



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, 2021

OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

A Discrete Component Unit of
Oklahoma City, Oklahoma

Board of Trustees

Todd Stone, Chairman

Rhonda Hooper, Vice Chairman

Jim Roth

Mark K. Stonecipher

Miriam Campos

Management

Craig Freeman, General Manager

Catherine O'Connor, Surrogate General Manager

Annual Financial Report for the Fiscal Year Ended June 30, 2021

Prepared by The Oklahoma City Finance Department, Accounting Services Division
Alex Fedak CPA, Controller

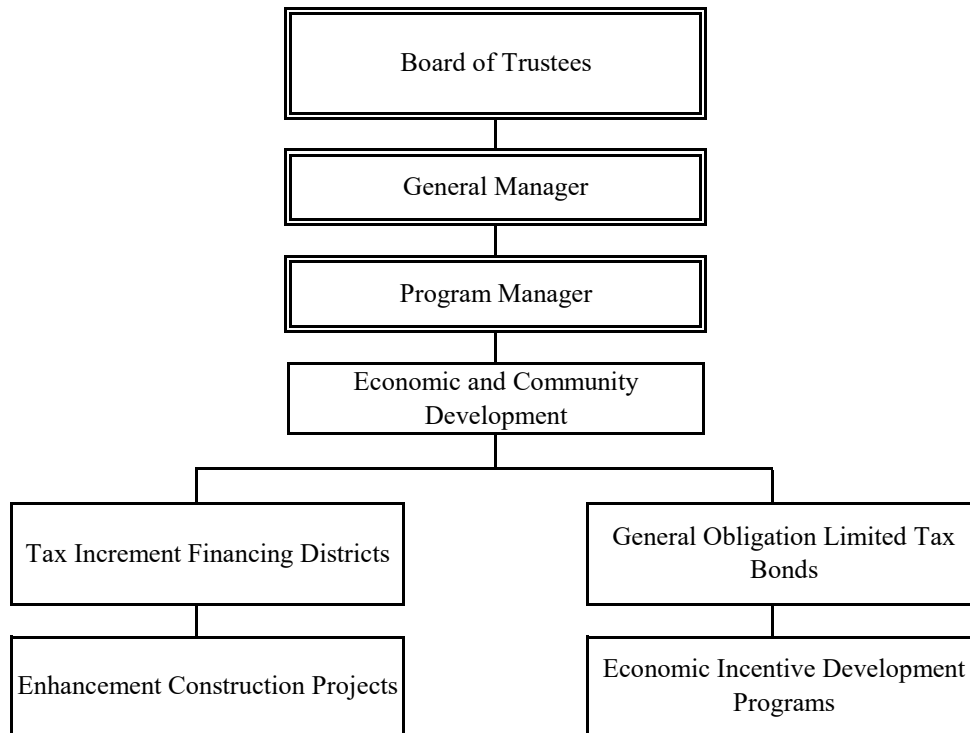
OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

TABLE OF CONTENTS

For the Fiscal Years Ended June 30, 2021 and 2020

	PAGE
Oklahoma City Economic Development Trust Organization Chart	ii
Introductory:	
Transmittal Letter	1
Financial:	
Independent Auditor's Report on Financial Statements and Supplementary Information	5
Management's Discussion and Analysis	7
Basic Financial Statements:	
<i>Trust-wide Financial Statements:</i>	
Statements of Net Position (Deficit)	14
Statements of Activities	15
<i>Fund Financial Statements:</i>	
Balance Sheets	16
Statements of Revenues, Expenditures, and Changes in Fund Balances	17
Notes to Financial Statements	19
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49

Oklahoma City Economic Development Trust Organization Chart



Introductory Section



The City of
OKLAHOMA CITY

November 19, 2021

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, 2021 and 2020. 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, 2021 and 2020, 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 Annual Comprehensive Financial Report (ACFR).

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 \$76.14 million in GOLT funds that are projected to lead to the creation of approximately 17,983 jobs with an estimated annual payroll of \$1.01 billion and an investment of \$1.27 billion. Through 2021, 6,492 jobs have been created through the Strategic Investment Program, earning incentive payments of \$53.81 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 2021, the trust provided \$2.00 million for I-89 School projects. In 2020, the Trust provided \$7.42 million for the I-89 School project to the Oklahoma City Public School District. The Trust also provided \$725 thousand for the Oklahoma County Annex remodel.

