



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, 2019

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, 2019

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

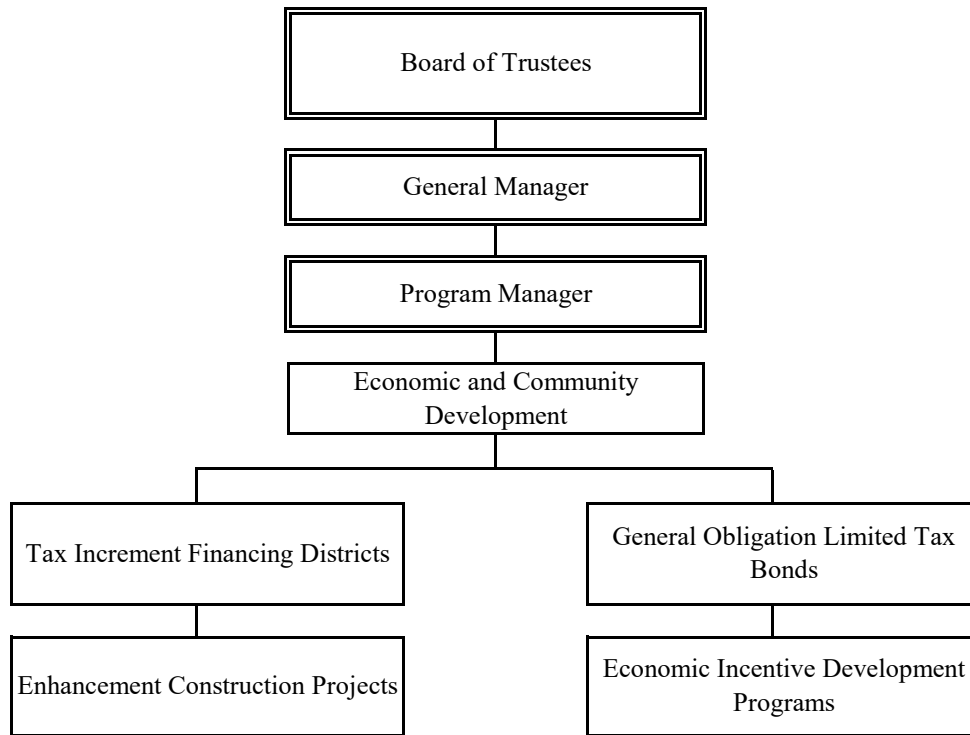
OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

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Oklahoma City Economic Development Trust Organization Chart



Introductory Section



The City of **OKLAHOMA CITY**

November 20, 2019

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, 2019 and 2018. It complies with reporting requirements specified by Oklahoma State Statutes. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with generally accepted accounting principles in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust.

The Trust's annual report includes the reports of independent auditor, management's discussion and analysis (MD&A), financial statements, and related notes. Management's narrative on the financial activities of the Trust for fiscal years ended June 30, 2019 and 2018, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. The Trust is a discretely presented component unit of the City of Oklahoma City (City) and, as such, is included within the City's Comprehensive Annual Financial Report (CAFR).

The Trust was established by City Council resolution on October 9, 2007, to support the City's economic and community development goals. With the approval of a \$75.00 million general obligation limited tax (GOLT) bond authorization by the citizens in 2007, the Trust developed the Strategic Investment Program that incentivizes companies to locate or expand in the Oklahoma City area. Since inception in 2007, the Trust has entered into agreements that allocated approximately \$71.66 million in GOLT funds that are projected to lead to the creation of approximately 15,702 jobs with an estimated annual payroll of \$890.00 million and an investment of \$1.23 billion. Through 2019, 5,559 jobs have been created through the Strategic Investment Program, earning incentive payments of \$51.56 million.

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

TIF districts #2 and #3 were created for continuing downtown redevelopment projects. Completed projects under the TIFs include the Skirvin Hotel development along with various residential projects. In 2019, the Trust provided \$211,802 for the Bricktown Infrastructure project, \$54,221 for the underground HVAC renovation project, and \$216,489 for the Red Andrews Park project. In 2018, the Trust provided \$3.00 million to 10th & Shartel, LLC, to construct an upscale apartment complex. The Trust also provided \$4.75 million to JRB Holdings, LLC, to redevelop the Journal Record Building into a multi-use commercial building and construct a multi-story parking garage.

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

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

TIF district #9 was created to support public and private redevelopment in Northeast Oklahoma City. In 2019 and 2018, respectively, the Trust provided \$161,493 and \$480,000 for the NE 23rd Street Clinic. The Trust also provided \$1,054,267 for the NE 23rd Street Retail project in 2019.

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

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

TIF district #13 was created for the development of the new Convention Center Hotel Project located in the Core to Shore Project Area. In 2019, the Trust provided \$45,889,627 towards the project.

The GOLT bond funds are used to fund the Strategic Investment Program and aid in projects that improve the economic development opportunities within the City. In 2019 and 2018, the Trust provided \$1.73 million and \$3.51 million, respectively, through the Strategic Investment Program to enhance economic growth.

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

Oklahoma City continued its recovery in Fiscal Year (FY) 2019 from the regional recession caused by the significant downturn in the energy industry that occurred in Oklahoma in FY 2016 and FY 2017. While Oklahoma City has a diverse economic base, the energy industry still has a major impact on the health of the local economy. The reduction in oil and gas drilling activity in Oklahoma due to moderating oil prices and technological advancements have resulted in 25% fewer oil and natural gas drilling rigs in the state at the end of FY 2019 compared to last year. This reduction in oil field activity has slowed the growth in the Oklahoma City economy.

In his February 5, 2019 report, Dr. Russel Evans, Executive Director of the Steven C. Agee Economic Research & Policy Institute of Oklahoma City University, provided his economic forecast to the City Council during the annual budget workshop. Dr. Evans provided a forecast of 2.4% growth in gross domestic product in calendar 2019, followed by reduced growth of 1.8% in 2020. For the state economy, Dr. Evans projects a similar pattern of 2.9% growth in 2019 and 1.1% growth in 2020 for gross state product.

Dr. Evans noted how Oklahoma City continues to emerge as the center of economic activity in the state. The outlook for growth in Oklahoma City is more balanced with 2.0% growth in gross city product in 2019 and 2.2% in 2020. Dr. Evans' fiscal forecast for Oklahoma City projected sales tax growth in FY19 of 4.1 – 4.5%. With slower than expected sales tax growth in the last half of the year, the City realized actual sales tax growth of 3.4%. For FY20, three different scenarios were presented. The first was for continued slow U.S. growth with continued modest oil prices. This scenario resulted in projected FY20 sales tax growth of 3.1%. The second scenario also forecast continued slow US growth, but low oil prices. This scenario resulted in projected FY20 sales tax growth of 1.8%. The final scenario was for a mild recession in the US with continued moderate oil prices. This final scenario resulted in a projected FY20 sales tax decline of 1.3%.


Going forward, Oklahoma City has a number of factors in its favor. The cost of living and the cost of doing business are consistently rated among the best in the country. In addition, low commuting times, convenient airline travel, and excellent entertainment and sports opportunities make Oklahoma City a great place for businesses and residents.

Oklahoma City is being recognized more and more as a great place to work, live and visit. The website BusinessStudent.com recently ranked OKC as its No. 3 place for business professionals to work and live. The metro's low rental costs and high average salary for professionals propelled OKC into the top 5. Thanks to low costs of living, high wages, low unemployment and one of the largest millennial workforce percentages, the Oklahoma City metro ranks among the nation's best cities for job seeking millennials.

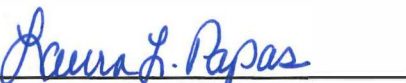
The five Trustees are nominated by the Mayor and confirmed by the City Council. The Trust participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's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

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

Respectfully submitted:


Craig Freeman
General Manager


Brent Bryant
Economic Development
Program Manager


Laura L. Papas
City of Oklahoma City Controller

Financial Section

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Oklahoma City Economic Development Trust (Trust), a discrete component unit of the City of Oklahoma City, Oklahoma (City), as of and for the years ended June 30, 2019 and 2018, the financial statements of each major fund of the Trust as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities as of June 30, 2019 and 2018, and each major fund of the Trust as of June 30, 2019, and the respective changes in financial position for governmental activities for the years ended June 30, 2019 and 2018, and for each major fund for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Fund Financial Statements Prior Year Comparative Information

The fund financial statements include summarized prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended June 30, 2018, from which such summarized information was derived.

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

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

November 20, 2019
Wichita, KS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Economic Development Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2019 and 2018. The Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Trust is a discretely presented component unit of the City of Oklahoma City (City).

Financial Summary

- Trust liabilities and deferred inflows exceeded assets by \$69,812,250 (net deficit) and by \$40,001,988 (net deficit) for 2019 and 2018, respectively.
- Total net position (deficit) is comprised of the following:
 - (1) Net investment in capital assets, of (\$26,498,416) and (\$24,557,110) for 2019 and 2018, respectively, include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted for debt service of \$17,640,443 and \$6,318,109 for 2019 and 2018, respectively, are constrained for repayment of debt service.
 - (3) Restricted net position for public services of \$25,997,126 and \$25,227,331 for 2019 and 2018, respectively, is constrained for general obligation limited tax (GOLT) bond related economic development.
 - (4) Unrestricted deficit is (\$86,951,403) for 2019 and (\$46,990,318) for 2018.
- The Trust's governmental funds reported total ending fund balance totaling \$153,780,868 in 2019 and ending fund balance of \$107,932,719 in 2018 showing an increase of \$45,848,149 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 (deficit), (2) statement of activities, (3) balance sheet, (4) statement of revenues, expenditures, and changes in fund balances, and (5) notes to the financial statements.

Trust-wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Notes to the financial statements

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

Financial Analysis

The Trust's net deficit at June 30, 2019 and 2018 is \$69,812,250 and \$40,001,988, respectively. The overall financial condition of the Trust deteriorated in fiscal year 2019.

