fund and the OCMFA Services Fund.

## **I. E. MAJOR REVENUES**

Revenues primarily consist of property taxes designated for TIF districts paid directly to the Trust from Oklahoma County. The increment captured in the TIF property tax collections are partially generated by economic development incentives that make possible investment, development, and growth in these areas thereby reversing economic stagnation and decline. Taxes levied annually on November 1 are due one-half by December 31 and one-half by March 31, with the majority of tax payments received December through April. Lien dates for real property are in June and October, respectively. Revenues also consist of payments from the City for TIF sales tax revenues and state match collected and paid to the Trust by the City and payments from the City from GOLT bond proceeds for economic development.

## **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**

**II. A. 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 provided by commercially available bank rating services or on 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 by the City Treasurer of the institutions' financial strength in accordance with the investment policy.

At June 30, 2018 and 2017, the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust or the City, 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, 2018								
	Cost	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Federal obligations	\$4,972,037	\$4,951,562	\$ -	\$4,951,562	\$ -	\$ -	AA+/Aaa	11.80
Money market (4)(5)	81,534,361	81,534,361	81,534,361	-	-	-	AAA/Aaa	0.78
Fannie Mae	4,971,762	4,977,395	-	4,977,395	-	-	AAA/Aaa	5.57
	<b><u>\$91,478,160</u></b>	<b><u>\$91,463,318</u></b>	<b><u>\$81,534,361</u></b>	<b><u>\$9,928,957</u></b>	<b><u>\$-</u></b>	<b><u>\$-</u></b>		

*(continued)*

*Investments (continued)*

June 30, 2017								
	<u>Cost</u>	<u>Fair Value/ Carrying Amount</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Measured at NAV (1)</u>	<u>Average Credit Quality/ Ratings (2)</u>	<u>Weighted Average (months) (3)</u>
Money market (4)(5)	<u>\$61,826,860</u>	<u>\$61,826,860</u>	<u>\$61,826,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	AAA/Aaa	1.47

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

***Fair Value Measurement***

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

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

Federal obligations consist of Federal Home Loan Bank notes. These securities use pricing models that maximize the use of observable inputs for similar securities and are valued at level 2. Fannie Mae notes use similar pricing models and are also valued at level 2.

**Investment policy**

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 excluding U.S. government securities and those issued by government sponsored enterprises, SLGS, and City judgments. Additionally, no more than 5% of the total Trust portfolio may be placed with any single financial institution excluding U.S. government securities and those issued by government sponsored enterprises, savings, money market funds, SLGS, City judgments, and repurchase agreements.

Portfolio Structure (1)

Investment Type Limitations		Maturity Limitations	
Percentage of Total Invested Principal		Percentage of Total Invested Principal	
	<u>Maximum % (2)</u>		<u>Maximum % (4)</u>
Repurchase agreements	100.0%	0-1 year	100.0%
U.S. Treasury securities (3)	100.0	1-3 years	90.0
Certificates of deposit	50.0	3-5 years	90.0
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.

**Bond Indenture Restrictions**

The Trust’s bond indenture restricts investments to the: (1) direct obligations of the Department of the Treasury of the U.S.; (2) obligations of any of the following Federal agencies which obligations represent full faith and credit of the U.S. including: (a) Export – Import Bank, (b) Farmers Home Administration, (c) General Services Administration, (d) U.S. Maritime Administration, (e) Small Business Administration, (f) Government National Mortgage Association (GNMA), (g) U.S. Department of Housing & Urban Development (PHA’s), (h) Federal Housing Administration; (3) bonds, notes or other evidences or indebtedness rated AAA by Standard & Poor’s Corporation and Aaa by Moody’s Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (4) U.S. dollar denominated deposit accounts, Federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by Standard & Poor’s Corporation and P-1 by Moody’s Investors Service and maturing no more than 360 days after the date of purchase; (5) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by Standard & Poor’s and P-1 by Moody’s Investors Service and which matures not more than 270 days after the date of purchase; (6) investments in a money market fund rated in the highest rating categories by Standard & Poor’s Corporation and Moody’s Investors Service; (7) certain pre-refunded municipal obligations; (8) investment agreements supported by appropriate opinions of counsel as to enforceability; and (9) certificates of deposit properly secured at all times by collateral security described in (1) or (2) above. Such certificates of deposit are only acceptable with commercial banks, savings and loan associations, and mutual savings banks.

**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 and bond indenture requirements are 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.

**Restricted Deposits and Investments**

	<u>2018</u>	<u>2017</u>
Bond principal and interest accounts	\$2,170,887	\$2,206,241
Project accounts	28,726,794	6,648,225
Bond reserve	<u>16,510,656</u>	<u>9,775,156</u>
	<u>\$47,408,337</u>	<u>\$18,629,622</u>

**II. B. RECEIVABLES**

**Property Taxes Receivable**

At June 30, 2018 and 2017, receivables of \$5,952,202 and \$5,880,554, respectively, represent tax incremental financing property taxes. Amounts received 60 days after year-end are recorded as unavailable revenues in governmental funds.



## II. C. NOTES AND ECONOMIC INCENTIVE RECEIVABLE

### *Notes Receivable*

#### **10th Street Parking Garage and Mixed Use Project Receivable**

On November 18, 2014, the Trust provided \$1,000,000 to 10th & Broadway Parking, LLC in the form of a low-interest, non-forgivable loan to construct a multi-story parking garage to make possible investment, development and economic growth in the area, thereby reversing economic stagnation and decline. Interest on the note will accrue at 1.5% and the length of the note is not to exceed 20 years. As of June 30, 2018 and 2017, \$873,747 and \$918,796, respectively, is receivable on the note.

#### **Steelyard Residential and Commercial Building Project Note Receivable**

On March 9, 2015, the Trust provided \$1,000,000 to Bricktown Apartments, LLC in the form of a low-interest, non-forgivable loan to rehabilitate infrastructure that is necessary for the development of the residential and commercial project to make possible investment, development and economic growth in the area, thereby reversing economic stagnation and decline. Interest on the note will accrue at 2.5% and the length of the note is not to exceed 10 years. As of June 30, 2018 and 2017, \$1,081,449 and \$1,054,830 respectively, is receivable on the note.

#### **21c Hotel & Museum Project Note Receivable**

On June 22, 2015, the Trust provided \$3,300,000 to 21c OKC, LLC in the form of a low-interest, non-forgivable loan for renovation of commercial space into a hotel, art museum, and restaurant to make possible investment, development and economic growth in the area, thereby reversing economic stagnation and decline. Interest on the note will accrue at an accelerated rate of 0.5% years 1 through 5, 1.0% years 5 through 7 and 3.0% years 8 through 20. The length of the note is not to exceed 20 years. As of June 30, 2018 and 2017, \$2,323,146 is receivable on the note.