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.

TIF district #9 was created to support public and private redevelopment in Northeast Oklahoma City. In 2021, the Trust provided \$3.5 million for the Homeland Grocery Store Project to help counteract the food desert in the City's Northeast side. In 2021 and 2020, respectively, the Trust provided \$162 thousand and \$158 thousand for the NE 23rd Street Retail project. The Trust also provided \$54 thousand in 2021 for the NE 23rd Street Clinic.

TIF district #10 was created to renovate the First National Center in downtown Oklahoma City. In 2021, the Trust provided \$16.39 million to aid in the development of the project.

TIF district #12 was created for the development of the Wheeler District Project located within the Western Gateway Project Area. In 2021, the Trust provided \$163 thousand for the elementary school and infrastructure projects.

TIF district #13 was created for the development of the new Convention Center Hotel Project located in the Core to Shore Project Area. In 2020 the Trust provided \$39.51 million 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 2021 and 2020, the Trust provided \$3.17 million and \$2.22 million, respectively, through the Strategic Investment Program to enhance economic growth. In 2021, the Trust purchased 577 acres of land off of I-240 in Oklahoma City to aid in future business development in the area.

Oklahoma City and Oklahoma County, along with the surrounding counties, are an important source of economic stimulus for the region. Oklahoma City's economy continues to grow as shown by major economic indicators including jobs, per capita income, personal income, real estate values, and taxable retail sales.

Dr. Russell Evans, Executive Director of the Steven C. Agee Economic Research & Policy Institute of Oklahoma City University, provides an annual economic outlook to City leaders in February. This year's forecast was marked by hope that Oklahoma City and the state could exit from the economic effects of the pandemic and get past the bottom of the current energy cycle. The forecast was that both of those factors would provide support for the economy in 2021 and a return to growth and pre-pandemic levels of economic activity in 2022. His baseline expectations were that economic activity holds steady through some challenging months early in the calendar year. From there the expectation was for a slow transition to pre-pandemic levels of activity. The unprecedented levels of fiscal stimulus led to a significant growth in per-capita personal income in Oklahoma City. A return to pre-pandemic per capita income of \$48,567 was projected. The forecast for nonfarm employment in Oklahoma City was for 3.2% growth in the number of people employed. Dr. Evans' forecast sales tax growth of 4.1% for fiscal year 2022.

In August 2021, Dr. Evans provided a mid-year update that took into account the continuing fiscal stimulus provided by the federal government. With gross domestic product (GDP) growing at 6.4% in the first quarter of the year and 6.5% in the second quarter, the U.S. economic expansion continues unabated and many economic forecasters are expecting continued strong growth through the remainder of 2021. At the state level Dr. Evans projects employment to return to pre-pandemic levels by 2022 and for Oklahoma City that is expected to occur by late 2021. While there is uncertainty about the underlying strength of the economy, Dr. Evans updated models project sales tax growth of up to 6.1% for fiscal year 2022.

Going forward, Oklahoma City has a number of factors in its favor for continued economic growth. 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 has dedicated a significant portion of the CARES Act funds the City received to supporting small businesses and even carved out a portion for live performance venues in an effort to support local businesses and continued quality of life.

Oklahoma City is being recognized more and more as a great place to work, live and visit. As evidence, Zippia.com, a career-advice website, recently set out to find the best cities to start a career and Oklahoma City came in at number 9. The website looked at factors such as median income, rent and unemployment rate in more than 200 cities. According to recent analysis by SmartAsset.com, Oklahoma City ranked in the top 25 most livable cities in the U.S., taking into account a variety of factors like unemployment rate, crime, housing costs and more among the 100 largest cities in the nation. Thrillist.com, an online media website, named Oklahoma City as among "underappreciated cities you should totally move to".

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.