	Summary of Net Position (Deficit)						
	<u>2019</u>	<u>2018</u>	2019-2018	2019-2018	<u>2017</u>	2018-2017	2018-2017
			Amount	%		Amount	%
			of Change	Change		of Change	Change
Assets							
Current assets	\$145,037,933	\$90,494,031	\$54,543,902	60.3%	\$67,277,869	\$23,216,162	34.5%
Capital assets, net	25,834,059	25,412,250	421,809	1.7	18,851,685	6,560,565	34.8
Other non-current assets	<u>47,797,564</u>	<u>54,691,605</u>	<u>(6,894,041)</u>	(12.6)	<u>29,359,059</u>	<u>25,332,546</u>	86.3
Total assets	<u>218,669,556</u>	<u>170,597,886</u>	<u>48,071,670</u>	28.2	<u>115,488,613</u>	<u>55,109,273</u>	47.7
Liabilities							
Current liabilities	33,776,830	28,598,223	5,178,607	18.1	27,494,150	1,104,073	4.0
Non-current liabilities	<u>245,704,976</u>	<u>171,501,651</u>	<u>74,203,325</u>	43.3	<u>130,133,326</u>	<u>41,368,325</u>	31.8
Total liabilities	<u>279,481,806</u>	<u>200,099,874</u>	<u>79,381,932</u>	39.7	<u>157,627,476</u>	<u>42,472,398</u>	26.9
Deferred inflows	<u>9,000,000</u>	<u>10,500,000</u>	<u>(1,500,000)</u>	(14.3)	<u>-</u>	<u>10,500,000</u>	100.0
Net position (deficit)							
Net investment in capital assets	(26,498,416)	(24,557,110)	(1,941,306)	(7.9)	(58,212,020)	33,654,910	57.8
Restricted for debt service	17,640,443	6,318,109	11,322,334	179.2	3,770,132	2,547,977	67.6
Restricted for public services	25,997,126	25,227,331	769,795	3.1	35,161,744	(9,934,413)	(28.3)
Unrestricted	<u>(86,951,403)</u>	<u>(46,990,318)</u>	<u>(39,961,085)</u>	(85.0)	<u>(22,858,719)</u>	<u>(24,131,599)</u>	(105.6)
Total net position (deficit)	<u>(\$69,812,250)</u>	<u>(\$40,001,988)</u>	<u>(\$29,810,262)</u>	(74.5)	<u>(\$42,138,863)</u>	<u>\$2,136,875</u>	5.1

Current assets increased by \$54.54 million and \$23.22 million in fiscal years 2019 and 2018, respectively. Cash and investments increased by \$54.67 million and \$21.47 million in 2019 and 2018, respectively, due primarily to proceeds from bond issuances in both years. Property taxes and interest receivables and receivable from the City decreased in total by \$311 thousand and \$555 thousand in 2019 and 2018, respectively, primarily due to a decrease in receivable from the City of \$445 thousand in 2019 and \$608 thousand in 2018 related to receipt of sales tax matching funds. Intergovernmental advance funding decreased by \$46 thousand and \$383 thousand in 2019 and 2018, respectively, due to additional work performed at the Oklahoma County Annex building. Notes and economic incentives receivable increased by \$235 thousand in 2019. In 2018, there was an increase of \$2.68 million due to new long-term low interest loans and economic incentive loans to developers.

The increase of \$422 thousand in capital assets in fiscal year 2019 primarily consists of infrastructure improvements of \$924 thousand, less depreciation of \$502 thousand. The increase of \$6.56 million in capital assets in fiscal year 2018 primarily consists of \$5.41 million in capital outlay, less \$442 thousand in depreciation.

Non-current assets decreased \$6.89 million in fiscal year 2019 and increased \$25.33 million in 2018, respectively. Notes and economic incentives receivables decreased \$7.22 million in 2019 and receivables from the City increased \$325 thousand. The 2019 decrease is primarily due to regularly scheduled payments being received for economic activity. The 2018 increase is primarily due to an increase of \$6.74 million for new investment reserves from the 2018 bond issue, an increase of \$7.65 million in new long-term low interest loans and economic incentive loans to developers, and \$12.00 million for land purchased for the American Indian Cultural Center and Museum (AICCM).

Current liabilities increased by \$5.18 million and \$1.10 million in fiscal years 2019 and 2018, respectively. Accounts payable increased \$3.35 million in 2019 and \$11.14 million in 2018, respectively, primarily due to the timing of payments to vendors in both years and the City's contribution to the AICCM project of \$9.00 million in 2018. Payables to the City and City component units increased by \$1.20 million in 2019 and decreased by \$490 thousand in 2018. Tax anticipation debt decreased \$524 thousand and \$16.54 million in 2019 and 2018, respectively, due to the payoff of the tax anticipation debt in 2019 and repayment from the proceeds from the 2018 bond issue in 2018. Bond interest payable increased by \$903 thousand in 2019 and \$918 thousand in 2018. Bonds payable increased by \$245 thousand in 2019 due to an increase in normal scheduled payments and \$6.07 million in 2018 due to the 2018 bond issue and an increase in normal scheduled payments.

Non-current liabilities increased by \$74.20 million and by \$41.37 million in 2019 and 2018, respectively, due to bond issuance in both years. Tax anticipation debt decreased by \$14.38 million in 2018 due to repayment from the proceeds of the 2018 bond issue.

Deferred inflows reported for nonexchange resources received before timing requirements were met relating to the AICCM decreased by \$1.50 million in 2019 and increased by \$10.50 million in 2018.

	Summary of Changes in Net Position (Deficit)						
	2019	2018	2019-2018 Amount of Change	2019-2018 %	2017	2018-2017 Amount of Change	2018-2017 %
Revenues							
Program revenues							
Charges for services	\$ -	\$ -	\$ -	0.0%	\$1,250	(\$1,250)	(100.0%)
Operating grants & contributions	20,820,687	12,196,485	8,624,202	70.7	9,521,571	2,674,914	28.1
Capital grants & contributions	65,599	5,095,646	(5,030,047)	(98.7)	-	5,095,646	100.0
General revenues	18,042,493	16,679,665	1,362,828	8.2	16,599,881	79,784	0.5
Total revenues	38,928,779	33,971,796	4,956,983	14.6	26,122,702	7,849,094	30.0
Program expenses	68,739,041	31,834,921	36,904,120	115.9	49,593,976	(\$17,759,055)	(35.8)
Changes in net position (deficit)	(29,810,262)	2,136,875	(31,947,137)	(1495.0)	(23,471,274)	25,608,149	109.1
Beginning net position (deficit)	(40,001,988)	(42,138,863)	2,136,875	5.1	(18,667,589)	(23,471,274)	(125.7)
Ending net position (deficit)	(\$69,812,250)	(\$40,001,988)	(\$29,810,262)	(74.5)	(\$42,138,863)	\$2,136,875	5.1

Operating grants and contributions increased by \$8.62 million and \$2.67 million in fiscal years 2019 and 2018, respectively. Payments from the City increased by \$7.68 million in fiscal year 2019 primarily due to contributions for the AICCM project of \$9.00 million and sales tax match transfers of \$873 thousand in 2019. Payments from the City increased by \$1.74 million in 2018 primarily due to contributions for the Omni convention center hotel of \$371 thousand, sales tax match transfers of \$825 thousand and payments for ASA Softball Hall of Fame advance funding. Restricted investment income increased \$1.76 million and \$469 thousand in 2019 and 2018, respectively. Special assessments decreased \$2.51 million and increased \$468 thousand in 2019 and 2018, respectively, due to changes in economic incentive loans to developers. Payments from component units increased \$1.70 million in 2019 due to a lease payment from the Oklahoma City Redevelopment Authority (OCRA).

General revenues increased by \$1.36 million and \$80 thousand in fiscal years 2019 and 2018, respectively, primarily due to an increase in property taxes of \$1.23 million and \$315 thousand in 2019 and 2018, respectively.

Program expenses increased by \$36.90 million and decreased by \$17.76 million in fiscal years 2019 and 2018, respectively. Professional services increased \$34.53 million in 2019 relating to Omni convention center hotel construction and increased \$10.47 million in 2018 for the City's contribution to the AICCM project of \$9.00 million. Payments to the City decreased \$29.84 million in 2018 related to a donation of assets in 2017. Other significant changes include increases in economic development incentives of \$2.06 million and \$622 thousand in 2019 and 2018, respectively, and an increase in interest on debt of \$1.18 million and \$1.56 million in 2019 and 2018, respectively, due to new bond issues. Depreciation expense increased \$60 thousand in 2019 and decreased \$1.21 million in 2018. Bond issuance costs increased \$128 thousand and \$504 thousand in 2019 and 2018, respectively, due to the issuance of new bonded debt in both years.

Governmental Funds

Governmental funds reported ending fund balances of \$153,780,868 and \$107,932,719 for the years ended June 30, 2019 and 2018, respectively. Of these year-end totals \$1,837,893 (deficit) and \$7,793,238 (deficit) at June 30, 2019 and 2018, respectively, is unassigned. Debt is used to finance the operating costs of economic development resulting in a negative unassigned fund balance.

Capital Assets

The Trust's investment in capital assets, net of accumulated depreciation, for the fiscal years 2019 and 2018 consists of land, construction in progress, and infrastructure purchased for future economic development. See Note II. E. for more information regarding capital assets.