#### **Century Center Mixed Use Redevelopment Project Note Receivable**

On September 8, 2015, the Trust provided \$800,000 to 100 Main, LLC in the form of a low-interest, non-forgivable loan for redevelopment of parking, office space, and other commercial, restaurant or retail space to make possible investment, development and economic growth in the area, thereby reversing economic stagnation and decline. Interest on the note will accrue at an accelerated rate of 2.0% and the length of the note is not to exceed 15 years. As of June 30, 2018 and 2017, \$676,409 and \$724,292, respectively, is receivable on the note.

#### **Journal Record Building Redevelopment Project**

During fiscal year 2018, the Trust provided \$1,875,000 in the form of a forgivable, low interest loan to JRB Holdings, LLC for redeveloping the Commercial Unit of the Journal Record Building Condominiums into commercial office space and related uses and construction of a multistory parking structure. Interest will accrue at a rate of 2.11%, adjusted annually, with a term of 7 years. At June 30, 2018, \$1,651,946 is receivable on the note.

#### **NE 23rd Street Clinic**

On March 19, 2018, the Trust disbursed \$600,000 in the form of a forgivable, no interest loan to TwoYetMany for the redevelopment of commercial space into a medical clinic to make possible investment, development and economic growth in the area, thereby reversing economic stagnation and decline. At June 30, 2018, \$600,000 is receivable on the note.

#### **AICCM**

On June 30, 2018, the Trust recorded \$14,000,000 in a no interest loan to the AICCM for the purchase of land to redevelop the existing structure into a cultural and educational museum. At June 30, 2018, \$14,000,000 is receivable on the note.

*Economic Incentives Receivable*

OCEDT provides assistance in development financing to various developers, in anticipation of generating increased property tax value in TIF district #2. The developer agrees to make a minimum annual property tax payment. The minimum payments, less the base tax, continue until the total, including finance charges, is reached or TIF district #2 expires or terminates. Amounts are presented in thousands:

TIF 2	<u>Loan Date</u>	<u>Loan Amount</u>	<u>Finance Charges</u>	<u>Minimum Tax</u>	<u>Base Tax</u>	<u>Outstanding Balance</u>
Midtown HC #1 mixed use project	4/29/2013	\$1,000	\$309	\$210	\$23	\$341
Midtown HC #2 mixed use project	7/7/2014	1,100	382	201	13	757
4th Street residential project	10/13/2014	1,000	365	191	8	600
	8/15/2017	1,000	202	200	14	988
Carnegie Centre mixed use project	2/12/2015	370	95	85	11	156
City Center residential project	2/16/2015	1,250	231	229	18	252
10th Street parking garage and mixed use project	4/9/2015	2,000	611	260	22	1,876
Edge Apartments residential redevelopment project	2/2/2016	1,500				
	12/15/2016	400	298	363	-	1,430
	12/14/2017	400				
Mideke Commercial Office Building redevelopment project	3/10/2016	1,000	210	191	38	726
Century Center mixed use redevelopment project	9/8/2015	1,250	316	184	24	1,061
Level West (Mosaic) Residential Apartments project	9/9/2016	1,150	291	172	7	1,137
21c Hotel and Museum project	10/21/2016	2,000	1,404	214	23	3,020
Sunshine Cleaners mixed use project	3/17/2017	550	196	31	9	705
Journal Record Building	7/14/2017	875	406	150	-	1,131
Journal Record Garage	7/14/2017	1,500	1,015	50	-	2,465
10th & Shartel Apartments	12/18/2017	3,000	773	450	-	3,323
Townhouse Hotel	5/11/2018	350	122	29	13	444
						<u>\$20,412</u>

**II. D. INTERGOVERNMENTAL ADVANCE FUNDING**

On January 18, 2013, the Board of County Commissioners of Oklahoma County requested \$4,000,000 in TIF district #8 funds to support their County Annex Building renovation. On December 9, 2013, Oklahoma County requested and the Trust approved a \$2,250,000 advance distribution to secure a contract for HVAC construction. The County has spent \$382,891 and \$256,682 during 2018 and 2017, respectively. At year-end 2018 and 2017, the unspent balance of the advance is \$421,149 and \$804,040, respectively.

II. E. CAPITAL ASSETS

*Changes in Capital Assets*

	2018						
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
<u>CAPITAL ASSETS</u>							
Balance, June 30, 2017	\$4,359,820	\$6,053,075	\$10,412,895	\$2,628,134	\$7,226,849	\$9,854,983	\$20,267,878
Increases	3,595,645	5,405,546	9,001,191	-	-	-	9,001,191
Decreases	(2,000,000)	-	(2,000,000)	-	-	-	(2,000,000)
Transfers	-	(1,387,587)	(1,387,587)	-	1,387,587	1,387,587	-
Balance, June 30, 2018	<u>5,955,465</u>	<u>10,071,034</u>	<u>16,026,499</u>	<u>2,628,134</u>	<u>8,614,436</u>	<u>11,242,570</u>	<u>27,269,069</u>
<u>ACCUMULATED DEPRECIATION</u>							
Balance, June 30, 2017				342,080	1,074,113	1,416,193	1,416,193
Increases				92,363	349,413	441,776	441,776
Decreases				-	(1,150)	(1,150)	(1,150)
Transfers				65,858	(65,858)	-	-
Balance, June 30, 2018				<u>500,301</u>	<u>1,356,518</u>	<u>1,856,819</u>	<u>1,856,819</u>
<b>Capital assets, Net</b>	<b><u>\$5,955,465</u></b>	<b><u>\$10,071,034</u></b>	<b><u>\$16,026,499</u></b>	<b><u>\$2,127,833</u></b>	<b><u>\$7,257,918</u></b>	<b><u>\$9,385,751</u></b>	<b><u>\$25,412,250</u></b>

	2017						
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
<u>CAPITAL ASSETS</u>							
Balance, June 30, 2016	\$4,377,334	\$11,021,424	\$15,398,758	\$2,803,127	\$28,663,775	\$31,466,902	\$46,865,660
Increases	-	6,268,151	6,268,151	-	-	-	6,268,151
Decreases	(17,514)	(163,995)	(181,509)	(174,993)	(32,509,431)	(32,684,424)	(32,865,933)
Transfers	-	(11,072,505)	(11,072,505)	-	11,072,505	11,072,505	-
Balance, June 30, 2017	<u>4,359,820</u>	<u>6,053,075</u>	<u>10,412,895</u>	<u>2,628,134</u>	<u>7,226,849</u>	<u>9,854,983</u>	<u>20,267,878</u>
<u>ACCUMULATED DEPRECIATION</u>							
Balance, June 30, 2016				271,540	2,493,345	2,764,885	2,764,885
Increases				87,621	1,568,095	1,655,716	1,655,716
Decreases				(17,081)	(2,987,327)	(3,004,408)	(3,004,408)
Balance, June 30, 2017				<u>342,080</u>	<u>1,074,113</u>	<u>1,416,193</u>	<u>1,416,193</u>
<b>Capital assets, net</b>	<b><u>\$4,359,820</u></b>	<b><u>\$6,053,075</u></b>	<b><u>\$10,412,895</u></b>	<b><u>\$2,286,054</u></b>	<b><u>\$6,152,736</u></b>	<b><u>\$8,438,790</u></b>	<b><u>\$18,851,685</u></b>

*Depreciation Expense*

Depreciation expense was charged to the Trust in the amount of \$441,776 for the fiscal year ending 2018 and \$1,655,716 for the fiscal year ending 2017.

