

OUR FUTURE IS BRIGHT



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, 2013

OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

A Discrete Component Unit of
Oklahoma City, Oklahoma

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Annual Financial Report for the Fiscal Year Ended June 30, 2013

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

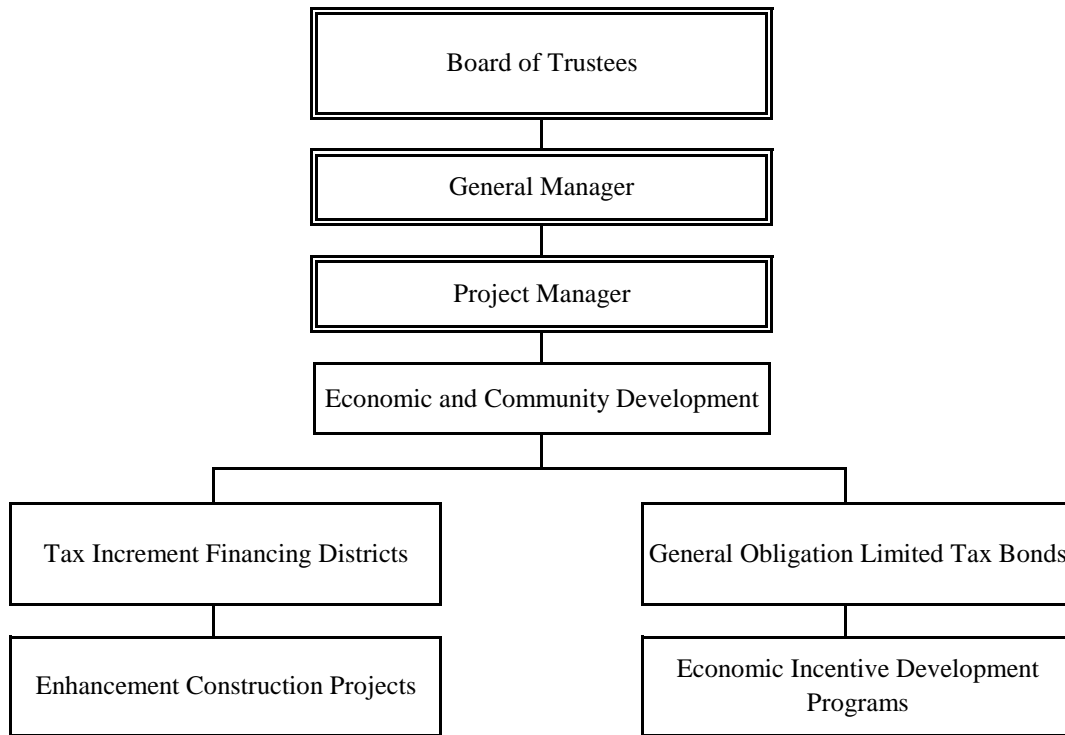
OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

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Oklahoma City Economic Development Trust Organization Chart



Introductory Section



The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 6, 2013

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, 2013 and 2012. It complies with reporting requirements specified by Oklahoma State Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with generally accepted accounting principles in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust.

The Trust's annual report includes the reports of independent auditor's, 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, 2013 and 2012, 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 million general obligation limited tax (GOLT) bond authorization by the citizens in 2007, the Trust developed the Strategic Investment Program that incentivizes companies to locate or expand in the Oklahoma City area. Since the inception of the Trust in 2007, the Trust has entered into 23 agreements that allocated approximately \$29.5 million in GOLT funds that are projected to lead to the creation of approximately 5,621 jobs with an estimated annual payroll of \$313.5 million and an investment of \$229.6 million.

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

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

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

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

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

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

In March, 2012, the City Council and the Boards of the Trust and the Oklahoma City Public Property Authority (OCPPA) jointly resolved to assign the OCPPA Tax Anticipation Note, 2006, to the tax anticipation debt obligation related to tax incremental financing district #4 and #5 from OCPPA to the Trust and approved the related transfer of funds from OCPPA to Trust. The balance transferred on March 27, 2012 was \$7.50 million which included tax anticipation debt payable of \$8 million net of \$503 thousand in cash and investments.

In 2013, the Trust issued tax apportionment bonds with proceeds of \$140.29 million. Proceeds of \$92.92 million were used to pay in full the TIF #8 Private Placement Tax Anticipation Note, Series 2009. The remaining proceeds, less issue costs, will fund construction projects within the TIFs and Project 180.

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

The current economic environment and the economic outlook for Oklahoma City remain very positive. Because of a cost of living rating consistently below the national average; a strong industry presence; low commuting times; convenient airline travel; quality education, entertainment and sports opportunities; favorable weather; and a central location, Oklahoma City continues to receive numerous top accolades for metropolitan cities in the United States including Forbes February 25, 2013 ranking of Oklahoma City as one of the best cities for good jobs. These factors promise an immediate and sustainable economic growth outlook for the next several years.

In a report prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), dated January 31, 2013 and entitled "City of Oklahoma City Economic Outlook", the Institute reported that calendar year 2013, while remaining in a general recovery mode, will be another year of underperformance nationally, citing unresolved Federal issues. On the other hand the Institute cites historical patterns of economic activity in Oklahoma as reasons Oklahoma City has and will not closely follow the national trend. As a result they report that Oklahoma City should continue to enjoy broad growth as long as the national economy is in a general recovery mode. The Institute reported that recent employment and earnings growth should result in positive sales tax momentum with a general projection of 4.4 percent annual growth in sales tax revenues for calendar years 2013 and 2014 with a range from 2.6 percent to 7.4 percent depending on the national economy. Personal income is expected to grow 4.3 percent and 3.7 percent for calendar years 2013 and 2014, respectively. Without any significant changes in the national economy, overall job growth is expected to be around 2.5 percent for calendar years 2013 and 2014 and possibly in excess of 4 percent in some job sectors.

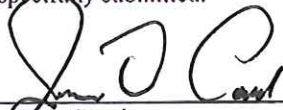
Fiscal year 2013, in terms of sales tax revenue growth, substantiates this positive outlook, with an increase for the year of over 5 percent. Expenditures for the year, predicated on this growth, allowed for increases in several programs. Budgeted expenditures for fiscal year 2014 also were based on the positive projected economic growth.

Any economic outlook is predicated on sustainable factors. The City Council has a continuing priority to its citizens to fulfill the promises made to them with regard to completing the projects established in voter initiatives to invest in the City. In addition, the City Council is focused on pursuing a financial model that provides adequate resources to meet the expectations for services as Oklahoma City grows and maintaining strong financial management that is evidenced by the highest possible rating of the City's general obligation bonds by both Moody's and Standard and Poor's.


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 BKD LLP 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


Glen D. Earley
City of Oklahoma City Controller

Financial Section

Independent Auditor's Report on Financial Statements and Supplementary Information

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 (the Trust), a discretely presented component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the years ended June 30, 2013 and 2012, the financial statements of each major fund of the Trust as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Trust'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 Trust'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.