	Capital Assets						
	2019	2018	2019-2018	2019-2018	2017	2018-2017	2018-2017
			Amount	%		Amount	%
			of Change	Change		of Change	Change
Non-Depreciable Assets							
Land	\$5,955,465	\$5,955,465	\$ -	0.0%	\$4,359,820	\$1,595,645	36.6%
Construction in progress	<u>6,249,637</u>	<u>10,071,034</u>	<u>(3,821,397)</u>	(37.9)	<u>6,053,075</u>	<u>4,017,959</u>	66.4
Total capital assets	<u>12,205,102</u>	<u>16,026,499</u>	<u>(3,821,397)</u>	(23.8)	<u>10,412,895</u>	<u>5,613,604</u>	53.9
Depreciable Assets							
Buildings	2,035,470	2,127,833	(92,363)	(4.3)	2,286,054	(158,221)	(6.9)
Infrastructure	<u>11,593,487</u>	<u>7,257,918</u>	<u>4,335,569</u>	59.7	<u>6,152,736</u>	<u>1,105,182</u>	18.0
Total depreciable assets	<u>13,628,957</u>	<u>9,385,751</u>	<u>4,243,206</u>	45.2	<u>8,438,790</u>	<u>946,961</u>	11.2
Total net capital assets	<u>\$25,834,059</u>	<u>\$25,412,250</u>	<u>\$421,809</u>	1.7	<u>\$18,851,685</u>	<u>\$6,560,565</u>	34.8

Capital assets, net of accumulated depreciation, increased by \$422 thousand at June 30, 2019 primarily due to the completion of streetscape projects in downtown Oklahoma City. Capital assets, net of accumulated depreciation, increased by \$6.56 million at June 30, 2018. This increase is largely due to land and construction in progress for \$5.61 million and infrastructure improvements for \$1.12 million in 2018.

Long-term debt

At the end of 2019 and 2018, the Trust had total long-term debt outstanding of \$255,745,000 and \$181,175,000, respectively.

Bonds

On April 1, 2013, the Trust issued two tax apportionment bonds, Series 2013A and 2013B Tax Apportionment Bonds. Series 2013A Tax Apportionment Bond proceeds of \$116,445,000, less \$881,498 in issuance costs, were used to pay a tax anticipation note for TIF district #8 and finance construction projects in the Myriad Botanical Gardens, the Bicentennial Park, and various streetscape projects in the City. Series 2013B Tax Apportionment Bond proceeds of \$26,295,445, including \$2,455,455 in premiums, less \$313,289 in issuance costs, were issued to finance construction of various other infrastructure and public improvements in downtown Oklahoma City. On January 30, 2018, the Trust issued Tax Increment Revenue Bonds, Series 2018. The proceeds of \$67,355,000, less \$504,195 in issuance costs were used to pay \$33,740,430 of tax anticipation notes for TIF district 2 and to finance construction of infrastructure and public improvements in downtown Oklahoma City. On September 25, 2018, the Trust issued Tax Appropriation Bonds for financing the Omni Convention Center Hotel in the amount of \$86,060,000, less issuance costs of \$631,902. The bonds are payable solely from the Trust. See Note III. B. for more information regarding bonds.

Outstanding Long-term Debt

			2019 - 2018	2019 - 2018			2018 - 2017	2018 - 2017
			Amount of	%		Amount of	%	
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>	<u>Change</u>	
Tax Apportionment Bonds	\$108,305,000	\$113,820,000	(\$5,515,000)	(4.8%)	\$119,240,000	(\$5,420,000)	(4.5%)	
Tax Increment Revenue Bonds	61,380,000	67,355,000	(5,975,000)	(8.9)	-	67,355,000	100.0	
Tax Appropriation Bonds	<u>86,060,000</u>	-	<u>86,060,000</u>	100.0	-	-	0.0	
	<u>\$255,745,000</u>	<u>\$181,175,000</u>	<u>\$74,570,000</u>		<u>\$119,240,000</u>	<u>\$61,935,000</u>		

The change in outstanding debt for 2019 and 2018 is the net result of bond issuances and normal scheduled payments. See Note III. C. for more information regarding changes in long-term debt.

Bond Ratings

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

Economic Factors

Due to the continued growth in the economy, the City experienced a boost in construction and improvement projects with an increased number of economic incentive packages.

Contacting the Trust's Financial Management

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

Basic Financial Statements

Trust-wide Financial Statements

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

Fund Financial Statements

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

Governmental Fund Financial Statements

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

STATEMENTS OF NET POSITION (DEFICIT)
June 30,

**OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST**

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Pooled cash-----	\$188,228	\$16,468
Non-pooled cash-----	1,057,979	1,304,344
Investments-----	129,692,835	74,952,662
Property taxes receivable-----	5,960,817	5,952,202
Interest receivable-----	249,510	124,430
Receivable from the City of Oklahoma City-----	2,390,572	2,835,129
Intergovernmental advance funding-----	374,876	421,149
Notes and economic incentives receivable-----	5,123,116	4,887,647
Total current assets-----	<u>145,037,933</u>	<u>90,494,031</u>
<u>NON-CURRENT ASSETS</u>		
Investments-----	16,510,656	16,510,656
Receivable from the City of Oklahoma City-----	1,775,000	1,450,000
Notes and economic incentives receivable-----	29,511,908	36,730,949
Capital assets:		
Land and construction in progress-----	12,205,102	16,026,499
Other capital assets, net of accumulated depreciation-----	13,628,957	9,385,751
Total capital assets-----	<u>25,834,059</u>	<u>25,412,250</u>
Total non-current assets-----	<u>73,631,623</u>	<u>80,103,855</u>
Total assets-----	<u>218,669,556</u>	<u>170,597,886</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses-----	16,977,793	13,624,140
Payable to component units of the City of Oklahoma City-----	9,683	9,683
Payable to the City of Oklahoma City-----	1,766,313	565,541
Tax anticipation debt-----	-	524,237
Bond interest payable-----	3,288,041	2,384,622
Bonds payable-----	11,735,000	11,490,000
Total current liabilities-----	<u>33,776,830</u>	<u>28,598,223</u>
<u>NON-CURRENT LIABILITIES</u>		
Bonds payable:		
Bonds payable-----	244,010,000	169,685,000
Unamortized bond premium-----	1,694,976	1,816,651
Bonds payable, net-----	<u>245,704,976</u>	<u>171,501,651</u>
Total non-current liabilities-----	<u>245,704,976</u>	<u>171,501,651</u>
Total liabilities-----	<u>279,481,806</u>	<u>200,099,874</u>
<u>DEFERRED INFLOWS OF RESOURCES</u> -----	<u>9,000,000</u>	<u>10,500,000</u>
<u>NET DEFICIT</u>		
Net investment in capital assets-----	(26,498,416)	(24,557,110)
Restricted for: Debt service-----	17,640,443	6,318,109
Public services-----	25,997,126	25,227,331
Unrestricted-----	(86,951,403)	(46,990,318)
Total net deficit-----	<u>(\$69,812,250)</u>	<u>(\$40,001,988)</u>

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES
For the Year Ended June 30,

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

	<u>2019</u>	<u>2018</u>
<u>PROGRAM EXPENSES</u>		
Materials and supplies-----	\$105,737	\$225,464
Economic incentives and other contracts-----	10,610,755	8,550,003
Professional services-----	46,230,713	11,700,653
Other services and charges-----	1,695,246	1,855,341
Payments to the City of Oklahoma City-----	531,683	1,303,060
Depreciation-----	501,865	441,776
Loss on disposal of assets-----	-	4,314
Bond issuance costs-----	631,902	504,195
Other debt service-----	2,850	2,850
Interest on debt-----	8,428,290	7,247,265
Total program expenses-----	68,739,041	31,834,921
<u>PROGRAM REVENUES</u>		
<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		
Payments from the City of Oklahoma City-----	11,265,251	3,587,494
Payments from component units of the City of Oklahoma City-----	1,700,000	-
Special assessments-----	5,262,946	7,777,818
Restricted investment income-----	2,592,490	831,173
<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>		
Other capital grants and contributions-----	65,599	5,095,646
Total program revenues-----	20,886,286	17,292,131
Net (expense) revenue-----	(47,852,755)	(14,542,790)
<u>GENERAL REVENUES</u>		
Tax increment financing property taxes-----	17,892,464	16,663,729
Investment income-----	150,029	15,936
Total general revenues-----	18,042,493	16,679,665
Change in net position (deficit)-----	(29,810,262)	2,136,875
Net position (deficit)-beginning-----	(40,001,988)	(42,138,863)
Net position (deficit)-ending-----	(\$69,812,250)	(\$40,001,988)

See accompanying notes to financial statements.

BALANCE SHEETS
June 30,

**OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST**

	2019				2018	
	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Economic Development Fund	Convention Center Hotel Fund	Total	Total
ASSETS						
Pooled cash-----	\$80,677	\$88,166	\$10,094	\$9,291	\$188,228	\$16,468
Non-pooled cash-----	1,057,979	-	-	-	1,057,979	1,304,344
Investments-----	51,610,427	15,516,801	1,710,548	60,855,059	129,692,835	74,952,662
Property taxes receivable-----	5,960,817	-	-	-	5,960,817	5,952,202
Interest receivable-----	126,111	25,989	2,863	94,547	249,510	124,430
Due within the Trust-----	-	-	(450,000)	450,000	-	-
Receivable from City of Oklahoma City-----	1,585,876	75,000	729,696	-	2,390,572	2,835,129
Intergovernmental advance funding-----	374,876	-	-	-	374,876	421,149
Notes and economic incentives receivable, current-----	3,123,116	-	2,000,000	-	5,123,116	4,887,647
Investments, non-current-----	16,510,656	-	-	-	16,510,656	16,510,656
Advance to other funds-----	-	2,675,000	-	-	2,675,000	1,300,000
Receivable from City of Oklahoma City, non-current--	-	1,775,000	-	-	1,775,000	1,450,000
Notes and economic incentives receivable, non-current	20,511,908	-	9,000,000	-	29,511,908	36,730,949
Total assets-----	100,942,443	20,155,956	13,003,201	61,408,897	195,510,497	146,485,636
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenditures-----	564,764	96,666	1,036,052	15,280,311	16,977,793	13,624,140
Payable to component units, current-----	-	9,683	-	-	9,683	9,683
Payable to City of Oklahoma City General Fund-----	531,683	-	1,234,630	-	1,766,313	565,541
Tax anticipation notes payable-----	-	-	-	-	-	524,237
Advance from other funds-----	2,675,000	-	-	-	2,675,000	1,300,000
Total liabilities-----	3,771,447	106,349	2,270,682	15,280,311	21,428,789	16,023,601
DEFERRED INFLOWS OF RESOURCES-----	11,300,840	-	9,000,000	-	20,300,840	22,529,316
FUND BALANCES						
Restricted-----	87,439,969	20,049,607	2,000,599	45,298,717	154,788,892	115,354,409
Committed-----	-	-	-	829,869	829,869	371,548
Unassigned-----	(1,569,813)	-	(268,080)	-	(1,837,893)	(7,793,238)
Total fund balances-----	85,870,156	20,049,607	1,732,519	46,128,586	153,780,868	107,932,719
Total liabilities, deferred inflows of resources and fund balances-----	\$100,942,443	\$20,155,956	\$13,003,201	\$61,408,897	\$195,510,497	\$146,485,636
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION (DEFICIT)						
Total fund balances-----	\$85,870,156	\$20,049,607	\$1,732,519	\$46,128,586	\$153,780,868	\$107,932,719
Capital assets-----	26,597,098	-	1,595,645	-	28,192,743	27,269,069
Accumulated depreciation-----	(2,358,684)	-	-	-	(2,358,684)	(1,856,819)
Earned but unavailable revenue-----	11,300,840	-	-	-	11,300,840	12,029,316
Long-term debt-----	(171,379,976)	-	-	(86,060,000)	(257,439,976)	(182,991,651)
Interest payable on long-term debt-----	(2,136,321)	-	-	(1,151,720)	(3,288,041)	(2,384,622)
Total net position (deficit)-----	(\$52,106,887)	\$20,049,607	\$3,328,164	(\$41,083,134)	(\$69,812,250)	(\$40,001,988)