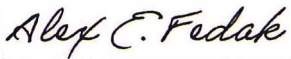
Respectfully submitted:



Craig Freeman
General Manager



Joanna McSpadden
Economic Development
Program Manager



Alex Fedak, CPA
Controller

This Page Left Intentionally Blank

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, 2021 and 2020, the financial statements of each major fund of the Trust as of and for the year ended June 30, 2021, 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, 2021 and 2020, and each major fund of the Trust as of June 30, 2021, and the respective changes in financial position for governmental activities for the years ended June 30, 2021 and 2020, and for each major fund for the year ended June 30, 2021, 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, 2020, 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 introductory section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section 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 19, 2021 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 19, 2021
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, 2021 and 2020. 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 \$67,706,260 (net deficit) and by \$81,224,287 (net deficit) for 2021 and 2020, respectively.
- Total net position (deficit) is comprised of the following:
 - (1) Net investment in capital assets, of \$6,067,667 and (\$27,044,551) for 2021 and 2020, respectively, include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted for debt service of \$20,703,300 and \$25,068,649 for 2021 and 2020, respectively, are constrained for repayment of debt service.
 - (3) Restricted net position for public services of \$38,287,604 and \$49,560,302 for 2021 and 2020, respectively, is constrained for general obligation limited tax (GOLT) bond related economic development.
 - (4) Unrestricted deficit is (\$132,764,831) for 2021 and (\$128,808,687) for 2020.
- The Trust's governmental funds reported total ending fund balance totaling \$146,043,823 in 2021 and ending fund balance of \$133,426,559 in 2020 showing an increase of \$12,617,264 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, 2021 and 2020 is \$67,706,260 and \$81,224,287, respectively. The overall financial condition of the Trust improved in fiscal year 2021.

Summary of Net Position (Deficit)

	2021	2020	2021-2020 Amount of Change	2021-2020 %	2019	2020-2019 Amount of Change	2020-2019 %
Assets							
Current assets	\$106,294,012	\$117,786,853	(\$11,492,841)	(9.8%)	\$145,037,933	(\$27,251,080)	(18.8%)
Capital assets, net	40,322,335	28,162,598	12,159,737	43.2	25,834,059	2,328,539	9.0
Other non-current assets	<u>61,979,561</u>	<u>40,710,605</u>	<u>21,268,956</u>	52.2	<u>47,797,564</u>	<u>(7,086,959)</u>	(14.8)
Total assets	<u>208,595,908</u>	<u>186,660,056</u>	<u>21,935,852</u>	11.8	<u>218,669,556</u>	<u>(32,009,500)</u>	(14.6)
Liabilities							
Current liabilities	25,450,541	22,316,041	3,134,500	14.0	33,776,830	(11,460,789)	(33.9)
Non-current liabilities	<u>247,351,627</u>	<u>238,068,302</u>	<u>9,283,325</u>	3.9	<u>245,704,976</u>	<u>(7,636,674)</u>	(3.1)
Total liabilities	<u>272,802,168</u>	<u>260,384,343</u>	<u>12,417,825</u>	4.8	<u>279,481,806</u>	<u>(19,097,463)</u>	(6.8)
Deferred inflows	<u>3,500,000</u>	<u>7,500,000</u>	<u>(4,000,000)</u>	(53.3)	<u>9,000,000</u>	<u>(1,500,000)</u>	(0.2)
Net position (deficit)							
Net investment in capital assets	6,067,667	(27,044,551)	33,112,218	122.4	(26,498,416)	(546,135)	(2.1)
Restricted for debt service	20,703,300	25,068,649	(4,365,349)	(17.4)	17,640,443	7,428,206	42.1
Restricted for public services	38,287,604	49,560,302	(11,272,698)	(22.7)	25,997,126	23,563,176	90.6
Unrestricted	<u>(132,764,831)</u>	<u>(128,808,687)</u>	<u>(3,956,144)</u>	(3.1)	<u>(86,951,403)</u>	<u>(41,857,284)</u>	(48.1)
Total net position (deficit)	<u>(\$67,706,260)</u>	<u>(\$81,224,287)</u>	<u>\$13,518,027</u>	16.6	<u>(\$69,812,250)</u>	<u>(\$11,412,037)</u>	(16.3)

Current assets decreased by \$11.49 million and decreased \$27.25 million in fiscal years 2021 and 2020, respectively. Cash and investments decreased \$8.82 million in 2021 primarily for decreases in debt service and construction investments. Cash and investments decreased \$32.36 million in 2020 primarily for the decrease in construction investments for the OMNI project. Property taxes receivable, accounts receivable, interest receivable and receivable from the City decreased in 2021 by \$351 thousand, primarily due to a decrease in the receivable from the City of \$306 thousand. Property taxes receivable, interest receivable and receivable from the City increased in 2020 by \$3.01 million primarily due to an increase in the receivable from the City of \$3.10 million. Intergovernmental advance funding decreased by \$90 thousand and \$92 thousand in 2021 and 2020 respectively, due to additional work performed at the Oklahoma County Annex building. In 2021, notes and economic incentives receivable decreased \$2.23 million primarily due to the receipt of payments for the First Americans Museum note receivable. In 2020, notes and economic incentives receivable increased \$2.20 million primarily from a reclass of the developer note from non-current due to the completion of construction. Receivable from component units increased \$586 thousand due to an increase from the Oklahoma City Redevelopment Authority (OCRA) for a contractual agreement related to the OMNI project debt.