Opinion

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, 2013 and 2012, the respective changes in financial position for governmental activities for the years then ended and each major fund of the Trust as of June 30, 2012, and the changes in financial position of each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The prior year summarized comparative information for the funds, before the restatement to adopt a change in accounting principles as further disclosed in Note IV to the financial statements, has been derived from the Trust's 2012 audited financial statements and, in our report dated December 12, 2012, we expressed an unqualified opinion on those financial statements.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The transmittal letter preceding this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. That 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 December 6, 2013, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

BKD, LLP
Oklahoma City, Oklahoma
December 6, 2013

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, 2013 and 2012. 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 assets exceeded liabilities by \$52,711,539 (net deficit) and assets exceeded liabilities by \$9,451,327 (net position) for 2013 and 2012, respectively.
- Total net position (deficit) is comprised of the following:
 - (1) Net investment in capital assets, of \$2,628,667 and \$3,812,319 for 2013 and 2012, respectively, include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted for debt service for 2013 is \$1,704,401 and is constrained for repayment of debt service.
 - (3) Restricted net position for public services of \$26,999,598 and \$35,721,420 for 2013 and 2012, respectively, is constrained for general obligation limited tax (GOLT) bond related economic development.
 - (4) Unrestricted deficit is \$84,044,205 for 2013 and \$30,082,412 for 2012.
- The Trust's governmental funds reported total ending fund balance totaling \$61,535,588 in 2013 and net deficit of \$65,813,561 in 2012 showing an increase of \$127,349,149 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, (2) statement of activities, (3) balance sheet, (4) statement of revenues, expenditures, and changes in fund balances, and (5) notes to the financial statements.

Trust-wide Financial Statements

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

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

The second statement is the statement of activities which reports how the Trust's net 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 three 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 had a net deficit of \$52,711,539 at June 30, 2013, and a net position of \$9,451,327 at June 30, 2012. The overall financial condition of the Trust deteriorated in fiscal year 2013. The 2011 balances presented in this discussion and analysis have not been adjusted to reflect the impact of Governmental Accounting Standards Board (GASB) statement number 65. See Note IV for more information.

	Summary of Net Position (Deficit)						
	2013	2012 (Restated)	2013-2012 Amount of Change	2013-2012 %	2011	2012-2011 Amount of Change	2012-2011 %
Assets							
Current assets	\$88,359,384	\$59,402,477	\$28,956,907	48.7%	\$65,088,636	(\$5,686,159)	(8.7%)
Capital assets, net	29,230,621	74,886,383	(45,655,762)	(61.0)	56,513,464	18,372,919	32.5
Other non-current assets	<u>9,775,156</u>	-	<u>9,775,156</u>	100.0	<u>258,529</u>	<u>(258,529)</u>	(100.0)
Total assets	<u>127,365,161</u>	<u>134,288,860</u>	<u>(6,923,699)</u>	(5.2)	<u>121,860,629</u>	<u>12,428,231</u>	10.2
Liabilities							
Current liabilities	21,146,674	18,701,380	2,445,294	13.1	7,983,227	10,718,153	134.3
Non-current liabilities	<u>158,930,026</u>	<u>106,136,153</u>	<u>52,793,873</u>	49.7	<u>97,829,789</u>	<u>8,306,364</u>	8.5
Total liabilities	<u>180,076,700</u>	<u>124,837,533</u>	<u>55,239,167</u>	44.2	<u>105,813,016</u>	<u>19,024,517</u>	18.0
Net position (deficit)							
Net Investment in capital assets	2,628,667	3,812,319	(1,183,652)	(31.0)	(4,194,888)	8,007,207	190.9
Restricted for debt service	1,704,401	-	1,704,401	100.0	-	-	0.0
Restricted for public services	26,999,598	35,721,420	(8,721,822)	(24.4)	35,444,647	276,773	0.8
Unrestricted	<u>(84,044,205)</u>	<u>(30,082,412)</u>	<u>(53,961,793)</u>	(179.4)	<u>(15,202,146)</u>	<u>(14,880,266)</u>	(97.9)
Total net position (deficit)	<u>(\$52,711,539)</u>	<u>\$9,451,327</u>	<u>(\$62,162,866)</u>	(657.7)	<u>\$16,047,613</u>	<u>(\$6,596,286)</u>	(41.1)

The increase in current assets of \$28.96 million in fiscal year 2013 is primarily due to \$32.60 million increase in cash and investments including \$38.79 million in restricted investments from bond issues, less \$1.16 million decrease in receivable from Oklahoma City Water Utility Trust for payment received in 2013 for drainage construction on a project and \$2.39 million decrease in the receivable from the City for tax incremental financing (TIF) sales tax and sales tax state match. The decrease in current assets of \$5.69 million in fiscal year 2012 is primarily due to a \$4.22 million dollar decrease to notes receivable as a result of a reduction in the loan in exchange for land and buildings adjacent to the Myriad Gardens transferred from the Myriad Garden Foundation. The 2012 ending balance in notes receivable represents the interest receivable at the time of the exchange.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

The decrease in capital assets in fiscal year 2013 of \$45.66 million is primarily due to the transfer of \$50.93 million in completed assets to the City, \$2.82 million of depreciation, offset by \$8.13 million in capital outlay for the construction and purchase of assets. The increase in capital assets in 2012 of \$18.37 million is primarily the result of increases of \$13.58 million related to TIF projects and the increase in land of \$4.19 million from the Myriad Gardens Foundation.

Other non-current assets increased in fiscal year 2013 by \$9.78 million primarily due to a reserve required on the issuance of tax apportionment bonds.

Current liabilities increased by \$2.45 million in fiscal year 2013 primarily due to bonds payable and bond interest payable of \$6.23 million, less an accounts payable decrease of \$2.56 million due to timing of payments to vendors and \$1.44 million decrease in tax anticipation debt. Current liabilities increased by \$10.72 million in fiscal year 2012 primarily due to an increase of \$8.32 million in tax anticipation debt from the transfer of TIF #4 tax anticipation note from OCPPA and an increase of \$2.83 million in accounts payable due to timing of payments to vendors.

Non-current liabilities increased in 2013 by \$52.79 million primarily due to the issuance of \$142.71 million in tax apportionment bonds net of payments to tax anticipation debt of \$2.59 million and tax anticipation debt retirement of \$83.30 million. Non-current liabilities increased in 2012 by \$8.31 million primarily due to issuances of \$11.12 million in tax anticipation debt less \$2.09 in payments.

Summary of Changes in Net Position (Deficit)

	2013	2012 (Restated)	2013-2012 Amount of Change	2013-2012 %	2011	2012-2011 Amount of Change	2012-2011 %
Revenues							
Program revenues							
Charges for services	\$13,754	\$17,500	(\$3,746)	(21.4%)	\$11,250	\$6,250	55.6%
Operating grants & contributions	3,838,583	8,112,679	(4,274,096)	(52.7)	6,219,945	1,892,734	30.4
General revenues	<u>7,072,139</u>	<u>6,818,296</u>	<u>253,843</u>	3.7	<u>5,579,220</u>	<u>1,239,076</u>	22.2
Total revenues	<u>10,924,476</u>	<u>14,948,475</u>	<u>(4,023,999)</u>	(26.9)	<u>11,810,415</u>	<u>3,138,060</u>	26.6
Program expenses	73,087,342	13,807,883	59,279,459	429.3	8,736,527	\$5,071,356	58.0
Special item	-	<u>(7,496,805)</u>	<u>7,496,805</u>	100.0	-	<u>(7,496,805)</u>	100.0
Changes in net position (deficit)	(62,162,866)	(6,356,213)	(55,806,653)	(878.0)	3,073,888	(9,430,101)	(306.8)
Beginning net position (deficit)							
As previously reported	9,451,327	16,047,613	(6,596,286)	(41.1)	12,973,725	3,073,888	23.7
Change in accounting principle	-	<u>(240,073)</u>	<u>240,073</u>	(100.0)	-	<u>(240,073)</u>	100.0
As adjusted	<u>9,451,327</u>	<u>15,807,540</u>	<u>(6,356,213)</u>	<u>(40.2)</u>	<u>12,973,725</u>	<u>2,833,815</u>	<u>21.8</u>
Ending net position (deficit)	<u>(\$52,711,539)</u>	<u>\$9,451,327</u>	<u>(\$62,162,866)</u>	(657.7)	<u>\$16,047,613</u>	<u>(\$6,596,286)</u>	(41.1)

Operating grants and contributions decreased by \$4.27 million in fiscal year 2013 primarily due to decrease in TIF District #8 sales tax and state match sales tax received which ended December 31, 2012. Operating grants and contributions increased by \$1.89 million in fiscal year 2012 primarily due to the transfer of TIF District #4 and the increase in tax revenue associated with that transfer.