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**

	2019				2018	
	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Economic Development Fund	Convention Center Hotel Fund	Total	Total
REVENUES						
Property taxes-----	\$17,888,535	\$ -	\$ -	\$ -	\$17,888,535	\$16,602,636
Investment income-----	1,236,771	373,945	50,616	1,085,795	2,747,127	842,502
Special assessments-----	6,039,118	-	-	-	6,039,118	5,791,407
Payments from component units-----	-	-	-	1,700,000	1,700,000	-
Payments from the City of Oklahoma City-----	1,559,685	-	9,657,196	-	11,216,881	3,764,087
Capital revenue-----	65,599	-	-	-	65,599	-
Total revenues-----	26,789,708	373,945	9,707,812	2,785,795	39,657,260	27,000,632
EXPENDITURES						
Materials and supplies-----	105,737	-	-	-	105,737	225,464
Economic incentives and other contracts-----	9,072,009	1,330,850	207,896	-	10,610,755	8,550,003
Professional services-----	192,101	148,985	-	45,889,627	46,230,713	11,700,653
Payments to the City of Oklahoma City-----	531,683	-	-	-	531,683	1,303,060
Other services and charges-----	1,498,630	196,418	198	-	1,695,246	1,855,341
Capital outlay-----	923,674	-	-	-	923,674	5,411,012
Debt service-----	17,642,173	-	-	2,129,130	19,771,303	12,377,768
Total expenditures-----	29,966,007	1,676,253	208,094	48,018,757	79,869,111	41,423,301
OTHER FINANCING SOURCES						
Transfers within the Trust-----	(4,480,000)	-	(450,000)	4,930,000	-	-
Capital financing-----	-	-	-	-	-	1,500,000
Sale of assets-----	-	-	-	-	-	2,000,000
Long-term debt issued-----	-	-	-	86,060,000	86,060,000	67,355,000
Net other financing sources-----	(4,480,000)	-	(450,000)	90,990,000	86,060,000	70,855,000
Net change in fund balances-----	(7,656,299)	(1,302,308)	9,049,718	45,757,038	45,848,149	56,432,331
Fund balance, beginning-----	93,526,455	21,351,915	(7,317,199)	371,548	107,932,719	51,500,388
Fund balances, ending-----	\$85,870,156	\$20,049,607	\$1,732,519	\$46,128,586	\$153,780,868	\$107,932,719
RECONCILIATION OF STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES						
Net changes in fund balances-----	(\$7,656,299)	(\$1,302,308)	\$9,049,718	\$45,757,038	\$45,848,149	\$56,432,331
Capital outlay-----	923,674	-	-	-	923,674	5,411,012
Depreciation expense-----	(501,865)	-	-	-	(501,865)	(441,776)
Issuance of long-term debt-----	-	-	-	(86,060,000)	(86,060,000)	(67,355,000)
Principal and interest on long-term debt-----	11,859,976	-	-	(1,151,720)	10,708,256	4,623,458
Loss on disposal of assets-----	-	-	-	-	-	(4,314)
Gain on disposal of assets-----	-	-	-	-	-	(2,000,000)
Donated assets-----	-	-	-	-	-	3,595,646
Recognition of earned but unavailable revenue-----	(726,415)	(1,947)	(81)	(33)	(728,476)	1,875,518
Change in net position (deficit)-----	\$3,899,071	(\$1,304,255)	\$9,049,637	(\$41,454,715)	(\$29,810,262)	\$2,136,875

See accompanying notes to financial statements.

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Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The notes are organized to provide explanations, including required disclosures, of the Oklahoma City Economic Development Trust (Trust) financial activities for the fiscal years ended June 30, 2019 and 2018. Certain reclassifications between non-spendable and restricted fund balances on the 2018 Balance Sheets have been made to conform with current year presentation

I. B. BASIS OF PRESENTATION

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

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

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

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

The Trust is a component unit of the City since the City appoints the Board of Trustees (Board) and the Trust is fiscally dependent on the City, as major revenues of the Trust are derived from interfund payments from the City for sales and property tax revenues. The Trust is discretely presented in the City's CAFR since the majority of the Board is not the same as the voting majority of the City Council.

CAFR financial statements may be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

Management Agreements

Alliance for Economic Development of Oklahoma City (AEDOC)

The AEDOC functions as a services provider that performs consolidated economic development functions pursuant to service contracts with various agencies. The Trust has a service contract with AEDOC to provide consolidated and coordinated economic development services to the City and the Trust. The agreement is effective July 1, 2016, through June 30, 2021. The thirteen member AEDOC Board includes the City Manager and a City Council representative. Financial information can be obtained at 105 N. Hudson Suite 100, Oklahoma City, OK 73102.

Oklahoma City Economic Development Foundation (OCEDF)

The OCEDF works to improve economic growth in the greater Oklahoma City area. The Trust has a professional service agreement with the OCEDF to provide certain economic development services for the Trust and the City. The agreement was effective July 1, 2018, through June 30, 2019. The agreement calls for OCEDF to assist with business retention and expansion, research, recruitment and marketing as well as managing the application process for the strategic incentive program. Financial information can be obtained at 123 Park Avenue, Oklahoma City, OK 73102.

American Indian Cultural Center and Museum (AICCM)

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

Trust Administration

The Trust has no employees. Trust activities are performed by City employees. City employees external to the Trust perform some administrative functions which are reimbursed through administrative chargebacks recorded in 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 operation and capital grants and contributions. All other revenues of the Trust are included as general revenues.

Fund Financial Statements

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

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

Trust-wide Financial Statements

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

Fund Financial Statements

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

General Fund

Economic Development Fund

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

Special Revenue Funds

Convention Center Hotel Fund

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

Tax Increment Financing (TIF) Fund

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

General Obligation Limited Tax (GOLT) Fund

This fund accounts for GOLT bond financed activities of the Trust. On December 11, 2007, the citizens of the City approved the issuance of \$75 million in GOLT bonds and on September 12, 2017, the citizens approved an additional issuance of \$60 million in GOLT bonds for the purpose of expanding the City's economic base. The GOLT bonds will be repaid with property tax collections remitted to 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. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Effective July 1, 2018, the Trust implemented Governmental Accounting Standards Board (GASB) statement number 83, Certain Asset Retirement Obligations. This statement provides guidance on financial reporting for certain asset retirement obligations not provided in earlier pronouncements. There was no impact to the Trust related to this implementation.

Effective July 1, 2018, the Trust implemented Governmental Accounting Standards Board (GASB) statement number 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary purpose of this statement is to improve information disclosed in notes to financial statements related to debt, including direct borrowings and direct placements. It also requires additional essential information related to debt be disclosed. There was no impact to the Trust related to this implementation.

I. D. 2. CASH AND INVESTMENTS

The Trust participates in the investment policy approved by the City Council. The Trust's governing board formally adopted the City's updated deposit and investment policy in November 2017.

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

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

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

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

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

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

Level 3 - Significant unobservable prices or inputs.

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

I. D. 3. PROPERTY TAXES RECEIVABLE

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

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

I. D. 4. CAPITAL ASSETS AND DEPRECIATION

Property and equipment are stated at actual or estimated historical cost. The Trust generally capitalizes assets costing \$50,000 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

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

I. D. 5. 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 future periods and will not be recognized as revenue until that time. Unavailable revenue is reported only in the governmental fund balance sheet. These amounts are deferred and recognized as revenue in the period the amounts become available.

I. D. 6. TIF

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

I. D. 7. FUND EQUITY

Fund Balance

Non-Spendable Fund Balance

Fund balance reported as non-spendable includes amounts not in spendable form or 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 nor 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 first when both restricted and unrestricted fund balance is available unless prohibited by legal documents or contracts, such as 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 reported separately 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 includes unspent debt proceeds legally restricted for capital outlays. Restricted net position also includes funds with purpose restrictions from enabling legislation and other external sources.

I. D. 8. 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. 9. 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 are 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 and has no other costs or liabilities related to risk management activities. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the City Risk Management Fund and the OCMFA Services Fund.

I. E. MAJOR REVENUES

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

I. F. TAX STATUS

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

I. G. RETAINAGES

It is the policy of the Trust to retain a percentage of construction contracts until a completed project has been accepted by the Trustees. Contractors may request to opt out of this retainage by providing a certificate of deposit to 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 the Trust to cover any costs incurred. The Trust does not record the effect of holding the certificates of deposit.