The increase of \$12.16 million in capital assets in fiscal year 2021 is primarily due to land additions of \$12.30 million for land that will be used for future economic development projects. The increase of \$2.33 million in capital assets in fiscal year 2020 is primarily due to a land purchase of \$5.00 million and ongoing construction in progress of \$544 thousand, offset by a land donation to the city of \$2.58 million and accumulated depreciation of \$699 thousand.

Non-current assets increased \$21.27 million in 2021 and decreased \$7.09 million in 2020. Non-current notes and economic incentives receivables increased \$23.12 million and decreased \$7.16 million in 2021 and 2020, respectively. The 2021 increase was due to the additions of the First National Center Project note and the Homeland Project note receivable offset by regularly scheduled payments being received for economic activity. The 2020 decrease was primarily due to regularly scheduled payments being received for economic activity.

Current liabilities increased by \$3.13 million and decreased by \$11.46 million in fiscal years 2021 and 2020, respectively. Accounts payable increased \$2.93 million in 2021 and decreased \$14.43 million in 2020, respectively, primarily due to the timing of payments to vendors in both years. Payables to the City and City component units decreased by \$2.73 million and increased by \$2.50 million in 2021 and 2020, respectively. Notes payable remained consistent at \$250 thousand related to the acquisition of the Core to Shore land. Bond interest payable decreased by \$114 thousand in 2021 and \$95 thousand in 2020 for regular debt payments. Current bonds payable increased by \$2.88 million in 2021 and \$280 thousand in 2021 and 2020, respectively, due to normal scheduled payments.

Non-current liabilities increased by \$9.28 million in 2021 primarily from the notes payable increase of \$24.30 million for the First National Center project, offset by a decrease in bonds payable of \$15.02 million due to normal payments. Non-current liabilities decreased by \$7.64 million in 2020 primarily from a decrease in bonds payable of \$12.14 million, offset by the addition of a note payable for the Core to Shore land purchase of \$4.50 million.

Deferred inflows reported for nonexchange resources received before timing requirements were met relating to the First Americans Museum decreased by \$4.00 million in 2021 and \$1.50 million in 2020, respectively.

	Summary of Changes in Net Position (Deficit)						
	2021	2020	2021-2020 Amount of Change	2021-2020 %	2019	2020-2019 Amount of Change	2020-2019 %
Revenues							
Program revenues							
Charges for services	\$389,286	\$261,949	\$127,337	48.6%	\$ -	\$261,949	100.0%
Operating grants & contributions	8,486,937	41,987,910	(33,500,973)	(79.8)	20,820,687	21,167,223	101.7
Capital grants & contributions	-	-	-	0.0	65,599	(65,599)	(100.0)
General revenues	22,511,168	21,517,019	994,149	4.6	18,042,493	3,474,526	19.3
Total revenues	31,387,391	63,766,878	(32,379,487)	(50.8)	38,928,779	24,838,099	63.8
Program expenses	17,869,364	75,178,915	(57,309,551)	(76.2)	68,739,041	\$6,439,874	9.4
Changes in net position (deficit)	13,518,027	(11,412,037)	24,930,064	218.5	(29,810,262)	18,398,225	61.7
Beginning net position (deficit)	(81,224,287)	(69,812,250)	(11,412,037)	(16.3)	(40,001,988)	(29,810,262)	(74.5)
Ending net position (deficit)	(\$67,706,260)	(\$81,224,287)	\$13,518,027	16.6	(\$69,812,250)	(\$11,412,037)	(16.3)