Program expenses increased by \$59.28 million in fiscal year 2013 primarily due to the transfer of completed assets of \$50.93 million, an increase in depreciation of \$1.63 million due to completed assets being placed in-service, an increase in economic development contracts of \$4.06 million, and an increase in bond issuance cost of \$1.19 million due to issuance of new bonds. Program expenses increased by \$5.07 million in fiscal year 2012 primarily due to a new Core 2 Shore agreement to continue land assembly and redevelopment objectives of the Urban Renewal Plan that had related expenditures of \$2.34 million, increased interest on debt related to TIF District #8 of \$1.78 million, and an increase in depreciation of \$1.76 million due to placing approximately \$15.84 million in construction in progress into service.

The Trust reported a special item in 2012 related to the transfer of tax anticipation debt TIF District #4 from the Oklahoma City Public Property Authority for \$8 million, net of \$503 thousand in cash and investments.

Governmental Funds

Governmental funds reported ended fund balances of \$61,535,588 and \$65,813,561 (deficit) for the year ended June 30, 2013 and 2012, respectively. Of these year-end totals, \$15,610,129 (deficit) and \$100,747,494 (deficit) at June 30, 2013 and 2012, respectively, is unassigned. Tax anticipation notes are reported at the fund level. Associated capital assets funded by these notes are reported at the Trust-wide level. This results in a negative fund balance. The change in ending fund balance for fiscal years 2013 and 2012 are primarily due to the payoff of TIF District #8 tax anticipation debt with bonds payable reported only at the Trust-wide level.

Capital Assets

The Trust's investment in capital assets, net of accumulated depreciation for the fiscal year 2013 and 2012 consists of land, construction in progress, and infrastructure purchased for future economic development. See Note II. C. for more information regarding capital assets.

	Capital Assets						
	<u>2013</u>	<u>2012</u>	2013-2012		<u>2011</u>	2012-2011	
			<u>of Change</u>	<u>%</u>		<u>of Change</u>	<u>%</u>
Non-Depreciable Assets							
Land	\$4,202,334	\$4,202,334	\$ -	0.0%	\$2,622,816	\$1,579,518	60.2%
Construction in progress	<u>22,527,503</u>	<u>29,073,333</u>	<u>(6,545,830)</u>	(22.5)	<u>53,775,832</u>	<u>(24,702,499)</u>	(45.9)
Total capital assets	<u>26,729,837</u>	<u>33,275,667</u>	<u>(6,545,830)</u>	(19.7)	<u>56,398,648</u>	<u>(23,122,981)</u>	(41.0)
Depreciable Assets							
Buildings	2,309,974	9,007,162	(6,697,188)	(74.4)	1,014	9,008,176	888380.3
Infrastructure	<u>190,810</u>	<u>32,603,554</u>	<u>(32,412,744)</u>	(99.4)	<u>113,802</u>	<u>32,489,752</u>	28549.4
Total depreciable assets	<u>2,500,784</u>	<u>41,610,716</u>	<u>(39,109,932)</u>	(94.0)	<u>114,816</u>	<u>41,497,928</u>	36143.0
Total net capital assets	<u>\$29,230,621</u>	<u>\$74,886,383</u>	<u>(\$45,655,762)</u>	(61.0)	<u>\$56,513,464</u>	<u>\$18,374,947</u>	32.5

The decrease in capital assets, in fiscal year 2013, primarily consists of in-service assets of \$50.93 million being donated to the City and the Oklahoma City Urban Renewal Authority (OCURA), \$2.82 million in depreciation, offset by \$8.13 million in capital outlay for construction mainly related to Project 180. The increase in capital assets, in fiscal year 2012, primarily consists of Project 180 construction completed and moved into service.

Long-term debt

The Trust had \$140,285,000 in outstanding long-term debt at the end of 2013.

Tax Apportionment Bonds

On April 1, 2013 the Trust issued two tax apportionment bonds, Series 2013A and 2013B. Series 2013A proceeds of \$116,445,000 from the bonds, less \$881,498 in issuance costs and \$92,918,116 for payment of tax anticipation note for TIF District #8, will be used to finance construction projects in the Myriad Botanical Gardens, the Bicentennial Park, and various streetscape projects in the City. Series 2013B proceeds of \$26,295,445 from the bonds, less \$313,289 in issuance costs, will be used to finance construction of various other infrastructure and public improvements in downtown Oklahoma City. At the end of fiscal year 2013, the Trust had outstanding bond debt of \$140,285,000. The bonds are payable solely from the Trust. See Note III. B. for more information regarding revenue bonds.

Outstanding Long-term Debt

	2013 - 2012		2012 - 2011		2012 - 2011		
	Amount of	%	Amount of	%	Amount of	%	
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Change</u>	<u>2011</u>	<u>Change</u>	
Tax Apportionment Bonds	<u>\$140,285,000</u>	<u>\$ -</u>	<u>\$140,285,000</u>	100.0	<u>\$ -</u>	<u>\$ -</u>	0.0

The change in outstanding debt for 2013 is the result of the issuance of tax apportionment bonds, Series 2013A and 2013B. 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

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

Contacting the Trust's Financial Management

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

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Basic Financial Statements

Trust-wide Financial Statements

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

Fund Financial Statements

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

Governmental Fund Financial Statements

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

STATEMENTS OF NET POSITION (DEFICIT)
June 30,

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Pooled cash-----	\$5	\$2
Non-pooled cash-----	1,007,468	2,445,671
Investments-----	84,986,915	50,952,060
Property taxes receivable-----	138,323	158,498
Interest receivable-----	59,398	42,888
Receivable from Oklahoma City Water Utilities Trust-----	-	1,160,936
Receivable from the City of Oklahoma City-----	2,074,726	4,465,056
Notes receivable-----	92,549	177,366
Total current assets-----	<u>88,359,384</u>	<u>59,402,477</u>
<u>NON-CURRENT ASSETS</u>		
Investments-----	9,775,156	-
Capital assets:		
Land and construction in progress-----	26,729,837	33,275,667
Other capital assets, net of accumulated depreciation-----	2,500,784	41,610,716
Total capital assets-----	<u>29,230,621</u>	<u>74,886,383</u>
Total non-current assets-----	<u>39,005,777</u>	<u>74,886,383</u>
Total assets-----	<u>127,365,161</u>	<u>134,288,860</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable-----	5,607,639	8,165,388
Payable to the City of Oklahoma City-----	8,278	6,313
Tax anticipation debt-----	9,301,892	10,529,679
Unearned revenue-----	1,250	-
Bond interest payable-----	1,022,615	-
Bonds payable-----	5,205,000	-
Total current liabilities-----	<u>21,146,674</u>	<u>18,701,380</u>
<u>NON-CURRENT LIABILITIES</u>		
Non-current tax anticipation debt-----	21,425,000	106,136,153
Bonds payable:		
Bonds payable-----	135,080,000	-
Unamortized bond premium-----	2,425,026	-
Bonds payable, net-----	<u>137,505,026</u>	<u>-</u>
Total non-current liabilities-----	<u>158,930,026</u>	<u>106,136,153</u>
Total liabilities-----	<u>180,076,700</u>	<u>124,837,533</u>
<u>NET POSITION (DEFICIT)</u>		
Net Investment in capital assets-----	2,628,667	3,812,319
Restricted for: Debt service-----	1,704,401	-
Public services-----	26,999,598	35,721,420
Unrestricted-----	(84,044,205)	(30,082,412)
Total net position (deficit)-----	<u>(\$52,711,539)</u>	<u>\$9,451,327</u>