II. ASSETS

II. A. DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2019 and 2018, the Trust’s cash, less Federal deposit insurance, is collateralized with securities held by the pledging financial institution in the name of the Trust or the City.

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, 2019								
	Cost	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Money market (4)(5)	<u>\$146,203,491</u>	<u>\$146,203,491</u>	<u>\$146,203,491</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	AAA/Aaa	0.60

(continued)

Investments (continued)

	June 30, 2018							
	Cost	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Federal obligations	\$4,972,037	\$4,951,562	\$ -	\$4,951,562	\$ -	\$ -	AA+/Aaa	11.80
Money market (4)(5)	81,534,361	81,534,361	81,534,361	-	-	-	AAA/Aaa	0.78
Fannie Mae (4)(5)	<u>4,971,762</u>	<u>4,977,395</u>	<u>-</u>	<u>4,977,395</u>	<u>-</u>	<u>-</u>	AAA/Aaa	5.57
	<u>\$91,478,160</u>	<u>\$91,463,318</u>	<u>\$81,534,361</u>	<u>\$9,928,957</u>	<u>\$-</u>	<u>\$-</u>		

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

Fair Value Measurement

The following is a description of the valuation methodologies used for assets measured at fair value in the tables above. There have been no changes in the methodologies used at June 30, 2019 and 2018.

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

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

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

Investment policy

The Trust's investment policy is maintained by the City Treasurer. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Trust funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities, the payment of which the full faith and credit of the U.S. government is pledged, or obligations 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 in items (1) and (2) above.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. Cumulatively, portfolios of the Trust may not be invested in any given financial institution in excess of 5% of such institution's total assets, excluding U.S. government securities and those issued by government sponsored enterprises, SLGS, and City judgments. Additionally, no more than 5% of the total Trust portfolio may be placed with any single financial institution, excluding U.S. government securities and those issued by government sponsored enterprises, savings, money market funds, SLGS, City judgments, and repurchase agreements.

Portfolio Structure (1)

Investment Type Limitations		Maturity Limitations	
Percentage of Total Invested Principal		Percentage of Total Invested Principal	
	<u>Maximum % (2)</u>		<u>Maximum % (4)</u>
Repurchase agreements	100.0%	0-1 year	100.0%
U.S. Treasury securities (3)	100.0	1-3 years	90.0
Certificates of deposit	50.0	3-5 years	90.0
Money market funds	100.0		
Savings accounts	100.0		
U.S. noncallable agencies securities	100.0		
U.S. callable agency securities	20.0		
Prime commercial paper	7.5		
City judgments	5.0		

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

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

Bond Indenture Restrictions

The Trust's bond indenture restricts investments to the: (1) direct obligations of the Department of the Treasury of the U.S.; (2) obligations of any of the following Federal agencies with obligations are backed by the 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 of 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 which require consideration of 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>2019</u>	<u>2018</u>
Bond principal and interest accounts	\$13,454,768	\$2,170,887
Project accounts	75,895,959	28,726,794
Bond reserve	<u>16,510,656</u>	<u>16,510,656</u>
	<u>\$105,861,383</u>	<u>\$47,408,337</u>

II. B. RECEIVABLES

Property Taxes Receivable

At June 30, 2019 and 2018, receivables of \$5,960,817 and \$5,952,202, respectively, represent tax incremental financing property taxes. Amounts received more than 60 days after year-end are recorded as unavailable revenues in governmental funds.

II. C. NOTES AND ECONOMIC INCENTIVE RECEIVABLE

Notes Receivable

10th Street Parking Garage and Mixed Use Project Receivable

On November 18, 2014, the Trust provided \$1,000,000 to 10th & Broadway Parking, LLC in the form of a low-interest, non-forgivable loan to construct a multi-story parking garage to make investment, development and economic growth in the area possible. Interest on the note will accrue at 1.5% and the length of the note is not to exceed 20 years. As of June 30, 2019 and 2018, \$828,027 and \$873,747, respectively, is receivable on the note.

Steelyard Residential and Commercial Building Project Note Receivable

On March 9, 2015, the Trust provided \$1,000,000 to Bricktown Apartments, LLC in the form of a low-interest, non-forgivable loan to rehabilitate residential and commercial infrastructure necessary to make investment, development, and economic growth in the area possible. Interest on the note will accrue at 2.5% and the length of the note is not to exceed 10 years. As of June 30, 2019 and 2018, \$1,108,740 and \$1,081,449 respectively, is receivable on the note.

21c Hotel & Museum Project Note Receivable

On June 22, 2015, the Trust provided \$3,300,000 to 21c OKC, LLC in the form of a low-interest, non-forgivable loan for renovation of commercial space into a hotel, art museum, and restaurant to make investment, development and economic growth in the area possible. Interest on the note will accrue at an accelerated rate of 0.5% years 1 through 5, 1.0% years 5 through 7 and 3.0% years 8 through 20. The length of the note is not to exceed 20 years. As of June 30, 2019 and 2018, \$2,323,146 is receivable on the note.

Century Center Mixed Use Redevelopment Project Note Receivable

On September 8, 2015, the Trust provided \$800,000 to 100 Main, LLC in the form of a low-interest, non-forgivable loan for redevelopment of parking, office space, and other commercial, restaurant or retail space to make investment, development and economic growth in the area possible. Interest on the note will accrue at an accelerated rate of 2.0% and the length of the note is not to exceed 15 years. As of June 30, 2019 and 2018, \$627,560 and \$676,409, respectively, is receivable on the note.

Journal Record Building Redevelopment Project

During fiscal year 2018, the Trust provided \$1,875,000 in the form of a forgivable, low interest loan to JRB Holdings, LLC for redeveloping the Commercial Unit of the Journal Record Building Condominiums into commercial office space and related uses and construction of a multistory parking structure. Interest will accrue at a rate of 2.11%, adjusted annually, with a term of 7 years. At June 30, 2019 and 2018, \$1,376,622 and \$1,651,946, respectively, is receivable on the note.

NE 23rd Street Clinic

On March 19, 2018, the Trust disbursed \$600,000 in the form of a forgivable, no interest loan to TwoYetMany for the redevelopment of commercial space into a medical clinic to make investment, development and economic growth in the area possible. At June 30, 2019 and 2018, \$600,000 is receivable on the note.

AICCM

On June 30, 2018, the Trust recorded \$14,000,000 in a no interest loan to the AICCM for the purchase of land to redevelop the existing structure into a cultural and educational museum. At June 30, 2019 and 2018, \$11,000,000 and \$14,000,000, respectively, is receivable on the note.

Economic Incentives Receivable

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

TIF 2	<u>Loan Date</u>	<u>Loan Amount</u>	<u>Finance Charges</u>	<u>Minimum Tax</u>	<u>Base Tax</u>	<u>Outstanding Balance</u>
Midtown HC #1 mixed use project	4/29/2013	\$1,000	\$309	\$210	\$23	\$137
Midtown HC #2 mixed use project	7/7/2014	1,100	382	201	13	484
4th Street residential project	10/13/2014	1,000	365	191	8	409
	8/15/2017	1,000	202	200	14	773
Carnegie Centre mixed use project	2/12/2015	370	95	85	11	71
City Center residential project	2/16/2015	1,250	231	229	18	-
10th Street parking garage and mixed use project	4/9/2015	2,000	611	260	22	1,616
Edge Apartments residential redevelopment project	2/2/2016	1,500	298	363	-	997
	12/15/2016	400				
	12/14/2017	400				
Mideke Commercial Office Building redevelopment project	3/10/2016	1,000	210	191	38	535
Century Center mixed use redevelopment project	9/8/2015	1,250	316	184	24	877
Level West (Mosaic) Residential Apartments project	9/9/2016	1,150	291	172	7	932
21c Hotel and Museum project	10/21/2016	2,000	1,404	214	23	2,640
Sunshine Cleaners mixed use project	3/17/2017	550	196	31	9	676
Journal Record Building	7/14/2017	875	406	150	-	975
Journal Record Garage	7/14/2017	1,500	1,015	50	-	2,415
10th & Shartel Apartments	12/18/2017	3,000	773	450	-	2,821
Townhouse Hotel	5/11/2018	350	122	29	13	413
						<u>\$16,771</u>

II. D. INTERGOVERNMENTAL ADVANCE FUNDING

On January 18, 2013, the Board of County Commissioners of Oklahoma County requested \$4,000,000 in TIF district #8 funds to support their County Annex Building renovation. On December 9, 2013, Oklahoma County requested and the Trust approved a \$2,250,000 advance distribution to secure a contract for HVAC construction. The County has spent \$46,273 and \$382,891 during 2019 and 2018, respectively. At year-end 2019 and 2018, the unspent balance of the advance is \$374,876 and \$421,149, respectively.