*Assets Donated to Others*

**Assets Donated to the City**

Generally, assets constructed or purchased by the Trust to further economic development but not intended to be held for economic incentive purposes, are subsequently donated to the party that will maintain the asset in the future. On April 18, 2017, the Trust donated improvements to the City with a net book value of \$29,839,011. This amount is reported with payments to the City in the Trust-wide financial statements. No assets were donated in fiscal year 2018.

**Assets Donated to the Oklahoma City Urban Renewal Authority (OCURA)**

The City will construct a new convention center as part of the MAPS3 program. On September 20, 2016, the Trust donated real property within the footprint of the new convention center with a net book value of \$17,514 to OCURA. This amount is reported as assets donated to others on the Trust-wide financial statements.

**III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

**III. A. 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 districts #2 and #3 line of credit in the amount of \$20,523,262. The loan was paid in full in January 2018 with the Series 2018 Bonds.

On April 16, 2014, the Trust issued Private Placement Tax Anticipation Note 2014 from JP Morgan Chase Bank, N.A. in the amount of \$10,000,000, or such lesser amount as may be advanced by the Bank, with a rate of London Interbank Offered Rate (LIBOR) plus 60 basis points and a due date of June 30, 2014. On June 17, 2014, the note was extended to June 30, 2015. On March 15, 2015, the note was extended to June 30, 2016, and the maximum amount was changed from \$10,000,000 to \$18,000,000. On March 30, 2015, the Trust made a draw on the note in the amount of \$6.58 million to pay for completed projects. On April 26, 2016, the note was extended to June 30, 2017, and the maximum amount was changed from \$18,000,000 to \$25,000,000. On May 16, 2017, the note was extended to March 31, 2018. The Trust made additional draws on February 5, 2016, in the amount of \$3.00 million and on March 23, 2016, in the amount of \$3.50 million, and December 2017, in the amount of \$4,750,000 to pay for completed projects and TIF allocations. The loan was paid in full in January 2018 with the Series 2018 bonds.

**TIF Districts #4 and #5**

In October 2004, Dell Incorporated (Dell) announced the selection of the City as the permanent site of the Dell Business Services Center. In November 2004, the City Council approved a Memorandum of Understanding (MOU) with Dell that outlined the incentives to be provided to Dell as a result of the selection of the City. The MOU required the City to provide land and infrastructure improvements to the site along with job creation grants. In December 2004, OCPPA approved the incurrence of indebtedness to JP Morgan Chase for a \$12,000,000 line of credit (LOC) with a rate of LIBOR (30 day) plus 45 basis points with full repayment due on or before December 15, 2006. The financing requires a moral (not legal) pledge by the City in the event that proceeds of the tax increment debt issued by a City beneficiary trust are insufficient to repay the LOC.

In March 2005, the Trust increased the LOC by an additional \$4,000,000 to \$16,000,000 to fund a site improvement contract for dynamic compaction. On November 14, 2006, OCPPA authorized the extension of the terms of the note that increased the amount to \$16,000,000 and extended the maturity date to December 1, 2007. On November 20, 2007, the OCPPA authorized an extension of the maturity date to December 1, 2008. On November 18, 2008, the OCPPA authorized an extension of the LOC maturity date to June 30, 2009; a decrease in the LOC from \$16,000,000 to \$13,000,000; and an increase in interest rate to LIBOR (30 day) plus 90 basis points. On June 23, 2009, the OCPPA authorized an extension of the maturity date to June 30, 2010, a decrease in the LOC to \$12,000,000, and an increase in the interest rate to LIBOR plus 105 basis points. On June 21, 2011, the OCPPA authorized an extension of the LOC maturity date to June 30, 2012; a decrease in the LOC from \$12,000,000 to \$11,000,000; and an increase in the interest rate to LIBOR plus 115 basis points. On June 26, 2012, the Trust authorized an extension of the LOC maturity date to June 30, 2013; a decrease in the LOC from \$11,000,000 to \$10,000,000; and a decrease in the interest rate to LIBOR plus 100 basis points. On June 11, 2013, the Trust authorized an extension of the LOC maturity date to June 30, 2014; a decrease in the LOC from \$10,000,000 to \$9,000,000; and a decrease in the interest rate to LIBOR plus 85 basis points. On June 11, 2014, the Trust authorized an extension of the LOC maturity date to June 30, 2015; a decrease in the LOC from \$9,000,000 to \$8,000,000; and keeping the interest rate to LIBOR plus 85 basis points. On June 29, 2015, the Trust authorized an extension of the LOC maturity date to June 30, 2016; a decrease in the LOC from \$8,000,000 to \$6,000,000; and keeping the interest rate to LIBOR plus 85 basis points. On June 24, 2016, the Trust authorized an extension of the LOC maturity date to June 30, 2017, and reduced the maximum principal amount from \$6,000,000 to \$4,500,000. On May 16, 2017, the Trust authorized an extension of the LOC maturity date to June 30, 2018.

In March 2012, the City Council and the Boards of the Trust and OCPPA jointly resolved to assign the OCPPA Tax Anticipation Note, 2006, to the tax anticipation debt obligation related to TIF districts #4 and #5 from the OCPPA to the Trust and approved the related transfer of funds from OCPPA to the Trust. This indebtedness was transferred to the Trust.

At June 30, 2018 and 2017, \$524,237 and \$2,173,393, respectively, is outstanding on amounts drawn to fund TIF districts #4 and #5.

**Changes in Tax Anticipation Debt**

	<b>2018</b>				
	Balance July 1, 2017	Issued/ Transferred	Retired	Balance June 30, 2018	Effective Interest Rate
2008 TIF districts #2 and #3	\$15,910,000	\$ -	\$15,910,000	\$ -	6.99%
2014 TIF districts #2 and #3	13,080,430	4,750,000	17,830,430	-	1.70
TIF districts #4 and #5	2,173,393	-	1,649,156	524,237	1.86
TIF interest payable	<u>277,266</u>	<u>1,443,081</u>	<u>1,720,347</u>	<u>-</u>	
	<b><u>\$31,441,089</u></b>	<b><u>\$6,193,081</u></b>	<b><u>\$37,109,933</u></b>	<b><u>\$524,237</u></b>	

(continued)

*Changes in Tax Anticipation Debt (continued)*

	2017				
	Balance <u>July 1, 2016</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>June 30, 2017</u>	Effective <u>Interest Rate</u>
2008 TIF districts #2 and #3	\$17,345,000	\$ -	\$1,435,000	\$15,910,000	6.99%
2014 TIF districts #2 and #3	13,080,430	-	-	13,080,430	1.70
TIF districts #4 and #5	3,617,065	-	1,443,672	2,173,393	1.86
TIF interest payable	<u>312,748</u>	<u>1,125,257</u>	<u>1,160,739</u>	<u>277,266</u>	
	<b><u>\$34,355,243</u></b>	<b><u>\$1,125,257</u></b>	<b><u>\$4,039,411</u></b>	<b><u>\$31,441,089</u></b>	

*Tax Anticipation Debt Service Requirements to Maturity*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<b><u>\$524,237</u></b>	<b><u>\$5,435</u></b>	<b><u>\$529,672</u></b>

*Pledged Revenues*

The Trust issued and assumed tax anticipation notes to support its economic development activities. The TIF Fund financial statements report revenue-supported debt. In 2018 and 2017, the Trust recognized \$10,609,957 and \$12,064,837, respectively, in property taxes and \$1,181,817 and \$425,000 in payments from the City for sales tax. In addition, if the principal and interest on the TIF debt is not paid as due, the City transfers amounts sufficient to pay the principal and interest due.