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES
For the Year Ended June 30,

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
<u>PROGRAM EXPENSES</u>		
Materials and supplies-----	\$6,391	\$22,915
Professional services-----	1,285,823	770,178
Assets donated to others-----	822,955	-
Other services and charges-----	10,155,693	5,393,461
Payments to the City of Oklahoma City-----	50,486,737	658,838
Payments to component units of the City of Oklahoma City-----	45,286	-
Depreciation-----	2,819,520	1,189,269
Loss on disposal of assets-----	33,981	-
Bond issuance costs-----	1,194,787	-
Interest on debt-----	6,236,169	5,773,222
Total program expenses-----	<u>73,087,342</u>	<u>13,807,883</u>
<u>PROGRAM REVENUES</u>		
<u>CHARGES FOR SERVICES</u>		
Economic development-----	13,754	17,500
<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		
Payments from the City of Oklahoma City-----	3,744,487	7,962,735
Restricted investment income-----	94,096	149,944
Total program revenues-----	<u>3,852,337</u>	<u>8,130,179</u>
Net (expense) revenue-----	<u>(69,235,005)</u>	<u>(5,677,704)</u>
<u>GENERAL REVENUES</u>		
Tax increment financing property taxes-----	7,067,813	6,763,707
Investment income-----	2,526	2,035
Other-----	1,800	52,554
Total general revenues-----	<u>7,072,139</u>	<u>6,818,296</u>
<u>SPECIAL ITEM</u>		
Special item-----	-	(7,496,805)
Change in net position (deficit)-----	<u>(62,162,866)</u>	<u>(6,356,213)</u>
Beginning of year, as previously reported-----	9,451,327	16,047,613
Change in accounting principle-----	-	(240,073)
Beginning of year, as restated-----	9,451,327	15,807,540
Net position (deficit)-ending-----	<u>(\$52,711,539)</u>	<u>\$9,451,327</u>

See accompanying notes to financial statements.

BALANCE SHEETS
June 30,

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

	2013			2012	
	Economic Development <u>Fund</u>	Tax Incremental Financing <u>Fund</u>	General Obligation Limited Tax <u>Fund</u>	Total	2012 Total (Restated)
ASSETS					
Pooled cash-----	\$5	\$ -	\$ -	\$5	\$2
Non-pooled cash-----	-	1,007,468	-	1,007,468	2,445,671
Investments-----	777,631	56,183,959	28,025,325	84,986,915	50,952,060
Property taxes receivable-----	-	138,323	-	138,323	158,498
Interest receivable-----	1,073	19,773	38,552	59,398	42,888
Due within the Trust-----	4,249	(2,371)	(1,878)	-	-
Receivable from City of Oklahoma City General Fund--	1,250	6,126	-	7,376	437,002
Receivable from City of Oklahoma City Tax Incremental Financing Fund-----	-	2,067,350	-	2,067,350	4,028,054
Receivable from Oklahoma City Water Utilities Trust-----	-	-	-	-	1,160,936
Notes receivable, current-----	-	92,549	-	92,549	177,366
Investments, non-current-----	-	9,775,156	-	9,775,156	-
Total assets-----	\$784,208	\$69,288,333	\$28,061,999	\$98,134,540	\$59,402,477
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable-----	\$461,292	\$4,083,943	\$1,062,404	\$5,607,639	\$8,165,388
Payable to City of Oklahoma City-----	-	8,278	-	8,278	6,313
Tax anticipation notes payable-----	-	30,726,892	-	30,726,892	116,665,832
Unearned revenue-----	1,250	-	-	1,250	-
Total liabilities-----	462,542	34,819,113	1,062,404	36,344,059	124,837,533
DEFERRED INFLOWS OF RESOURCES-----	434	238,872	15,587	254,893	378,505
FUND BALANCES					
Restricted-----	-	49,840,477	26,984,008	76,824,485	34,923,760
Assigned-----	321,232	-	-	321,232	10,173
Unassigned-----	-	(15,610,129)	-	(15,610,129)	(100,747,494)
Total fund balances-----	321,232	34,230,348	26,984,008	61,535,588	(65,813,561)
Total liabilities, deferred inflows of resources and fund balances-----	\$784,208	\$69,288,333	\$28,061,999	\$98,134,540	\$59,402,477
RECONCILIATION OF THE BALANCE SHEETS TO THE STATEMENT OF NET POSITION					
Total fund balances-----	\$321,232	\$34,230,348	\$26,984,008	\$61,535,588	(\$65,813,561)
Capital assets-----	-	29,443,105	-	29,443,105	76,105,269
Accumulated depreciation-----	-	(212,484)	-	(212,484)	(1,218,886)
Earned but unavailable revenue-----	434	238,872	15,587	254,893	378,505
Long-term debt-----	-	(142,710,026)	-	(142,710,026)	-
Interest payable on long-term debt-----	-	(1,022,615)	-	(1,022,615)	-
Total net position (deficit)-----	\$321,666	(\$80,032,800)	\$26,999,595	(\$52,711,539)	\$9,451,327

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**

	2013			2012	
	Economic Development Fund	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Total	Total (Restated)
REVENUES					
Property taxes-----	\$ -	\$7,087,988	\$ -	\$7,087,988	\$6,605,208
Investment income-----	3,027	116,286	80,749	200,062	170,013
Rental income-----	13,751	-	-	13,751	17,500
Payments from the City of Oklahoma City-----	2,695,228	1,049,259	-	3,744,487	7,962,735
Other-----	-	1,800	-	1,800	52,555
Total revenues-----	2,712,006	8,255,333	80,749	11,048,088	14,808,011
EXPENDITURES					
Materials and supplies-----	-	6,388	-	6,388	22,915
Professional services-----	1,059,965	157,245	68,613	1,285,823	770,178
Payments to component units-----	-	45,286	-	45,286	-
Payments to the City of Oklahoma City-----	-	275,054	102,970	378,024	658,838
Other services and charges-----	1,341,761	4,593,958	4,219,975	10,155,694	5,393,461
Capital outlay-----	-	8,129,409	-	8,129,409	19,562,190
Debt service-----	-	6,438,760	-	6,438,760	5,773,222
Total expenditures-----	2,401,726	19,646,100	4,391,558	26,439,384	32,180,804
OTHER FINANCING SOURCES					
Premium on bonds-----	-	2,455,445	-	2,455,445	-
Long-term debt issued-----	-	140,285,000	-	140,285,000	-
Net other financing sources-----	-	142,740,445	-	142,740,445	-
Net change in fund balances-----	310,280	131,349,678	(4,310,809)	127,349,149	(24,869,598)
Beginning of year, as previously reported-----	10,952	(97,119,330)	31,294,817	(65,813,561)	(40,703,890)
Change in accounting principle-----	-	-	-	-	(240,073)
Beginning of year, as restated-----	10,952	(97,119,330)	31,294,817	(65,813,561)	(40,943,963)
Fund balances, ending-----	\$321,232	\$34,230,348	\$26,984,008	\$61,535,588	(\$65,813,561)
RECONCILIATION OF STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES					
Net changes in fund balances-----	\$310,280	\$131,349,678	(\$4,310,809)	\$127,349,149	(\$24,869,598)
Capital outlay-----	-	8,129,409	-	8,129,409	19,562,190
Depreciation expense-----	-	(2,819,520)	-	(2,819,520)	(1,189,269)
Issuance of long-term debt-----	-	(140,285,000)	-	(140,285,000)	-
Premium on bonds-----	-	(2,455,445)	-	(2,455,445)	-
Interest on long-term debt-----	-	(992,196)	-	(992,196)	-
Loss on disposal of assets-----	-	(33,981)	-	(33,981)	-
Assets donated to others-----	-	(50,931,670)	-	(50,931,670)	-
Recognition of earned but unavailable revenue-----	211	(110,485)	(13,338)	(123,612)	140,464
Change in net position (deficit)-----	\$310,491	(\$58,149,210)	(\$4,324,147)	(\$62,162,866)	(\$6,356,213)

See accompanying notes to financial statements.