II. E. CAPITAL ASSETS

Changes in Capital Assets

	2019						
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
CAPITAL ASSETS							
Balance, June 30, 2018	\$5,955,465	\$10,071,034	\$16,026,499	\$2,628,134	\$8,614,436	\$11,242,570	\$27,269,069
Increases	-	884,258	\$884,258	-	39,416	39,416	923,674
Transfers	-	(4,705,655)	(4,705,655)	-	4,705,655	4,705,655	-
Balance, June 30, 2019	<u>5,955,465</u>	<u>6,249,637</u>	<u>12,205,102</u>	<u>2,628,134</u>	<u>13,359,507</u>	<u>15,987,641</u>	<u>28,192,743</u>
ACCUMULATED DEPRECIATION							
Balance, June 30, 2018				500,301	1,356,518	1,856,819	1,856,819
Increases				92,363	409,502	501,865	501,865
Balance, June 30, 2019				<u>592,664</u>	<u>1,766,020</u>	<u>2,358,684</u>	<u>2,358,684</u>
Capital assets, Net	<u>\$5,955,465</u>	<u>\$6,249,637</u>	<u>\$12,205,102</u>	<u>\$2,035,470</u>	<u>\$11,593,487</u>	<u>\$13,628,957</u>	<u>\$25,834,059</u>
	2018						
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
CAPITAL ASSETS							
Balance, June 30, 2017	\$4,359,820	\$6,053,075	\$10,412,895	\$2,628,134	\$7,226,849	\$9,854,983	\$20,267,878
Increases	3,595,645	5,405,546	9,001,191	-	-	-	9,001,191
Decreases	(2,000,000)	-	(2,000,000)	-	-	-	(2,000,000)
Transfers	-	(1,387,587)	(1,387,587)	-	1,387,587	1,387,587	-
Balance, June 30, 2018	<u>5,955,465</u>	<u>10,071,034</u>	<u>16,026,499</u>	<u>2,628,134</u>	<u>8,614,436</u>	<u>11,242,570</u>	<u>27,269,069</u>
ACCUMULATED DEPRECIATION							
Balance, June 30, 2017				342,080	1,074,113	1,416,193	1,416,193
Increases				92,363	349,413	441,776	441,776
Decreases				-	(1,150)	(1,150)	(1,150)
Transfers				65,858	(65,858)	-	-
Balance, June 30, 2018				<u>500,301</u>	<u>1,356,518</u>	<u>1,856,819</u>	<u>1,856,819</u>
Capital assets, net	<u>\$5,955,465</u>	<u>\$10,071,034</u>	<u>\$16,026,499</u>	<u>\$2,127,833</u>	<u>\$7,257,918</u>	<u>\$9,385,751</u>	<u>\$25,412,250</u>

Depreciation Expense

Depreciation expense was charged to the Trust in the amount of \$501,865 for the fiscal year ending 2019 and \$441,776 for the fiscal year ending 2018.

III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

III. A. TAX ANTICIPATION DEBT

TIF Districts #2 and #3

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

On October 22, 2008, the Trust issued Private Placement Tax Anticipation Note 2008 from JP Morgan Chase Bank, N.A. in the amount of \$25,000,000 with a fixed interest rate of 6.99% for a 16 year term to pay the outstanding principal and interest on the OCPPA TIF districts #2 and #3 line of credit in the amount of \$20,523,262. The loan was paid in full in January 2018 with the Series 2018 Bonds.

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

TIF Districts #4 and #5

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

**OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST**

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

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

At June 30, 2018, \$524,237 was outstanding on amounts drawn to fund TIF districts #4 and #5. The loan was paid in full in fiscal year 2019.

Changes in Tax Anticipation Debt

	2019				
	Balance	Issued/	Retired	Balance	Effective
	<u>July 1, 2018</u>	<u>Transferred</u>		<u>June 30, 2019</u>	<u>Interest Rate</u>
TIF districts #4 and #5	<u>\$524,237</u>	\$ -	<u>\$524,237</u>	\$ -	0.00%

	2018				
	Balance	Issued	Retired	Balance	Effective
	<u>July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2018</u>	<u>Interest Rate</u>
2008 TIF districts #2 and #3	\$15,910,000	\$ -	\$15,910,000	\$ -	6.99%
2014 TIF districts #2 and #3	13,080,430	4,750,000	17,830,430	-	1.70
TIF districts #4 and #5	2,173,393	-	1,649,156	524,237	1.86
TIF interest payable	<u>277,266</u>	<u>1,443,081</u>	<u>1,720,347</u>	<u>-</u>	
	<u>\$31,441,089</u>	<u>\$6,193,081</u>	<u>\$37,109,933</u>	<u>\$524,237</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 2019 and 2018, the Trust recognized \$11,813,792 and \$10,609,957, respectively, in property taxes and \$1,209,759 and \$1,181,817 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. BONDS

Bond Issuance

On April 1, 2013, the Trust issued \$116,445,000 Series 2013A Tax Apportionment Bonds. The proceeds of \$116,445,000 from the bonds, less \$881,498 in issuance costs, were to be used to pay a tax anticipation note for TIF district #8 and 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 for future economic development projects, to the extent available.

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

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

On September 25, 2018, the Trust issued \$86,060,000 Series 2018 Annual Appropriation Bonds. The proceeds of \$85,428,098, from the bonds, less issuance costs of \$631,902, are to be used to finance construction of the downtown Omni Convention Center Hotel.

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

Bonded Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$11,735,000	\$9,357,644	\$21,092,644
2021	12,015,000	9,092,327	21,107,327
2022	14,895,000	8,738,545	23,633,545
2023	15,330,000	8,306,618	23,636,618
2024	15,800,000	7,844,504	23,644,504
2025-2029	79,600,000	30,997,427	110,597,427
2030-2034	61,805,000	17,925,350	79,730,350
2035-2039	22,635,000	7,211,989	29,846,989
2040-2044	<u>21,930,000</u>	<u>1,947,963</u>	<u>23,877,963</u>
	<u>\$255,745,000</u>	<u>\$101,422,367</u>	<u>\$357,167,367</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

Bonds Outstanding

	Amount	Interest	Issue	Principal	<u>2019</u>	<u>2018</u>
	<u>Issued</u>	<u>Rate %</u>	<u>Date</u>	<u>Maturity Date</u>	Principal	Principal
					<u>Balance</u>	<u>Balance</u>
Series 2013A Tax Apportionment Bonds	\$116,445,000	0.40-4.30%	4/1/2013	3/1/2032	\$84,465,000	\$89,980,000
Series 2013B Tax Apportionment Bonds	23,840,000	5.00%	4/1/2013	3/1/2034	23,840,000	23,840,000
Series 2018 Tax Increment Revenue Bonds	67,355,000	1.97-3.31%	1/17/2018	8/1/2027	61,380,000	67,355,000
Series 2018 Annual Appropriation Bonds	86,060,000	3.17-4.13%	9/25/2018	9/1/2042	<u>86,060,000</u>	<u>-</u>
					<u>\$255,745,000</u>	<u>\$181,175,000</u>

Bond Coverage

	<u>2019</u>	<u>2018</u>
Revenue available for debt service	<u>\$26,811,599</u>	<u>\$23,500,397</u>
Principal amounts	11,490,000	5,420,000
Interest amounts	<u>7,639,296</u>	<u>4,399,220</u>
Total debt service requirements	<u>\$19,129,296</u>	<u>\$9,819,220</u>
Bond coverage	<u>1.40</u>	<u>2.39</u>

The bond indenture requires the payment of principal and interest from Increment revenues. Increment revenues are revenues derived from the ad valorem taxes within TIF district #2 and #8, and various sources for the 2018 appropriation bonds. In addition, expenses are excluded as they do not affect funds available for debt service. The bond covenants do not specify a coverage requirement.

Pledged Revenues

The Trust issued tax anticipation bonds to support its economic development activities. The TIF Fund financial statements report revenue-supported debt. In 2019 and 2018, the Trust recognized \$5,262,946 and \$7,777,818, respectively, in special assessments and \$6,078,672 and \$6,053,772, respectively, in property taxes. In addition, if the principal and interest on the TIF debt is not paid as due, the City transfers amounts sufficient to pay the principal and interest due.

III. C. CHANGES IN LONG-TERM DEBT

	<u>2019</u>					
	Balance			Balance	Due Within	Due After
	July 1,	Issued	Retired	June 30,	One Year	One Year
	2018			2019		
Tax apportionment bonds	\$113,820,000	\$ -	\$5,515,000	\$108,305,000	\$5,635,000	\$102,670,000
Tax increment revenue bonds	67,355,000	-	5,975,000	61,380,000	6,100,000	55,280,000
Tax appropriation bonds	-	<u>86,060,000</u>	-	<u>86,060,000</u>	-	<u>86,060,000</u>
Total long-term debt	<u>\$181,175,000</u>	<u>\$86,060,000</u>	<u>\$11,490,000</u>	<u>\$255,745,000</u>	<u>\$11,735,000</u>	<u>\$244,010,000</u>
	<u>2018</u>					
	Balance			Balance	Due Within	Due After
	July 1,	Issued	Retired	June 30,	One Year	One Year
	2017			2018		
Tax apportionment bonds	\$119,240,000	\$ -	\$5,420,000	\$113,820,000	\$5,515,000	\$108,305,000
Tax increment revenue bonds	-	<u>67,355,000</u>	-	<u>67,355,000</u>	<u>5,975,000</u>	<u>61,380,000</u>
Total long-term debt	<u>\$119,240,000</u>	<u>\$67,355,000</u>	<u>\$5,420,000</u>	<u>\$181,175,000</u>	<u>\$11,490,000</u>	<u>\$169,685,000</u>

III. D. ACTIVITIES WITH REVENUE SUPPORTED DEBT

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

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets	\$40,510,273	\$44,197,508
Non-current assets	<u>32,280,723</u>	<u>36,793,962</u>
Total Assets	<u>72,790,996</u>	<u>80,991,470</u>
<u>LIABILITIES</u>		
Current liabilities	7,051,197	7,283,100
Non-current liabilities	<u>55,280,000</u>	<u>61,380,000</u>
Total Liabilities	<u>62,331,197</u>	<u>68,663,100</u>
<u>NET POSITION (DEFICIT)</u>		
Net investment in capital assets	5,604,011	5,240,495
Restricted	<u>4,855,788</u>	<u>7,087,875</u>
Total net position (deficit)	<u>\$10,459,799</u>	<u>\$12,328,370</u>

TIF District #2 Condensed Statement of Activities

	<u>2019</u>	<u>2018</u>
Program expenses	(\$10,510,416)	(\$9,088,387)
Operating grants and contributions	1,864,821	3,593,619
General revenues	10,307,024	9,403,376
Transfers	<u>(3,530,000)</u>	-
Change in net position (deficit)	<u>(1,868,571)</u>	<u>3,908,608</u>
Beginning net position	<u>12,328,370</u>	<u>8,419,762</u>
Ending net position (deficit)	<u>\$10,459,799</u>	<u>\$12,328,370</u>