**III. B. TAX APPORTIONMENT BONDS**

*Bond Issuance*

On April 1, 2013, the Trust issued \$116,445,000 Series 2013A Tax Apportionment Bonds. The proceeds of \$116,445,000 from the bonds, less \$881,498 in issuance costs, to be used to finance construction projects in the Myriad Botanical Gardens, the Bicentennial park, and various streetscape projects in the City. The funds will also be used with future economic development projects, to the extent available.

On April 1, 2013, the Trust issued \$23,840,000 Series 2013B Tax Apportionment Bonds. The proceeds of \$26,295,445, including bond premiums of \$2,455,445, from the bonds, less \$313,289 in issuance costs, to be used to finance construction of various other infrastructure and public improvements in downtown Oklahoma City.

On January 17, 2018, the Trust issued \$67,355,000 Series 2018 Tax Apportionment Bonds. The proceeds of \$66,850,805, less issuance costs of \$504,195, are to be used to finance construction of various other infrastructure and public improvements in downtown Oklahoma City.

The Trust is a third party beneficiary of an agreement between the Oklahoma City Urban Renewal Authority and Devon Energy Corporation (Devon). Per the agreement, Devon will pay a minimum annual amount of ad valorem property taxes of \$11,300,000 to cover the Trust's debt service for the bonds. The payment is to be made by December 31 of each year, with the final payment on December 31, 2034. These property taxes are pledged for the repayment of the 2013 bonds. TIF 2 property taxes received from Oklahoma County are also pledged for the repayment of the 2018 bonds.

***Bonded Debt Service Requirements to Maturity***

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$11,490,000	\$6,142,068	\$17,632,068
2020	11,735,000	5,902,501	17,637,501
2021	12,015,000	5,637,185	17,652,185
2022	12,340,000	5,323,926	17,663,926
2023	12,690,000	4,975,052	17,665,052
2024-2028	69,910,000	18,581,649	88,491,649
2029-2033	41,460,000	8,338,196	49,798,196
2034	<u>9,535,000</u>	<u>476,750</u>	<u>10,011,750</u>
	<b><u>\$181,175,000</u></b>	<b><u>\$55,377,327</u></b>	<b><u>\$236,552,327</u></b>

***Tax Apportionment Bonds Outstanding***

	<u>Amount</u>	<u>Interest</u>	<u>Issue</u>	<u>Principal</u>	<u>2018</u>	<u>2017</u>
	<u>Issued</u>	<u>Rate %</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Principal</u>
					<u>Balance</u>	<u>Balance</u>
Series 2013A Tax Apportionment Bonds	\$116,445,000	0.40-4.30%	4/1/2013	3/1/2032	\$89,980,000	\$95,400,000
Series 2013B Tax Apportionment Bonds	23,840,000	5.00%	4/1/2013	3/1/2034	23,840,000	23,840,000
Series 2018 Tax Apportionment Bonds	67,355,000	1.97-3.31%	1/17/2018	8/1/2027	<u>67,355,000</u>	-
					<b><u>\$181,175,000</u></b>	<b><u>\$119,240,000</u></b>

***Bond Coverage***

	<u>2018</u>	<u>2017</u>
Net revenue available for debt service	<u>\$23,500,397</u>	<u>\$11,303,492</u>
Principal amounts	5,420,000	5,335,000
Interest amounts	<u>4,399,220</u>	<u>4,472,630</u>
<b>Total debt service requirements</b>	<b><u>\$9,819,220</u></b>	<b><u>\$9,807,630</u></b>
<b>Tax apportionment bond coverage</b>	<b><u>2.39</u></b>	<b><u>1.15</u></b>

The bond indenture requires the payment of principal and interest from Increment revenues. Increment revenues are revenues derived from the ad valorem taxes apportioned within TIF district #2 and #8. In addition, expenses are excluded as they do not affect funds available for debt service. The bond covenants do not specify a coverage requirement.

***Pledged Revenues***

The Trust issued tax anticipation bonds to support its economic development activities. The TIF Fund financial statements report revenue-supported debt. In 2018 and 2017, the Trust recognized \$7,777,818 and \$7,309,842, respectively, in special assessments and \$6,053,772 and \$4,283,733, respectively, in property taxes. In addition, if the principal and interest on the TIF debt is not paid as due, the City transfers amounts sufficient to pay the principal and interest due.

III. C. CHANGES IN LONG-TERM DEBT

	2018					
	Balance July 1, 2017	Issued	Retired	Balance June 30, 2018	Due Within One Year	Due After One Year
Tax apportionment bonds	<u>\$119,240,000</u>	<u>\$67,355,000</u>	<u>\$5,420,000</u>	<u>\$181,175,000</u>	<u>\$11,490,000</u>	<u>\$169,685,000</u>

	2017					
	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017	Due Within One Year	Due After One Year
Tax apportionment bonds	<u>\$124,575,000</u>	<u>\$-</u>	<u>\$5,335,000</u>	<u>\$119,240,000</u>	<u>\$5,420,000</u>	<u>\$113,820,000</u>

III. D. ACTIVITIES WITH REVENUE SUPPORTED DEBT

TIF District #2 Condensed Statement of Net Position (Deficit)

	2018	2017
<b><u>ASSETS</u></b>		
Current Assets	\$44,197,508	\$15,744,055
Non-current assets	<u>36,793,962</u>	<u>22,058,216</u>
<b>Total Assets</b>	<b><u>80,991,470</u></b>	<b><u>37,802,271</u></b>
<b><u>LIABILITIES</u></b>		
Current Liabilities	7,283,100	15,007,509
Non-current liabilities	<u>61,380,000</u>	<u>14,375,000</u>
<b>Total Liabilities</b>	<b><u>68,663,100</u></b>	<b><u>29,382,509</u></b>
<b><u>NET POSITION (DEFICIT)</u></b>		
Net investment in capital assets	5,240,495	1,218,834
Restricted	7,087,875	7,200,928
<b>Total net position (deficit)</b>	<b><u>\$12,328,370</u></b>	<b><u>\$8,419,762</u></b>