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Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Economic Development Trust (Trust) financial activities for the fiscal year ended June 30, 2013 and 2012. Reclassifications have been made to the 2012 financial statements for the inclusion of unavailable revenues that were previously reported with unearned revenue in 2012 in governmental fund statements.

I. B. BASIS OF PRESENTATION

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

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

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

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

The Trust is a component unit of the City because the City appoints the Board of Trustees (Board) and the Trust is fiscally dependant 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 because 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 May 1, 2011 through June 30, 2016. The eleven member AEDOC Board includes the City Manager and a City Council representative. AEDOC can be contacted at 105 N. Hudson Suite 100, Oklahoma City, OK 73102.

Oklahoma City Myriad Gardens Foundation (OCMGF)

Created to serve as a conduit for charitable contributions intended to finance a portion of the Myriad Botanical Gardens development. The OCMGF Board of Directors is comprised of thirty nine members. Eight are elected by the OCMGF Board. The remainder are selected by various community organizations including six by the City's Mayor. Financial information can be obtained at 100 Myriad Gardens, Oklahoma City, Oklahoma 73102.

Oklahoma City Economic Development Foundation (OCEDF)

The OCEDF works to improve economic growth in the greater Oklahoma City area. The Trust has a professional services agreement with the OCEDF to provide certain economic development services for the Trust and the City. The agreement is effective July 1, 2012 through June 30, 2013. The agreement calls for OCEDF to assist with business retention and expansion, research, recruitment and marketing as well as managing the application process for the strategic incentive program. Financial Information can be obtained at 123 Park Avenue, Oklahoma City, OK 73102.

Trust Administration

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

Implementation of New Accounting Standard

Effective July 1, 2012, the City implemented Governmental Accounting Standards Board (GASB) statement number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement defines deferred outflows and deferred inflows of resources and where they are to be reported in the financial statements and redefine and provide new calculations for the classifications of net position.

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. In addition, this fund provides funding for miscellaneous economic development projects, including any conduit financing or infrastructure improvements pursuant to an economic development agreement and retail incentives.

Special Revenue Funds

Tax Increment Financing (TIF) Fund

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

General Obligation Limited Tax (GOLT) Fund

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

I. C. BUDGET LAW AND PRACTICE

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

I. D. POLICIES RELATED TO ASSETS, 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 2012.

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

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

I. D. 2. PROPERTY TAXES RECEIVABLE

Property taxes are collected and remitted to the City by four county governments. Taxes levied annually on November 1 are due one-half by December 31 and one-half by March 31. Major tax payments are received December through April. Lien dates for real property are in June and October, respectively. In the governmental fund financial statements, property taxes receivable are recorded in the TIF Fund fifteen days (taxpayer protest period) after the debt service budget is approved by the Oklahoma County Excise Board.

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

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 Board 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 funds balance sheet. These amounts are deferred and recognized as revenue in the period the amounts become available.

I. D. 5. TIF

TIF is a method of obtaining financing using future gains in taxes to finance current improvements which will create the conditions for those future gains. When a public project is carried out the increase in the value of surrounding real estate, and perhaps new investment, is expected to increase property and sales tax revenues 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 Trust (OCPPA) and the Oklahoma City Redevelopment Trust (OCRA) have TIF 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 and non-current receivables and advances.

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

Fund Balance Usage

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

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

I. F. TAX STATUS

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

I. G. RETAINAGES

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

II. ASSETS

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 on each of the performance evaluations conducted pursuant to the Federal Community Reinvestment Act, 12 United States Code, Section 2901. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of the City Treasurer.

At June 30, 2013 and 2012 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, 2013				
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	Average Credit Quality/ <u>Ratings (1)</u>	Weighted Average Months to <u>Maturity (2)</u>
Federal obligations	\$17,154,471	\$17,237,025	AA/Aaa	13.18
U.S. Treasury notes	6,090,585	6,170,156	Aaa	9.63
Money market funds	<u>71,517,015</u>	<u>71,517,015</u>	A+/A3	1.65
	<u>\$94,762,071</u>	<u>\$94,924,196</u>		

June 30, 2012				
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	Average Credit Quality/ <u>Ratings (1)</u>	Weighted Average Months to <u>Maturity (2)</u>
Federal obligations	\$25,238,975	\$25,429,451	AA+/Aaa	9.32
Money market funds	<u>25,713,085</u>	<u>25,713,085</u>	AAA/Aaa	1.80
	<u>\$50,952,060</u>	<u>\$51,142,536</u>		

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

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

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%
U.S. Treasury securities (3)	100.0	1-3 years	90
Certificates of deposit	50.0	3-5 years	90
Money market funds	100.0		
Savings accounts	100.0		
U.S. noncallable agencies securities	100.0		
U.S. Callable Agency Securities	20.0		
Prime Commercial Paper	7.5		
City judgments	5.0		

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

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

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>2013</u>	<u>2012</u>
Bond principal and interest accounts	\$1,704,401	\$ -
Construction accounts	37,088,463	-
Bond reserve	<u>9,775,156</u>	<u>-</u>
	<u>\$48,568,020</u>	<u>\$ -</u>

II. B. RECEIVABLES

Property Taxes Receivable

At fiscal year-end, receivables of \$138,323 represent tax incremental financing property taxes. Amounts received 60 days after year-end are recorded as unavailable revenues in governmental funds.

OCEDT OCMGF Note Receivable

During Fiscal Year 2011 the Trust Loaned the OCMGF \$4,190,138 to enable the OCMGF to acquire property in the vicinity of the Myriad Botanical Gardens for the purposes of providing for relocation of displaced Myriad Botanical Gardens facilities and to ensure that the property is used and developed in a manner compatible with the purpose of the Myriad Botanical Gardens. The land and buildings were appraised at \$4,225,000. On August 9, 2011, the Trust approved a real estate transfer agreement between the Trust and the OCMGF naming the Trust as owners of the property purchased by the OCMGF. The transfer released the OCMGF of the liability to the Trust for the principal amount of the loan but requires the OCMGF to pay any unpaid accrued interest, which was \$188,520 at the date of the transfer under the same terms as the original note. In fiscal years 2013 and 2012, payments of \$84,817 and \$11,154, respectively, were made by the OCMGF. The remaining notes receivable from OCMGF at fiscal year end 2013 and 2012 are \$92,549 and \$177,366, respectively.