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

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets	\$19,675,274	\$21,336,298
Non-current assets	<u>27,539,552</u>	<u>27,104,474</u>
Total Assets	<u>47,214,826</u>	<u>48,440,772</u>
<u>LIABILITIES</u>		
Current liabilities	7,857,030	8,491,857
Non-current liabilities	<u>104,364,974</u>	<u>110,121,651</u>
Total Liabilities	<u>112,222,004</u>	<u>118,613,508</u>
<u>NET POSITION (DEFICIT)</u>		
Net investment in capital assets	(32,843,802)	(32,277,755)
Restricted	6,640,872	19,525,802
Unrestricted	<u>(38,804,248)</u>	<u>(57,420,784)</u>
Total net position (deficit)	<u>(\$65,007,178)</u>	<u>(\$70,172,737)</u>

TIF District #8 Condensed Statement of Activities

	<u>2019</u>	<u>2018</u>
Program expenses	(\$5,765,377)	(\$5,391,096)
Operating grants and contributions	5,736,664	5,539,001
Capital grants and contributions	65,599	-
General revenues	6,078,673	6,069,292
Transfers	<u>(950,000)</u>	-
Change in net position (deficit)	<u>5,165,559</u>	<u>6,217,197</u>
Beginning net position	<u>(70,172,737)</u>	<u>(76,389,934)</u>
Ending net position (deficit)	<u>(\$65,007,178)</u>	<u>(\$70,172,737)</u>

III. E. GUARANTEED DEBT

The City has executed an agreement of support which guarantees the City will fund debt service and bond reserve requirements for the Series 2013A, Series 2013B, 2018 Tax Increment Revenue Bonds, and the 2018 Tax Appropriation Bonds. Under Oklahoma law, the City may only be obligated to transfer up to the end of its fiscal year (June 30) and has no legal obligation or promise to transfer beyond its fiscal year. The debt instruments recognize the limitations set by state law and the City's moral obligation to renew the guarantees. The debt instruments require the City to renew the guarantees annually. The City did not and was not required to fund debt service for the Trust in 2019 or any preceding year in which the debt was outstanding.

<u>Maximum of Bond Reserve or Bond Debt Service Requirements</u>	<u>Total Amount Guaranteed (1)</u>	<u>Total Amount Outstanding</u>
Series 2013A Tax Apportionment Bonds	\$8,643,517	\$84,465,000
Series 2013B Tax Apportionment Bonds	1,192,000	23,840,000
Series 2018 Tax Increment Revenue Bonds	7,801,986	61,380,000
Series 2018 Tax Appropriation Bonds	<u>3,455,141</u>	<u>86,060,000</u>
	<u>\$21,092,644</u>	<u>\$255,745,000</u>

- (1) The amount guaranteed is only the amount of debt service due on or before June 30, 2020, and covered under the guarantee effective July 1, 2019. It is anticipated that the guarantees will be renewed annually.

III. F. ARBITRAGE COMPLIANCE

Proceeds from tax-exempt revenue bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Trust invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. The Trust did not have an arbitrage liability as of June 30, 2019.

III. G. DEFERRED INFLOWS OF RESOURCES

Unavailable Revenues

Unavailable revenue in the governmental fund financial statements includes revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds reported unavailable revenues of \$11,300,840 and \$12,029,316 at June 30, 2019 and 2018, respectively. Of this amount \$4,466,729 is from economic incentive repayments, \$873,294 is from payments from the City, and \$5,960,817 is from property taxes at June 30, 2019. At June 30, 2018, \$5,207,587 is from economic incentive repayments, \$869,527 is from payments from the City, and \$5,952,202 is from property taxes.

Other Deferred Inflows

Deferred inflows at June 30, 2019 and 2018, respectively, of \$9,000,000 and \$10,500,000 related to the AICCM, are reported for nonexchange resources received before timing requirements were met.

IV. FUND EQUITY

IV. A. FUND BALANCE

Restricted Fund Balance

	<u>2019</u>	<u>2018</u>
Restricted for TIF #2 projects	\$47,258,120	\$62,478,648
Restricted for TIF #4 projects	2,407,792	842,494
Restricted for TIF #8 projects	11,016,823	11,948,551
Restricted for TIF #10 projects	262,404	27,440
Restricted for TIF #13 projects	40,431,342	-
Restricted for AICCM	2,000,598	-
Restricted for debt service	31,362,206	18,705,370
Restricted for GOLT bond economic development	<u>20,049,607</u>	<u>21,351,906</u>
	<u>\$154,788,892</u>	<u>\$115,354,409</u>

Committed Fund Balance

	<u>2019</u>	<u>2018</u>
Committed for Convention Center Hotel	<u>\$829,869</u>	<u>\$371,548</u>

Assigned Fund Balance

	<u>2019</u>	<u>2018</u>
Assigned for encumbrances		
of the Economic Development Fund	\$ -	\$237,268
Assigned for MAPS Park Foundation	-	1,474
Assigned for OCMGF administration	-	(226,939)
Assigned for outlet mall marketing	-	(109,451)
Reallocation for negative assigned	-	334,916
Unassigned negative fund balance	<u>-</u>	<u>(237,268)</u>
	<u>\$-</u>	<u>\$-</u>

Unassigned

	<u>2019</u>	<u>2018</u>
Unassigned	(\$1,837,893)	(\$7,695,590)
Assigned negative fund balance	-	(334,916)
Reallocation of negative unassigned fund balance	<u>-</u>	<u>237,268</u>
	<u>(\$1,837,893)</u>	<u>(\$7,793,238)</u>

Encumbrances

Encumbrances of \$40,956,693 and \$3,173,516 at June 30, 2019 and 2018, respectively, are reported with restricted fund balances. Encumbrances related to unassigned fund balance are considered and reported as assigned fund balance.

Deficit Fund Balance

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

IV. B. NET POSITION

Net Investment in Capital Assets

	<u>2019</u>	<u>2018</u>
Capital assets, net	\$25,834,059	\$25,412,250
Tax anticipation debt	-	(524,237)
Non-capital related tax anticipation debt	-	440,351
Bonds payable, net	(257,439,977)	(182,991,651)
Non-capital related bonds payable	195,526,300	123,932,508
Bond accounts funded with bond proceeds (1)	9,036,942	9,978,812
Bond issuance costs paid with bond proceeds (1)	860,247	860,247
Retainages and capital related accounts payable	<u>(315,987)</u>	<u>(1,665,390)</u>
	<u>(\$26,498,416)</u>	<u>(\$24,557,110)</u>

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

Restricted for Debt Service

	<u>2019</u>	<u>2018</u>
Bond principal and interest accounts	\$13,454,768	\$2,170,887
Bond reserve account	16,510,656	16,510,656
Bond reserve funded with bond proceeds	(9,036,940)	(9,978,812)
Current bond interest payable	<u>(3,288,041)</u>	<u>(2,384,622)</u>
	<u>\$17,640,443</u>	<u>\$6,318,109</u>

Restricted for Public Services

	<u>2019</u>	<u>2018</u>
Restricted for TIF #2 projects	(\$8,945,545)	\$1,299,968
Restricted for TIF #4 projects	2,907,195	1,402,452
Restricted for TIF #8 projects	(32,731,732)	(39,568,787)
Restricted for TIF #9 projects	(1,569,813)	(475,990)
Restricted for TIF #10 projects	262,404	27,443
Restricted for TIF #13 projects	(43,436,234)	-
Restricted for AICCM projects	2,000,597	(7,000,000)
Restricted for GOLT bond economic development	20,049,607	21,353,862
GOLT bond project account	24,023,540	28,726,794
GOLT bond project account funded with bond proceeds	(23,246,217)	(27,583,188)
Reallocation for negative restricted	<u>86,683,324</u>	<u>47,044,777</u>
	<u>\$25,997,126</u>	<u>\$25,227,331</u>

Unrestricted

	<u>2019</u>	<u>2018</u>
Unrestricted	(\$268,079)	\$54,459
Restricted negative net position	(86,683,324)	(47,044,777)
	<u>(\$86,951,403)</u>	<u>(\$46,990,318)</u>

Deficit Net Position

Deficit net position of \$69,812,250 and \$40,001,988 was reported for fiscal years 2019 and 2018, respectively. The Trust has bonded debt which is used to fund economic development and the construction or purchase of capital assets which will be subsequently transferred to others. This results in a deficit net position which will be reported for the life of the bonds. With repayment of debt, the deficit net position will eventually be eliminated.

V. REVENUES AND EXPENSES/EXPENDITURES

V. A. REVENUES

Special Assessments

The Trust has a special assessment arrangement with Devon in which Devon has agreed to pay minimum annual ad valorem property taxes of \$11,300,000 each year until December 31, 2034. In 2019 and 2018, the Trust recognized \$5,258,260 and \$5,248,888, respectively, in property taxes in excess of assessed amounts from Devon. Additionally, the Trust reported special assessments for finance charges related to economic incentives receivable of \$780,858 and \$2,518,375 in 2019 and 2018, respectively.

V. B. EXPENSES/EXPENDITURES

Management Fees

For fiscal years ending June 30, 2019 and 2018, the Trust reported payments to the related parties for economic development services of \$1,361,500 and \$1,030,500, respectively.