TIF District #2 Condensed Statement of Activities

	2018	2017
Program expenses	(\$9,088,387)	(\$10,516,169)
Operating grants and contributions	3,593,619	2,970,058
General revenues	<u>9,403,376</u>	<u>9,127,226</u>
<b>Change in net position (deficit)</b>	<b><u>3,908,608</u></b>	<b><u>1,581,115</u></b>
Beginning net position	<u>8,419,762</u>	<u>6,838,647</u>
<b>Ending net position (deficit)</b>	<b><u>\$12,328,370</u></b>	<b><u>\$8,419,762</u></b>



**TIF District #8 Condensed Statement of Net Position (Deficit)**

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
Current Assets	\$21,336,298	\$24,475,740
Non-current assets	<u>27,104,474</u>	<u>22,556,457</u>
<b>Total Assets</b>	<b><u>48,440,772</u></b>	<b><u>47,032,197</u></b>
<b><u>LIABILITIES</u></b>		
Current Liabilities	8,491,857	7,663,804
Non-current liabilities	<u>110,121,651</u>	<u>115,758,326</u>
<b>Total Liabilities</b>	<b><u>118,613,508</u></b>	<b><u>123,422,130</u></b>
<b><u>NET POSITION (DEFICIT)</u></b>		
Net investment in capital assets	(32,277,755)	(60,178,768)
Restricted	19,525,802	5,831,082
Unrestricted	<u>(57,420,784)</u>	<u>(22,042,248)</u>
<b>Total net position (deficit)</b>	<b><u>(\$70,172,737)</u></b>	<b><u>(\$76,389,934)</u></b>

**TIF District #8 Condensed Statement of Activities**

	<u>2018</u>	<u>2017</u>
Program expenses	(\$5,391,096)	(\$34,706,054)
Operating grants and contributions	5,539,001	5,360,420
General revenues	<u>6,069,292</u>	<u>6,071,288</u>
<b>Change in net position (deficit)</b>	<b><u>6,217,197</u></b>	<b><u>(23,274,346)</u></b>
Beginning net position	<u>(76,389,934)</u>	<u>(53,115,588)</u>
<b>Ending net position (deficit)</b>	<b><u>(\$70,172,737)</u></b>	<b><u>(\$76,389,934)</u></b>

**III. E. GUARANTEED DEBT**

The City has executed an agreement of support which guarantees the City will fund debt service and bond reserve requirements for the Series 2013A, Series 2013B and 2018 Tax Apportionment Bonds, and the 2014 Tax Anticipation Note. Under Oklahoma law, the City may only be obligated to transfer up to the end of its fiscal year (June 30) and has no legal obligation or promise to transfer beyond its fiscal year. The debt instruments recognize the limitations set by state law and the City's moral obligation to renew the guarantees. The debt instruments require the City to renew the guarantees annually. The City did not and was not required to fund debt service for the Trust in 2018 or any preceding year in which the debt was outstanding.

<u>Maximum of Bond Reserve or Bond Debt Service Requirements</u>	<u>Total Amount Guaranteed (1)</u>	<u>Total Amount Outstanding</u>
Series 2013A Tax Apportionment Bonds	\$8,634,091	\$89,980,000
Series 2013B Tax Apportionment Bonds	1,192,000	23,840,000
Series 2018 Tax Apportionment Bonds	<u>7,805,977</u>	<u>67,355,000</u>
	17,632,068	181,175,000
<b><u>Debt Service Requirements</u></b>		
TIF districts #4 and #5 Tax Anticipation Note	<u>524,237</u>	<u>524,237</u>
	<b><u>\$18,156,305</u></b>	<b><u>\$181,699,237</u></b>

- (1) The amount guaranteed is only the amount of debt service due on or before June 30, 2018, and covered under the guarantee effective July 1, 2017. It is anticipated that the guarantees will be renewed annually.

**III. F. ARBITRAGE COMPLIANCE**

Proceeds from tax-exempt revenue bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Trust invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. The Trust did not have an arbitrage liability as of June 30, 2018.

**III. G. DEFERRED INFLOWS OF RESOURCES**

*Unavailable Revenues*

Unavailable revenue in the governmental fund financial statements includes revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds reported unavailable revenues of \$12,029,316 and \$10,153,798 at June 30, 2018 and 2017, respectively. Of this amount \$5,207,587 is from economic incentive repayments, \$869,527 is from payments from the City, and \$5,952,202 is from property taxes at June 30, 2018. At June 30, 2017, \$3,271,731 is from economic incentive repayments, \$1,001,518 is from payments from the City, and \$5,880,549 is from property taxes.

*Other Deferred Inflows*

At June 30, 2018, deferred inflows of \$10,500,000 related to the AICCM, are reported for nonexchange resources received before timing requirements were met.

**IV. FUND EQUITY**

**IV. A. FUND BALANCE**

*Non-spendable*

	<u>2018</u>	<u>2017</u>
Intergovernmental advance funding	<u>\$421,149</u>	<u>\$804,040</u>

*Restricted Fund Balance*

	<u>2018</u>	<u>2017</u>
Restricted for TIF #2 projects	\$62,478,648	(\$55,409)
Restricted for TIF #4 projects	842,494	(812,608)
Restricted for TIF #8 projects	11,527,402	17,235,226
Restricted for TIF #10 projects	27,440	-
Restricted for debt service	18,705,370	9,782,808
Restricted for GOLT bond economic development	21,351,906	25,899,865
Reallocation for negative restricted	-	868,017
	<u>\$114,933,260</u>	<u>\$52,917,899</u>

*Committed Fund Balance*

	<u>2018</u>	<u>2017</u>
Committed for Convention Center Hotel	<u>\$371,548</u>	-

*Assigned Fund Balance*

	<u>2018</u>	<u>2017</u>
Assigned for encumbrances of the Economic Development Fund	\$237,268	\$462,268
Assigned for MAPS Park Foundation	1,474	-
Assigned for OCMGF administration	(226,939)	190,187
Assigned for outlet mall marketing	(109,451)	(565,856)
Reallocation for negative assigned	334,916	565,856
Unassigned negative fund balance	<u>(237,268)</u>	<u>(652,455)</u>
	<u>\$-</u>	<u>\$-</u>

*Unassigned*

	<u>2018</u>	<u>2017</u>
Unassigned	(\$7,695,590)	(\$1,440,133)
Restricted negative fund balance	-	(868,017)
Assigned negative fund balance	(334,916)	(565,856)
Reallocation of negative unassigned fund balance	<u>237,268</u>	<u>652,455</u>
	<u>(\$7,793,238)</u>	<u>(\$2,221,551)</u>

*Encumbrances*

Encumbrances of \$3,173,516 and \$10,384,733 at June 30, 2018 and 2017, respectively, are reported with restricted fund balances. Encumbrances related to unassigned fund balance are considered and reported as assigned fund balance.