II. C. CAPITAL ASSETS

Changes in Capital Assets

	2013							Total Capital Assets, net
	Capital assets, not depreciated			Capital assets, depreciated				
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total		
<u>CAPITAL ASSETS</u>								
Balance, June 30, 2012	\$4,202,334	\$29,073,333	\$33,275,667	\$9,239,194	\$33,590,408	\$42,829,602	\$76,105,269	
Increases	-	9,290,343	9,290,343	1,653,315	12,198,966	13,852,281	23,142,624	
Decreases	-	(15,836,173)	(15,836,173)	(8,419,979)	(45,548,638)	(53,968,617)	(69,804,790)	
Balance, June 30, 2013	<u>4,202,334</u>	<u>22,527,503</u>	<u>26,729,837</u>	<u>2,472,530</u>	<u>240,736</u>	<u>2,713,266</u>	<u>29,443,103</u>	
<u>ACCUMULATED DEPRECIATION</u>								
Balance, June 30, 2012				232,032	986,854	1,218,886	1,218,886	
Increases				390,797	2,428,723	2,819,520	2,819,520	
Decreases				(460,273)	(3,365,651)	(3,825,924)	(3,825,924)	
Balance, June 30, 2013				<u>162,556</u>	<u>49,926</u>	<u>212,482</u>	<u>212,482</u>	
Capital assets, Net	<u>\$4,202,334</u>	<u>\$22,527,503</u>	<u>\$26,729,837</u>	<u>\$2,309,974</u>	<u>\$190,810</u>	<u>\$2,500,784</u>	<u>\$29,230,621</u>	
	2012							
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net	
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total		
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total		
<u>CAPITAL ASSETS</u>								
Balance, June 30, 2011	\$2,622,816	\$53,775,832	\$56,398,648	\$1,054	\$143,379	\$144,433	\$56,543,081	
Increases	1,579,518	23,190,363	24,769,881	9,238,140	33,447,029	42,685,169	67,455,050	
Decreases	-	(47,892,862)	(47,892,862)	-	-	-	(47,892,862)	
Balance, June 30, 2012	<u>4,202,334</u>	<u>29,073,333</u>	<u>33,275,667</u>	<u>9,239,194</u>	<u>33,590,408</u>	<u>42,829,602</u>	<u>76,105,269</u>	
<u>ACCUMULATED DEPRECIATION</u>								
Balance, June 30, 2011				40	29,577	29,617	29,617	
Increases				231,992	957,277	1,189,269	1,189,269	
Balance, June 30, 2012				<u>232,032</u>	<u>986,854</u>	<u>1,218,886</u>	<u>1,218,886</u>	
Capital assets, net	<u>\$4,202,334</u>	<u>\$29,073,333</u>	<u>\$33,275,667</u>	<u>\$9,007,162</u>	<u>\$32,603,554</u>	<u>\$41,610,716</u>	<u>\$74,886,383</u>	

Depreciation Expense

Depreciation expense was charged to the Trust in the amount of \$2,819,520, for the fiscal year ending 2013, and \$1,189,269 for the fiscal year ending 2012.

Assets Donated to Others

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 June 25, 2013, the Trust donated improvements related to the City Center East Garage pedestrian corridor to the Oklahoma City Urban Renewal Authority with a net book value of \$822,955. This amount is reported as assets donated to others on the Trust-wide financial statements. In addition, on June 11, 2013, the Trust donated infrastructure and improvements with a net book value of \$50,108,713 to the City. This amount is reported with payments to the City in 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 #2 and #3 line of credit in the amount of \$20,523,262. The balance of proceeds from the 2008 note is available to fund the remaining projects within the TIFs.

On February 4, 2010, the Trust issued a \$5,000,000 Private Placement Tax Anticipation Note from JP Morgan Chase Bank, N.A. with a fixed interest rate of 4.20% for a 5 year term. The proceeds from the 2010 note are to fund redevelopment and improvements within the districts.

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

At June 30, 2013 and 2012, \$23,835,000 and \$25,920,012, respectively, is outstanding on amounts drawn to fund TIF Districts #2 and #3 projects. Of the amount due, \$21,425,000 and \$23,835,000 is reported with non-current liabilities at fiscal year end 2013 and 2012, respectively.

TIF District #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 London Interbank Offered Rate (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 Authority 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 OCEDT 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 OCEDT 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.

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 tax incremental financing district #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, 2013 and 2012, \$6,500,000 and \$7,000,000, respectively, is outstanding on amounts drawn to fund TIF Districts #4 and #5.

TIF District #8

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

On April 17, 2013, OCEDT issued Tax Apportionment Bonds, Series 2013A, in the amount of \$116,445,000. A portion of these proceeds was designated to pay in full the Private Placement Tax Anticipation Note Series 2009. On April 17, 2013, a total payment was made to the Devon Corporation in the amount of \$92,918,166. This included the principal and capitalized interest in the amount of \$92,702,284 and a 17 day interest amount of \$215,882. As of June 30, 2012, \$76,600,000 has been drawn on the note and an additional \$5,701,154 in deferred interest has been added to the principal of the loan. As of June 30, 2013, there is no amount outstanding for TIF District #8 tax anticipation debt.

Changes in Tax Anticipation Debt

	2013				
	Balance <u>July 1, 2012</u>	Issued/ <u>Transferred</u>	<u>Retired</u>	Balance <u>June 30, 2013</u>	Effective <u>Interest Rate</u>
TIF #2 and #3	\$22,170,012	\$ -	\$1,085,012	\$21,085,000	6.99%
TIF #2 and #3	3,750,000	-	1,000,000	2,750,000	4.20
TIF #4 and #5	7,000,000	-	500,000	6,500,000	1.19
TIF #8	82,301,154	10,401,130	92,702,284	-	5.00
TIF interest payable	<u>1,444,666</u>	<u>5,944,385</u>	<u>6,997,159</u>	<u>391,892</u>	
	<u>\$116,665,832</u>	<u>\$16,345,515</u>	<u>\$102,284,455</u>	<u>\$30,726,892</u>	

(continued)

Changes in Tax Anticipation Debt (continued)

	2012				
	Balance <u>July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>June 30, 2012</u>	Effective <u>Interest Rate</u>
TIF #2 and #3	\$23,180,000	\$ -	\$1,009,988	\$22,170,012	6.99%
TIF #2 and #3	4,500,000	-	750,000	3,750,000	4.20
TIF #4 and #5	-	8,000,000	1,000,000	7,000,000	1.25
TIF #8	71,182,716	11,118,438	-	82,301,154	5.00
TIF interest payable	<u>1,173,197</u>	<u>5,644,262</u>	<u>5,372,793</u>	<u>1,444,666</u>	
	<u>\$100,035,913</u>	<u>\$24,762,700</u>	<u>\$8,132,781</u>	<u>\$116,665,832</u>	

Tax Anticipation Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$8,910,000	\$1,600,082	\$10,510,082
2015	2,745,000	1,380,950	4,125,950
2016	1,335,000	1,260,862	2,595,862
2017	1,435,000	1,160,739	2,595,739
2018	1,535,000	1,058,608	2,593,608
2019-2023	9,530,000	3,452,225	12,982,225
2024-2028	<u>4,845,000</u>	<u>344,896</u>	<u>5,189,896</u>
	<u>\$30,335,000</u>	<u>\$10,258,362</u>	<u>\$40,593,362</u>

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 2013 and 2012, the Trust recognized \$7,067,813 and \$6,763,707, respectively, in property taxes and \$621,264 and \$2,617,803 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. UNEARNED REVENUE

On August 25, 2009, the Trust purchased property for economic development. The property was occupied at the time of purchase. The occupants of the property have a month to month arrangement to pay the Trust \$1,250 per month. The Trust received the July 2013 payment in June 2013, creating an unearned revenue of \$1,250 as of June 30, 2013.

III. C. TAX APPORTIONMENT BONDS

Bond Issuance

On April 1, 2013, OCEDT issued \$116,445,000 million Oklahoma City Economic Development Trust Tax Apportionment Bonds, Series 2013A. The proceeds of \$116,445,000 from the bonds, less \$881,498 in issuance costs, will 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, OCEDT issued \$23,840,000 million Oklahoma City Economic Development Trust Tax Apportionment Bonds, Series 2013B. The proceeds of \$26,295,445, including bond premiums of \$2,455,445, from the bonds, less \$313,289 in issuance costs, will be used to finance construction of various other infrastructure and public improvements in downtown Oklahoma City.