	<u>2019</u>	<u>2018</u>
OCEDF	\$936,500	\$820,500
AEDOC	425,000	210,000
	<u>\$1,361,500</u>	<u>\$1,030,500</u>

VI. INTERFUND TRANSACTIONS

VI. A. INTERFUND BALANCES

Receivable From/Payable to the City

2019						
<u>RECEIVABLE FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center Hotel</u>	<u>Total</u>
City General Fund	Management fees	\$ -	\$ -	\$72,500	\$ -	\$72,500
City General Fund	Retail incentives	-	-	207,196	-	207,196
City General Fund	Omni TIF	-	-	450,000	-	450,000
City Special Purpose Fund	Softball Hall of Fame construction	-	1,850,000	-	-	1,850,000
City TIF Fund	TIF sales tax	1,552,005	-	-	-	1,552,005
City Capital Improvement Fund	Capitol Hill Library project	<u>33,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,871</u>
		<u>\$1,585,876</u>	<u>\$1,850,000</u>	<u>\$729,696</u>	<u>\$-</u>	<u>\$4,165,572</u>
<u>PAYABLE TO</u>						
City General Fund	Unspent administration funding	\$ -	\$ -	\$1,234,630	\$ -	\$1,234,630
City Grant Management Fund	Capital improvement	<u>531,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,683</u>
		<u>\$531,683</u>	<u>\$-</u>	<u>\$1,234,630</u>	<u>\$-</u>	<u>\$1,766,313</u>

2018						
<u>RECEIVABLE FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center Hotel</u>	<u>Total</u>
City General Fund	Interest	\$344	\$ -	\$ -	\$ -	\$344
City Special Purpose Fund	Softball Hall of Fame construction	-	2,250,000	-	-	2,250,000
City TIF Fund	TIF sales tax	1,774,009	-	217,703	-	1,991,712
City General Fund	Bank service fees	2,464	-	-	-	2,464
City Capital Improvement Fund	Capitol Hill Library Project	<u>40,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,609</u>
		<u>\$1,817,426</u>	<u>\$2,250,000</u>	<u>\$217,703</u>	<u>\$-</u>	<u>\$4,285,129</u>
<u>PAYABLE TO</u>						
City General Fund	Unspent administration funding	\$ -	\$ -	\$553,681	\$ -	\$553,681
City General Fund	Public works charges	<u>11,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,860</u>
		<u>\$11,860</u>	<u>\$-</u>	<u>\$553,681</u>	<u>\$-</u>	<u>\$565,541</u>

VI. B. INTERFUND PAYMENTS

Interfund Payments To/From the City

2019

<u>PAYMENTS FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center</u>		<u>Total</u>
					<u>Hotel</u>		
City General Fund	Administrative subsidies	\$ -	\$ -	\$657,196	\$ -		\$657,196
City Capital Improvement Fund	Capital improvement	398,295	-	9,000,000	-		9,398,295
City TIF Fund (1)	TIF sales tax	1,209,760	-	-	-		1,209,760
		<u>\$1,608,055</u>	<u>\$-</u>	<u>\$9,657,196</u>	<u>\$-</u>		<u>\$11,265,251</u>
 <u>PAYMENTS TO</u>							
City Grant Management Fund	Capital improvement	<u>\$531,683</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>		<u>\$531,683</u>

Interfund Payments To/From the City

2018

<u>PAYMENTS FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center</u>		<u>Total</u>
					<u>Hotel</u>		
City General Fund	Administrative subsidies	\$ -	\$ -	\$1,259,960	\$ -		\$1,259,960
City Special Purpose Fund	Capital improvement		150,000	-	370,890		520,890
City TIF Fund (1)	TIF sales tax	1,806,644	-	-	-		1,806,644
		<u>\$1,806,644</u>	<u>\$150,000</u>	<u>\$1,259,960</u>	<u>\$370,890</u>		<u>\$3,587,494</u>
 <u>PAYMENTS TO</u>							
City Capital Improvement Fund	Capital improvement	<u>\$974,086</u>	<u>\$-</u>	<u>\$328,974</u>	<u>\$-</u>		<u>\$1,303,060</u>

(1) Amounts reported do not include unavailable revenue adjustments of \$48,370 and \$176,593 at June 30, 2019 and 2018, respectively.

Interfund Payments To/From Component Units of the City

In 2019, the Trust reported a payment from OCRA for bonded debt service requirements of \$1,700,000. In 2018, the Trust reported no such payments.

VI. C. OTHER INTERFUND TRANSACTIONS

Payments to City General Fund

Bank charges

The City pays bank fees, net of investment earnings, for custodial bank services. Charges are allocated to the participating funds and trusts by the City General Fund. If the interest earned exceeds the service charges, the amount is reported in investment income. If the service charges exceed the interest earned, the amount is reported in other services and charges. For the fiscal years ending June 30, 2019 and 2018, the Trust reported interest earnings of \$4,241 and \$877, as investment income, respectively.

Administrative Chargebacks

For fiscal years ending June 30, 2019 and 2018, the Trust reported payments to the City General fund to reimburse for the cost of providing administrative and operational services of \$442,331 and \$447,023, respectively. These costs are reported with other services and charges

Management Agreements

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

VII. LONG-TERM COMMITMENTS

Economic Development Fund Commitments

In 2010, the Trust entered into an agreement to reimburse regional marketing expenses for the outlet mall up to \$5,500,000 over a 10 year period. For the year ended June 30, 2019 and 2018, the Trust reimbursed \$392,630 and \$593,593, respectively.

TIF Funded Commitments

On April 23, 2014, the Trust approved the allocation of \$1,500,000 to Oklahoma City Public Schools District I-89 for the relocation and renovation of the administrative offices and Emerson School. As of June 30, 2019 and 2018, respectively, \$1,460,412 and \$456,478 has been disbursed.

As of June 30, 2019 and 2018, the Trust has approved TIF funded projects with outstanding commitments of \$43,902,661 and \$7,175,675, respectively.

As of June 30, 2019 and 2018, the Trust has approved TIF funds for development financing assistance of \$86,690,380 and \$84,270,323, respectively.

On September 26, 2017, the Trust approved the allocation of \$60,000,000 in development financing assistance to Wheeler District, LLC for the development of a multi-use neighborhood consisting of housing, office, retail and other space. A portion of ad valorem tax revenues collected (5%) will be paid to the Trust for administrative costs, and of the remaining amounts 25% will be set aside for Western Gateway Elementary School, up to a total of \$20,000,000. As of June 30, 2019, the funds have not been requested by the developer.

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

Other unfunded commitments for development financing assistance as of June 30, 2019, approximate \$11,690,000 and include West Village Apartments, NE Renaissance Shopping Center, Steelyard Apartments, Main Street Arcade and Rock Island Plow.

GOLT Bond Funded Commitments

The first GOLT bond authorization was in March 2008. The proceeds from the initial authorization less the issuance cost have been transferred to the Trust in the amount of \$74,615,465. A second GOLT bond authorization occurred in 2017. As of June 30, 2019, no funds from this authorization have been transferred to the Trust. 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 2019, the Trust approved GOLT bond proceed allocations of \$4,375,000 and paid \$1,731,253. During 2018, the Trust approved GOLT bond proceed allocations of \$6,880,000 and paid \$3,510,275.

In 2015, the Trust allocated and paid GOLT Bond fund commitments in the amount of \$23,500,000 to assist the U.S. Air Force in the purchase of a 156 acre site to construct a 14 hanger complex. It is anticipated, based on the projected new jobs that will be created under the KC-46A program at Tinker Air Force base, that approximately \$21,100,000 of the payment will be recouped from job creation incentive payments made by the State of Oklahoma under the Oklahoma Quality Jobs Program Act between 2019 and 2033.

	<u>2019</u>	<u>2018</u>
	<u>Outstanding Award</u>	<u>Outstanding Award</u>
American Tissue	\$125,000	\$125,000
Amazon.com	1,700,000	1,700,000
Boeing Company #3	3,952,450	4,903,150
Booz Allen Hamilton	250,000	-
CACI	1,250,000	1,250,000
DuraCoatings	100,000	100,000
Enable Midstream Services LLC	67,400	177,800
General Electric	1,172,500	529,000
HealthSmart Holdings	-	175,000
Heartland Payment	1,000,000	-
Kratos Unmanned Aerial Systems	900,000	1,000,000
McClarín Plastics	80,000	80,000
M-D Building Products	157,500	147,500
Mobile Medical	500,000	490,000
National Litigation Law Group	427,000	452,000
Niagara Bottling	215,000	185,000
North American ATK	69,150	75,000
Paycom #2, & #3	1,226,000	1,226,000
Progrexion	350,800	425,200
Rural Sourcing	450,000	-
SkyWest Airlines	2,000,000	2,000,000
Sutherland Global Service	230,000	250,000
Tapstone	910,750	1,149,250
Wegolook	400,000	400,000
	<u>\$17,533,550</u>	<u>\$16,839,900</u>

VIII. ABATEMENTS

The City has designated the Trust to manage economic development, including incentives. The Trust provides economic development incentives in the form of development financing or performance based incentives that reduce ad valorem or sales tax revenues allocated to the City under approved economic development project plans adopted pursuant to the Local Development Act, Title 62 of the Oklahoma Statutes. These incentives do not meet the criteria of tax abatement as defined in the Oklahoma Local Development Act.

Development Financing Assistance

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

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

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

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

Performance-Based Incentives

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

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

Reduction in Reported Tax Revenues

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

<u>Economic Development Program</u>	<u>Tax Type</u>	<u>Reduction in Tax Revenues</u>	
		<u>2019</u>	<u>2018</u>
Economic Development Project Plan	Property taxes	\$3,666,407	\$3,279,988
Retail Incentive Policy	Sales taxes	553,972	780,354
		<u>\$4,220,379</u>	<u>\$4,060,342</u>

IX. SUBSEQUENT EVENTS

On March 18, 2019, the Trust approved the issuance of Tax Increment Revenue Bonds or Notes, Series 2019 (Tax Increment Financing District #10) in an amount not to exceed \$25,500,000. The Trust expects this debt to be issued in fiscal year 2020, and is for the purpose of providing financing related to the First National Center Redevelopment Project for the hotel and residential units.

On September 12, 2017, the voters of Oklahoma City approved the issuance of taxable Economic Development Bonds of an amount not to exceed \$60,000,000, to be used for qualified economic and community development. In May 2019, \$30,000,000 of the approved amount was issued. The City Council approved the transfer of these bond proceeds, less closing costs, to the Trust in July 2019.

On July 30, 2019, the Trust approved an allocation to the Central Oklahoma Transportation and Parking Authority in the amount of \$1,250,000 for support of the Santa Fe Parking Garage Project. These funds are expected to be transferred in fiscal year 2020.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Oklahoma City Economic Development Trust (Trust), a discrete component unit of the City of Oklahoma City, Oklahoma (City), as of and for the years ended June 30, 2019 and 2018, the financial statements of each major fund of the Trust as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

November 20, 2019
Wichita, Kansas