*Deficit Fund Balance*

Deficit fund balance is due to the issuance of debt for economic development projects.

IV. B. NET POSITION

*Net Investment in Capital Assets*

	<u>2018</u>	<u>2017</u>
Capital assets, net	\$25,412,250	\$18,851,685
Tax anticipation debt	(524,237)	(31,441,089)
Non-capital related tax anticipation debt	440,351	27,364,078
Bonds payable, net	(182,991,651)	(121,178,326)
Non-capital related bonds payable	123,932,508	37,565,280
Bond accounts funded with bond proceeds (1)	9,978,812	11,332,133
Bond issuance costs paid with bond proceeds (1)	860,247	86,975
Retainages and capital related accounts payable	<u>(1,665,390)</u>	<u>(792,756)</u>
	<u><b>(\$24,557,110)</b></u>	<u><b>(\$58,212,020)</b></u>

(1) Amounts funded with bond proceeds have been allocated to net invested in capital assets based on the ratio of capital and non-capital related bonds payable

*Restricted for Debt Service*

	<u>2018</u>	<u>2017</u>
Bond principal and interest accounts	\$2,170,887	\$2,206,241
Bond reserve account	16,510,656	9,775,156
Bond reserve funded with bond proceeds	(9,978,812)	(6,744,857)
Current bond interest payable	<u>(2,384,622)</u>	<u>(1,466,408)</u>
	<u><b>\$6,318,109</b></u>	<u><b>\$3,770,132</b></u>

*Restricted for Public Services*

	<u>2018</u>	<u>2017</u>
Restricted for TIF #2 projects	\$1,299,968	\$7,200,929
Restricted for TIF #4 projects	1,402,452	(464,449)
Restricted for TIF #8 projects	(39,568,787)	(22,042,248)
Restricted for TIF #9 projects	(475,990)	-
Restricted for TIF #10 projects	27,443	-
Restricted for AICCM projects	(7,000,000)	-
Restricted for GOLT bond economic development	21,353,862	25,899,865
GOLT bond project account	28,726,794	6,648,225
GOLT bond project account funded with bond proceeds	(27,583,188)	(4,587,275)
Reallocation for negative restricted	<u>47,044,777</u>	<u>22,506,697</u>
	<u><b>\$25,227,331</b></u>	<u><b>\$35,161,744</b></u>

*Unrestricted*

	<u>2018</u>	<u>2017</u>
Unrestricted	\$54,459	(\$352,022)
Restricted negative net position	<u>(47,044,777)</u>	<u>(22,506,697)</u>
	<u><b>(\$46,990,318)</b></u>	<u><b>(\$22,858,719)</b></u>

*Deficit Net Position*

Deficit net position of \$40,001,988 and \$42,138,863 was reported for fiscal years 2018 and 2017, respectively. The Trust has tax anticipation and bonded debt which is used to fund economic development including the construction or purchase of capital assets which will be subsequently transferred to others. This results in a deficit net position which will be reported for the life of the bonds. With repayment of debt, the deficit net position will eventually be eliminated.

**V. REVENUES AND EXPENSES/EXPENDITURES**

**V. A. REVENUES**

*Special Assessments*

The Trust has a special assessment arrangement with Devon in which Devon has agreed to pay minimum annual ad valorem property taxes of \$11,300,000 each year until December 31, 2034. In 2018 and 2017, the Trust recognized \$5,248,888 and \$5,227,774, respectively, in property taxes in excess of assessed amounts from Devon. Additionally the Trust reported special assessments for finance charges related to economic incentives receivable and amounts received in excess of assessed property taxes of \$2,518,375 and \$897,984 in 2018 and 2017, respectively.

*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 had a month to month arrangement to pay the trust \$1,250 per month. In September of 2016, the property was deeded to the City of Oklahoma City for construction of a new convention center and the occupants vacated the property. The Trust received \$1,250 in rent payments during 2017.

**V. B. EXPENSES/EXPENDITURES**

*Management Fees*

For fiscal years ending June 30, 2018 and 2017, the Trust reported payments to the related parties for economic development services of \$1,030,500 and \$1,200,162, respectively.

	<u><b>2018</b></u>	<u><b>2017</b></u>
OCEDF	\$820,500	\$900,000
AEDOC	<u>210,000</u>	<u>300,162</u>
	<u><b>\$1,030,500</b></u>	<u><b>\$1,200,162</b></u>

VI. INTERFUND TRANSACTIONS

VI. A. INTERFUND BALANCES

*Receivable From/Payable to the City*

2018

<u>RECEIVABLE FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Total</u>
City General Fund	Interest	\$344	\$ -	\$ -	\$344
OCPPA General Fund	Softball Hall of Fame construction	-	2,250,000	-	2,250,000
City TIF Fund	TIF sales tax	1,774,009	-	217,703	1,991,712
City General Fund	Bank service fees	2,464	-	-	2,464
City Capital Improvement Fund	Capitol Hill Library Project	<u>40,609</u>	<u>-</u>	<u>-</u>	<u>40,609</u>
		<b><u>\$1,817,426</u></b>	<b><u>\$2,250,000</u></b>	<b><u>\$217,703</u></b>	<b><u>\$4,285,129</u></b>
<u>PAYABLE TO</u>					
City General Fund	Unspent administration funding	\$ -	\$ -	\$553,681	\$553,681
City General Fund	Public works charges	<u>11,860</u>	<u>-</u>	<u>-</u>	<u>11,860</u>
		<b><u>\$11,860</u></b>	<b><u>\$-</u></b>	<b><u>\$553,681</u></b>	<b><u>\$565,541</u></b>

2017

<u>RECEIVABLE FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Total</u>
City General Fund	Bank service fees	\$524	\$ -	\$ -	\$524
City General Fund	Softball Hall of Fame construction	-	3,000,000	-	3,000,000
City TIF Fund	TIF sales tax	1,949,482	-	-	1,949,482
City Capital Improvement Fund	Myriad Gardens Erosion	-	-	47,514	47,514
City Capital Improvement Fund	Festival of Arts Upgrades	6,738	-	-	6,738
City Capital Improvement Fund	Capitol Hill Library Project	863,871	-	-	863,871
City Capital Improvement Fund	Quiet Zone Project	<u>74,886</u>	<u>-</u>	<u>-</u>	<u>74,886</u>
		<b><u>\$2,895,501</u></b>	<b><u>\$3,000,000</u></b>	<b><u>\$47,514</u></b>	<b><u>\$5,943,015</u></b>
<u>PAYABLE TO</u>					
City General Fund	Unspent administration funding	\$ -	\$ -	\$706,928	\$706,928
City General Fund	Public works charges	<u>21,723</u>	<u>-</u>	<u>-</u>	<u>21,723</u>
		<b><u>\$21,723</u></b>	<b><u>\$-</u></b>	<b><u>\$706,928</u></b>	<b><u>\$728,651</u></b>