Bonded Debt Service Requirements to Maturity

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$5,205,000	\$3,993,797	\$9,198,797
2015	5,230,000	4,558,056	9,788,056
2016	5,275,000	4,524,061	9,799,061
2017	5,335,000	4,472,630	9,807,630
2018	5,420,000	4,399,220	9,819,220
2019-2023	28,965,000	20,264,080	49,229,080
2024-2028	33,860,000	15,615,553	49,475,553
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>
	<u>\$140,285,000</u>	<u>\$66,642,343</u>	<u>\$206,927,343</u>

Tax Apportionment Bonds Outstanding

	Amount <u>Issued</u>	Interest <u>Rate %</u>	Issue <u>Date</u>	Principal <u>Maturity Date</u>	<u>2013</u>	<u>2012</u>
					Principal <u>Balance</u>	Principal <u>Balance</u>
OCEDT Tax Apportionment Bonds, Series 2013A	\$116,445,000	.40-4.30%	4/1/2013	3/1/2032	\$116,445,000	\$ -
OCEDT Tax Apportionment Bonds, Series 2013B	23,840,000	5.00%	4/1/2013	3/1/2034	23,840,000	-

Bond Coverage

The bond indentures require the payment of principal and interest before any other expenditures may be made. In addition, depreciation and amortization expenses are excluded from the direct operating expenses as they do not affect funds available for debt service. The required tax apportionment bond coverage is 1.0.

Agreement of Support

Oklahoma City Economic Trust Tax Apportionment Bonds, Series 2013A Taxable and Series 2013B Tax-Exempt, secured by, among other things, an agreement of support between the Trust and the City, dated as of April 1, 2013.

III. D. CHANGES IN LONG-TERM DEBT

	<u>2013</u>					
	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013	Due Within One Year	Due After One Year
Tax apportionment bonds	<u>\$ -</u>	<u>\$140,285,000</u>	<u>\$ -</u>	<u>\$140,285,000</u>	<u>\$5,205,000</u>	<u>\$135,080,000</u>

	<u>2012</u>					
	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012	Due Within One Year	Due After One Year
Revenue bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

III. E. 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, 2013.

III. F. 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 \$254,893 at June 30, 2013. Of this amount, \$92,549 is the accrued interest related to the note receivable from Myriad Gardens Foundation, \$24,021 from unavailable investment earnings, and \$138,323 from property taxes. In fiscal year 2012, the governmental funds reported unavailable revenue of \$378,505. Of this amount, \$177,366 is the accrued interest related to the note receivable from the Myriad Gardens Foundation, \$42,639 from unavailable investment earnings, and \$158,500 from property taxes.

IV. FUND EQUITY

Change in Accounting Principle

Effective July 1, 2012, the Trust implemented GASB statement number 65, Items Previously Reported as Assets and Liabilities. This statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows and deferred inflows of resources. In addition, the statement changes the method of reporting debt issuance costs. Prior to implementation of GASB statement number 65, the Trust reported debt issuance costs, including costs related to bond insurance, as deferred debt expense which was capitalized and amortized over the life of the debt. Deferred debt expense was reported as a non-current asset on the statement of net position. In GASB statement number 65, debt issuance costs are to be recognized in the period of the debt issue. This resulted in a restatement of previously reported net position of \$240,073.

IV. A. FUND BALANCE

Restricted Fund Balance

	<u>2013</u>	<u>2012</u>
Restricted for TIF #2 projects	(\$10,621,132)	(\$13,964,132)
Restricted for TIF #4 projects	(4,988,997)	(6,237,121)
Restricted for TIF #8 projects	49,840,477	(76,678,005)
Restricted for GOLT bond economic development	26,984,008	31,294,818
Reallocation for negative restricted	<u>15,610,129</u>	<u>100,508,200</u>
	<u>\$76,824,485</u>	<u>\$34,923,760</u>

Assigned Fund Balance

	<u>2013</u>	<u>2012</u>
Assigned for encumbrances		
of the Economic Development Fund	\$208,239	\$66,286
Assigned for OCMGF administration	62,500	-
Assigned for outlet mall marketing	208,442	-
Reallocation for negative unassigned	<u>(157,949)</u>	<u>(56,113)</u>
	<u>\$321,232</u>	<u>\$10,173</u>

Unassigned

	<u>2013</u>	<u>2012</u>
Unassigned	(\$157,949)	(\$295,407)
Restricted negative fund balance	(15,610,129)	(100,508,200)
Assigned negative fund balance	<u>157,949</u>	<u>56,113</u>
	<u>(\$15,610,129)</u>	<u>(\$100,747,494)</u>

Encumbrances

Encumbrances of \$6,656,869 and \$11,636,893 at June 30, 2013 and 2012, respectively, are reported with restricted fund balances. Encumbrances related to unassigned fund balance are considered and reported as assigned fund balance.

IV. B. NET POSITION

Net Investment in Capital Assets

	<u>2013</u>	<u>2012</u>
Capital assets, net	\$29,230,621	\$74,886,383
Tax anticipation debt	(30,726,892)	(116,665,832)
Non-capital related tax anticipation debt	28,087,102	51,054,594
Bonds payable, net	(142,710,026)	-
Non-capital related bonds payable	120,523,061	-
Retainages and capital related accounts payable	<u>(1,775,199)</u>	<u>(5,462,826)</u>
	<u>\$2,628,667</u>	<u>\$3,812,319</u>

Restricted for Capital Projects

	<u>2013</u>	<u>2012</u>
Bond construction account	\$37,088,463	\$ -
Bond construction account funded with bond proceeds	<u>(37,088,463)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

Restricted for Debt Service

	<u>2013</u>	<u>2012</u>
Bond principal and interest accounts	\$1,704,401	\$ -
Bond reserve account	9,775,156	-
Bond reserve funded with bond proceeds	<u>(9,775,156)</u>	<u>-</u>
	<u>\$1,704,401</u>	<u>\$ -</u>

Restricted for Public Services

	<u>2013</u>	<u>2012</u>
Restricted for TIF #2 projects	(\$7,780,439)	(\$8,276,989)
Restricted for TIF #4 projects	(4,970,200)	768,362
Restricted for TIF #8 projects	(69,406,338)	(15,055,607)
Restricted for GOLT bond economic development	26,999,598	31,323,743
Reallocation for negative restricted	<u>82,156,977</u>	<u>26,961,911</u>
	<u>\$26,999,598</u>	<u>\$35,721,420</u>

Unrestricted

	<u>2013</u>	<u>2012</u>
Unrestricted	(\$1,887,228)	(\$3,120,501)
Restricted negative net position	<u>(82,156,977)</u>	<u>(26,961,911)</u>
	<u>(\$84,044,205)</u>	<u>(\$30,082,412)</u>

V. INTERFUND TRANSACTIONS

V. A. INTERFUND BALANCES

Receivable From/Payable to the City

		<u>2013</u>		
RECEIVABLE FROM	<u>Purpose</u>	<u>Economic Development</u>	<u>TIF</u>	<u>Total</u>
City General Fund	Bank service fees	\$1,250	\$6,126	\$7,376
City TIF Fund	TIF sales tax	-	<u>2,067,350</u>	<u>2,067,350</u>
		<u>\$1,250</u>	<u>\$2,073,476</u>	<u>\$2,074,726</u>
		<u>2012</u>		
PAYABLE TO	<u>Purpose</u>	<u>Economic Development</u>	<u>TIF</u>	<u>Total</u>
City Stormwater Drainage Fund	Construction related costs	<u>\$ -</u>	<u>\$8,278</u>	<u>\$ -</u>

		<u>2012</u>		
RECEIVABLE FROM	<u>Purpose</u>	<u>Economic Development</u>	<u>TIF</u>	<u>Total</u>
City General Fund	TIF sales tax	\$2,500	\$434,502	\$437,002
City TIF Fund	TIF sales tax	-	<u>4,028,054</u>	<u>4,028,054</u>
		<u>\$2,500</u>	<u>\$4,462,556</u>	<u>\$4,465,056</u>
		<u>2012</u>		
PAYABLE TO	<u>Purpose</u>	<u>Economic Development</u>	<u>TIF</u>	<u>Total</u>
City Stormwater Drainage Fund	Construction related costs	<u>\$ -</u>	<u>\$6,313</u>	<u>\$6,313</u>

Receivable From the Oklahoma City Water Utilities Trust (OCWUT)

In 2012, the Trust had a receivable from OCWUT of \$1,160,936 for drainage construction completed as part of the Outlet mall construction. Payment was received in 2013.