**VI. B. INTERFUND PAYMENTS**

*Interfund Payments To/From the City*

2018						
<u>PAYMENTS FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center Hotel</u>	<u>Total</u>
City General Fund	Administrative subsidies	\$ -	\$ -	\$1,259,960	\$ -	\$1,259,960
City Special Purpose Fund	Capital improvement	-	150,000	-	370,890	520,890
City TIF Fund (1)	TIF sales tax	<u>1,806,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,806,644</u>
		<b><u>\$1,806,644</u></b>	<b><u>\$150,000</u></b>	<b><u>\$1,259,960</u></b>	<b><u>\$370,890</u></b>	<b><u>\$3,587,494</u></b>
2017						
<u>PAYMENTS FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center Hotel</u>	<u>Total</u>
City Capital Improvement Fund	Capital improvement	<u>\$974,086</u>	<u>\$-</u>	<u>\$328,974</u>	<u>\$-</u>	<u>\$1,303,060</u>
		<b><u>\$974,086</u></b>	<b><u>\$-</u></b>	<b><u>\$328,974</u></b>	<b><u>\$-</u></b>	<b><u>\$1,303,060</u></b>
<u>PAYMENTS FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center Hotel</u>	<u>Total</u>
City General Fund	Administrative subsidies	\$ -	\$ -	\$1,000,000	\$ -	\$1,000,000
City TIF Fund (1)	TIF sales tax	<u>850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>850,000</u>
		<b><u>\$850,000</u></b>	<b><u>\$-</u></b>	<b><u>\$1,000,000</u></b>	<b><u>\$-</u></b>	<b><u>\$1,850,000</u></b>
<u>PAYMENTS TO</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center Hotel</u>	<u>Total</u>
City General Fund	Capital asset donations	\$29,839,011	\$ -	\$ -	\$ -	\$29,839,011
City General Fund	Capital improvement	-	-	9,839	-	9,839
City Capital Improvement Fund	Capital improvement	<u>903,122</u>	<u>-</u>	<u>64,947</u>	<u>-</u>	<u>968,069</u>
		<b><u>\$30,742,133</u></b>	<b><u>\$-</u></b>	<b><u>\$74,786</u></b>	<b><u>\$-</u></b>	<b><u>\$30,816,919</u></b>

(1) Amounts reported do not include unavailable revenue adjustments of \$176,593 and \$1,365,174 at June 30, 2018 and 2017, respectively.

*Interfund Payments To/From Component Units of the City*

In 2017, the Trust reported a payment to OCRA for grant matching funds of \$327,027. In 2018, the Trust reports no such payments were made.

**VI. C. OTHER INTERFUND TRANSACTIONS**

*Payments to City General Fund*

**Bank charges**

The City pays bank fees, net of investment earnings for custodial bank services. Charges are allocated to the participating funds and trusts. If the interest earned exceeds the service charges the amount is reported in investment income. If the service charges exceed the interest earned the amount is reported in other services and charges. For the fiscal years ending June 30, 2018 and 2017, the Trust reported interest earnings of \$877 and net banking charges of \$375 as investment income and other services and charges, respectively.

**Administrative Chargebacks**

For fiscal years ending June 30, 2018 and 2017, the Trust reported payments to the City General fund to reimburse for the cost of providing administrative and operational services of \$447,023 and \$409,230, respectively. These costs are reported with other services and charges

**Management Agreements**

The City provides funding and the Trust manages agreements with the Myriad Botanical Gardens Foundation and the Scissortail Park Foundation, Inc. The Trust does not report revenues or expenses/expenditures in relation to these agreements.

**VII. LONG-TERM COMMITMENTS**

*Economic Development Fund Commitments*

In 2010, the Trust entered into an agreement to reimburse regional marketing expenses for the outlet mall up to \$5,500,000 over a 10 year period. For the year ended June 30, 2018 and 2017, the Trust reimbursed \$593,593 and \$562,136, respectively.

*TIF Funded Commitments*

On April 23, 2014, the Trust approved the allocation of \$1,500,000 to Oklahoma City Public Schools District I-89 for the relocation and renovation of the administrative offices and Emerson School. As of June 30, 2018, \$456,478 has been disbursed.

As of June 30, 2018 and 2017, the Trust has approved TIF funded projects with outstanding commitments of \$7,175,675 and \$6,277,626, respectively.

As of June 30, 2018 and 2017, the Trust has approved TIF funds for assistance in development financing of \$84,270,323 and \$16,770,323, respectively.

On September 26, 2017, the Trust approved the allocation of \$60,000,000 in assistance in development financing to Wheeler District, LLC for the development of a multi-use neighborhood consisting of housing, office, retail and other space. A portion of ad valorem tax revenues collected (5%) will be paid to the Trust for administrative costs, and of the remaining amounts 25% will be set aside for Western Gateway Elementary School, up to a total of \$20,000,000. As of June 30, 2018, the funds have not been requested by the developer.

On October 24, 2017, the Trust approved the allocation of \$17,000,000 in assistance in development financing to NE CS First National for the garage component of a three phase renovation project of the historical First National Bank Building in downtown Oklahoma City. The Garage component is expected to be completed in December 2019. As of June 30, 2018, the funds have not been disbursed to the developer.

Other unfunded commitments for assistance in development financing as of June 30, 2018, approximate \$7,270,000 and include Metro Technology Center, NE Renaissance Shopping Center, NE 23rd Street Clinic, Main Street Arcade and Rock Island Plow.



***GOLT Bond Funded Commitments***

The first series of the authorized bond issue was in March 2008. The proceeds less the issuance cost were transferred to the Trust in the amount of \$35,912,844 since the authorization of the bonds. 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 2018 the Trust has approved allocation of the GOLT bond proceeds of \$6,880,000 and paid \$3,510,275. During 2017 the Trust approved allocation of the GOLT bond proceeds of \$1,382,500 and paid \$3,992,250

In 2015, the Trust allocated and paid GOLT Bond fund commitments in the amount of \$23,500,000 to assist the U.S. Air Force in the purchase of a 156 acre site to construct a 14 hanger complex. It is anticipated, based on the projected new jobs that will be created under the KC-46A program at Tinker Air Force base, that approximately \$21,100,000 million of the payment will be recouped from job creation incentive payments made by the State of Oklahoma under the Oklahoma Quality Jobs Program Act between 2018 and 2033.