V. B. INTERFUND PAYMENTS

Interfund Payments To/From the City

		<u>2013</u>		
PAYMENTS FROM	<u>Purpose</u>	<u>Economic Development</u>	<u>TIF</u>	<u>Total</u>
City General Fund	Administrative subsidies	\$2,695,228	\$ -	\$2,695,228
City TIF Fund	TIF sales tax	-	<u>1,049,259</u>	<u>1,049,259</u>
		<u>\$2,695,228</u>	<u>\$1,049,259</u>	<u>\$3,744,487</u>
		<u>TIF</u>	<u>GOLT</u>	<u>Total</u>
City General Fund	Asset transfer	\$50,108,713	\$ -	\$50,108,713
City TIF Fund	Trust administration	<u>275,054</u>	<u>102,970</u>	<u>378,024</u>
		<u>\$50,383,767</u>	<u>\$102,970</u>	<u>\$50,486,737</u>

(continued)

Interfund Payments To/From the City (continued)

		2012		
PAYMENTS FROM	Purpose	Economic Development	TIF	Total
City General Fund	Admin subsidies	\$1,932,394	\$5,560,241	\$7,492,635
City TIF Fund	TIF sales tax	-	470,100	470,100
		<u>\$1,932,394</u>	<u>\$6,030,341</u>	<u>\$7,962,735</u>
PAYMENTS TO		TIF	GOLT	Total
City General Fund	Trust administration	\$1,612	\$ -	\$1,612
City TIF Fund	Trust administration	264,275	392,951	657,226
		<u>\$265,887</u>	<u>\$392,951</u>	<u>\$658,838</u>

Interfund Payments To/From Component Units of the City

In 2013, the Trust paid COTPA \$45,286 for the reimbursement of costs to build a trolley shelter at the Myriad Botanical Gardens.

In 2012, the Trust had a payment from OCWUT of \$1,160,936 for drainage construction completed as part of the Outlet mall construction.

VI. REVENUES AND EXPENDITURES

VI. A. LEASE REVENUES

On August 25, 2009, the Trust purchased property for economic development. The property was occupied at the time of purchase. The occupants of the property have a month to month arrangement to pay the trust \$1,250 per month. The Trust received \$13,754 and \$17,500 in rent payments during 2013 and 2012, respectively.

VI. B. SPECIAL ITEM

Transfer of Debt Obligations from OCPPA to OCEDT

In March, 2012, the City Council and the Boards of the Trust and OCPPA jointly resolved to assign the OCPPA Tax Anticipation Note, 2006, the tax anticipation debt obligation related to tax incremental financing district #4 and #5 from the OCPPA to the Trust and approved the related transfer of funds from OCPPA to the Trust. The balance transferred on March 27, 2012 was \$7,496,805 which included tax anticipation debt payable of \$8,000,000 net of \$503,195 in cash and investments.

VII. LONG-TERM COMMITMENTS

GOLT Bond Funded Commitments

The first series of the authorized bond issue was in March 2008. The proceeds less the issuance cost 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 the fiscal years 2013 and 2012 the Trust has approved allocation of the GOLT bond proceeds of \$6,946,850 and \$9,040,000, respectively. The Trust paid \$3,152,538 and \$1,635,525 in awards in 2013 and 2012, respectively.

	<u>2013</u>	<u>2012</u>
	<u>Outstanding Award</u>	<u>Outstanding Award</u>
Affinia Products Corporation	\$364,000	\$364,000
CSAA California State Association	1,106,765	2,345,182
Wood Group ESP, Inc.	783,000	783,000
OrthoCare Innovations, LLC	350,750	265,000
Advanced Academics	845,000	892,500
Land Needs Study	50,000	50,000
Tech Business Launch Grant Match	33,333	133,328
Paycom	218,778	218,778
Blue Cross Blue Shield	420,000	420,000
Chesapeake Energy	1,575,000	2,450,000
The Boeing Company C-130	1,838,250	1,496,400
ARINC	531,771	610,000
Continental Resources	6,640,000	7,200,000
Centek LTD	170,000	200,000
Cameron International	350,000	350,000
UE Manufacturing	340,000	340,000
FMC Technologies	300,000	300,000
Grocery Supply Acquisition Group	375,000	-
Boeing #2	4,500,000	-
Paycom #2	1,250,000	-
ENOGEX	<u>170,853</u>	<u>-</u>
	<u>\$22,212,500</u>	<u>\$18,418,188</u>

TIF Funded Commitments

As of June 30, 2013 and 2012, the Trust has approved TIF funded projects with outstanding commitments of \$4,342,306 and \$17,855,998, respectively.

VIII. MANAGEMENT FEES

Management Fees

For fiscal years ending June 30, 2013 and 2012, the Trust reported payments to the related parties for economic development services of \$2,232,550 and \$1,470,391, respectively.

	<u>2013</u>	<u>2012</u>
OCMGF	\$1,043,037	\$517,152
OCEDF	900,000	790,240
AEDOC	<u>289,513</u>	<u>162,999</u>
	<u>\$2,232,550</u>	<u>\$1,470,391</u>

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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 the Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Oklahoma City Economic Development Trust (the Trust), a discretely presented component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements and have issued our report thereon dated December 6, 2013, which contains another matter paragraph relating to the prior year comparative information.

Internal Control over Financial Reporting

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Trust's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented or detected and corrected on a timely basis. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 13-01 that we consider to be a significant deficiency in internal control.

Compliance

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

Trust's Response to Findings

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

Other Matters

We also noted certain matters that we reported to the Trust's management in a separate letter dated December 6, 2013.

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* of the City should be read in conjunction with this report.

The purpose of this communication 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 compliance. This communication 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.

BKD, LLP
Oklahoma City, Oklahoma
December 6, 2013

Oklahoma City Economic Development Trust
Schedule of Findings and Responses
Year Ended June 30, 2013

Reference Number	Finding
13-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The Trust recorded multiple years’ worth of depreciation in the current year for the Oklahoma City Myriad Gardens Foundation assets transferred to the Trust in 2011 and recorded in the Trust’s Asset Management System in the current year. When this was brought to their attention, the Trust recorded an adjustment to correct the error.</p> <p>Context – Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Potential material misstatements in the financial statements due to error could occur and not be detected and/or corrected in a timely manner.</p> <p>Cause – Current control processes and procedures did not timely identify the need to make adjustments to the Trust’s depreciation accounts.</p> <p>Recommendation – We recommend an enhancement of the review of the data entered into the Asset Management System for additions and transfers. The review should include at a minimum the service placement dates, asset life and amounts. A subsequent review of depreciation amounts calculated by the system would also be beneficial.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree additional review and improvement of procedures is necessary for effective review of capital asset transactions. We will continue to improve training of staff and efforts to obtain adequate levels of staffing to perform improved reviews.</p>

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