	<u>2018</u>	<u>2017</u>
	<u>Outstanding Award</u>	<u>Outstanding Award</u>
American Tissue	\$125,000	\$ -
ARINC	-	335,000
Amazon.com	1,700,000	-
Boeing Company #1, #2, & #3	4,903,150	6,643,150
CACI	1,250,000	-
DuraCoatings	100,000	-
Enable Midstream Services LLC	177,800	288,800
General Electric	529,000	529,000
Grocery Supply Acquisition Group	-	24,200
HealthSmart Holdings	175,000	225,000
Kratos Unmanned Aerial Systems	1,000,000	-
McClarín Plastics	80,000	-
M-D Building Products	147,500	157,500
Mobile Medical	490,000	500,000
National Litigation Law Group	452,000	482,000
Niagara Bottling	185,000	-
North American ATK	75,000	-
Paycom #1, #2, & #3	1,226,000	1,886,000
Progexion	425,200	532,000
SkyWest Airlines	2,000,000	-
Sutherland Global Service	250,000	225,000
Tapstone	1,149,250	1,270,000
Wegolook	400,000	-
	<b><u>\$16,839,900</u></b>	<b><u>\$13,097,650</u></b>

**VIII. ABATEMENTS**

The City has designated the Trust to manage economic development including incentives. The Trust provides economic development incentives in the form of development financing or performance based incentives that reduce ad valorem increment allocated to the City under an approved economic development project plan adopted pursuant to the Local Development Act, Title 62 of the Oklahoma Statutes, Sections 850, et seq, or sales tax revenues for the City. It is noted that these incentives do not meet the criteria of tax abatement as defined in the Oklahoma Local Development Act.

*Assistance in Development Financing*

Pursuant to the Local Development Act, Section 850, the City has adopted and approved the Downtown/MAPS Economic Development Project Plan (Economic Development Project Plan) and has established ad valorem tax TIF districts #2 and #8. The Downtown/MAPS Project Area has been declared to be an area where investment, development and economic growth is difficult. To advance the goals and objectives of the Economic Development Project Plan through the development and redevelopment of vacant and unproductive property in the Downtown area, the City and the Trust provide assistance in development financing to multiple developers thereby creating opportunities for further development and by expanding the tax base in the area. Development financing is provided after a review committee considers any proposed development and budgetary allocation in light of the project objectives, feasibility, priorities and funding availability and submits its recommendation to the City Council prior to implementation of the project and execution of an economic development agreement.

The assistance in development financing is funded by the tax incremental funding which is anticipated to be generated from the project's increased property tax value in the TIF district. Prior to receiving payment, developers are typically required to provide verification of the amount of investment in the property, acknowledgement of the assistance in development financing provided by the City and the Trust in the form of a plaque or monument attached to the property, and documentation that a certain percentage of any rentable area is occupied. If the agreement provides for a lump-sum payment, the developer is required to pay a minimum amount of annual ad valorem taxes or a payment in lieu of taxes, if the taxable market value of the project does not meet the amount specified in the agreement, until the ad valorem taxes received by the City less the baseline amount has reached the amount of the incentive paid plus any associated financing charges. If the agreement provides for an installment payment, payment will be made for a specific number of years and amount after proof of the prior year's property tax payment has been verified. Developers are required to pay back the total incentive received if they sell, transfer or otherwise dispose of the property usually within three to five years after the date of completion of the project.

In addition to the assistance in development financing incentives, the City or the Trust have committed to making several non-forgivable low-interest loans and the City has agreed to provide public infrastructure improvements in the development areas.

On February 24, 2016, City Council adopted ordinance 25,325 which amended and restated the Downtown/MAPS Economic Development Project Plan and created TIF district #10. As of June 30, 2017, The City and the Trust have entered into a Memorandum of Agreement for the redevelopment and rehabilitation of a national historic building in downtown Oklahoma City. Upon completion of the first phase of the redevelopment which is for a parking garage and retail and commercial space, a loan may be provided by the Trust to the developer to pay off a private loan that was secured for the construction of the garage component of the project. The potential Trust loan will be paid off from the ad valorem tax increment generated by the garage and any required minimum payments required in lieu of ad valorem taxes.

***Performance-Based Incentives***

On October 14, 2008, the City Council adopted a joint resolution with the Trust to approve the City's Retail Incentives Policy to be utilized for the development of new sales taxes in the City and to support under-served areas. Prospective retail developers and retailers complete an application, pay a non-refundable application fee, and make a formal request to the Trust. Applications are evaluated by the Retail Advisory Panel based upon the impact on the City's tax base, the quality of life for citizens, attraction for other types of development, as well as the costs of the incentive and impact on City services and infrastructure. A recommendation is made to the City Manager regarding the eligibility of the project and the amount and type of incentive. Upon approval by the City Manager, an economic development agreement is developed and forwarded for approval by the Trust and then to the City Council. The agreements are typically structured to require a specific level of investment by the developer and provide for an annual incentive for a specified number of years determined on the amount of sales taxes generated with attainment of specific minimum sales levels being required. In some instances the incentive has included an obligation by the Trust or the City to make certain public infrastructure improvements for the retail developments.

Pursuant to the Local Development Act, Section 850, the City has adopted and approved the Northeast Renaissance Redevelopment Project Plan and has established ad valorem TIF district #9. The Northeast Renaissance Redevelopment Project Area has been declared to be an area where investment, development and economic growth is difficult. To advance the goals and objectives of the Northeast Renaissance Redevelopment Project Plan through the development and redevelopment of vacant and unproductive property in the project area, the City and the Trust have approved an economic development agreement providing for an annual installment incentive based upon the sales taxes generated and/or the increase in ad valorem taxes generated from the development. Assistance in development financing is provided after a review committee considers any proposed development and budgetary allocation in light of the project objectives, feasibility, priorities, and funding availability. The developer is required to provide verification of a specific level of investment, acknowledgement of the assistance in development financing provided by the City and the Trust in the form of a plaque or monument attached to the property, and documentation that a certain percentage of any rentable area is occupied.

***Reduction in Reported Tax Revenues***

Economic Development Project property tax collections in the Trust are reported as a reduction in economic incentive receivables. Sales tax collections are used to fund Retail Incentive Policy payments and no revenue or expense is recognized for the collection or payment. When these projects are completed and economic incentive receivables have been repaid, the taxes will be reported with governmental general revenues in the statement of activities.

<u><b>Economic Development Program</b></u>	<u><b>Tax Type</b></u>	<u><b>Reduction in Tax Revenues</b></u>	
		<u><b>2018</b></u>	<u><b>2017</b></u>
Economic Development Project Plan	Property taxes	\$3,279,988	\$2,044,919
Retail Incentive Policy	Sales taxes	<u>780,354</u>	<u>811,937</u>
		<u><b>\$4,060,342</b></u>	<u><b>\$2,856,856</b></u>

**IX. SUBSEQUENT EVENTS**

On September 25, 2018, the Trust issued Appropriation Bonds, Series 2018 in the amount of \$86,060,000. The Trust issued these bonds to provide financing for projects related to the Omni Convention Center Hotel and improvements. The bonds are secured by an annual appropriation of the City. In addition, the City will provide an agreement of support to further enhance the marketability of the bonds and thus lowering the interest rate.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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To the Board of Trustees  
**Oklahoma City Economic Development Trust**  
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Oklahoma City Economic Development Trust (Trust), a discretely presented component unit of the City of Oklahoma City, Oklahoma (City), as of and for the years ended June 30, 2018 and 2017, the financial statements of each major fund of the Trust as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 16, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Trust's internal control over financial reporting (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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

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

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

### **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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

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

November 16, 2018  
Wichita, Kansas