Operating grants and contributions decreased by \$33.50 million and increased \$21.17 million in fiscal years 2021 and 2020, respectively. Payments from the City decreased by \$32.77 million in 2021 as there was no GOLT payment from the OKC Bond fund. Payments from the City increased by \$23.19 million in 2020 primarily due to payment of the GOLT allocation of \$29.88 million offset by a decrease in capital improvement payments of \$6.98 million. Restricted investment income decreased \$1.38 million and decreased \$1.04 million in 2021 and 2020, respectively, related to economic markets in each year. Special assessments increased \$1.77 million and decreased \$429 thousand in 2021 and 2020, respectively. The 2021 increase is related to property tax for the Devon property in downtown Oklahoma City and the addition of the First National Center Tower Project. The 2020 decrease was due to changes in economic incentive loans to developers. Payments from component units decreased \$1.11 million in 2021 and decreased \$558 thousand in 2020 due to lease payments from the OCRA.

General revenues increased by \$994 thousand and \$3.47 million in fiscal years 2021 and 2020, respectively, primarily due to an increase in property taxes of \$1.09 million and \$3.51 million in 2020 and 2019, respectively.

Program expenses decreased by \$57.31 million and increased by \$6.44 million in fiscal years 2021 and 2020, respectively. Professional services decreased \$39.58 million in 2021 and \$6.17 million in 2020 relating to the Omni convention center hotel construction. Payments to the City decreased \$5.21 million in 2021 and increased \$4.68 million in 2020, respectively, related to capital improvement contributions. Payments to component units decreased \$1.25 million in 2021 and increased \$1.25 million in 2020 for the Santa Fe Parking Garage Project. Other significant changes include decreases in economic development incentives of \$11.73 million and increases of \$5.40 million in 2021 and 2020, respectively, and an increase in interest on debt of \$113 thousand and \$712 thousand in 2021 and 2020, respectively, due to bonded debt requirements. Depreciation expense decreased \$38 thousand and increased \$167 thousand in 2021 and 2020, respectively. Bond issuance costs decreased \$632 thousand in 2020 due to no new bond issuances.

Governmental Funds

Governmental funds reported ending fund balances of \$146,043,823 and \$133,426,559 for the years ended June 30, 2021 and 2020, respectively. Of these year-end totals \$563,069 (deficit) and \$77,451 at June 30, 2021 and 2020, 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 2021 and 2020 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						
	<u>2021</u>	<u>2020</u>	2021-2020 Amount of Change	2021-2020 %	<u>2019</u>	2020-2019 Amount of Change	2020-2019 %
Non-Depreciable Assets							
Land	\$20,705,804	\$8,408,665	\$12,297,139	146.2%	\$5,955,465	\$2,453,200	41.2%
Construction in progress	<u>2,947,069</u>	<u>2,715,389</u>	<u>231,680</u>	8.5	<u>6,249,637</u>	<u>(3,534,248)</u>	(56.6)
Total capital assets	<u>23,652,873</u>	<u>11,124,054</u>	<u>12,528,819</u>	112.6	<u>12,205,102</u>	<u>(1,081,048)</u>	(8.9)
Depreciable Assets							
Buildings	1,850,744	1,943,107	(92,363)	(4.8)	2,035,470	(92,363)	(4.5)
Infrastructure	<u>14,818,718</u>	<u>15,095,437</u>	<u>(276,719)</u>	(1.8)	<u>11,593,487</u>	<u>3,501,950</u>	30.2
Total depreciable assets	<u>16,669,462</u>	<u>17,038,544</u>	<u>(369,082)</u>	(2.2)	<u>13,628,957</u>	<u>3,409,587</u>	25.0
Total net capital assets	<u>\$40,322,335</u>	<u>\$28,162,598</u>	<u>\$12,159,737</u>	43.2	<u>\$25,834,059</u>	<u>\$2,328,539</u>	9.0

Capital assets, net of accumulated depreciation, increased by \$12.16 million. This increase is primarily due to land additions of \$12.30 million offset by depreciation of \$92 thousand. Capital assets, net of accumulated depreciation, increased by \$2.33 million at June 30, 2020. This increase was largely due to a land purchase of \$5.00 million and construction in progress for \$544 thousand offset by a land donation to the City of \$2.58 million and depreciation of \$669 thousand.

Long-term debt

At the end of 2021 and 2020, the Trust had total long-term debt outstanding of \$261,045,000 and \$248,760,000, 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 \$2,455,445 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. C. for more information regarding bonds.

Outstanding Long-term Debt

	2021	2020	2021 - 2020		2019	2020 - 2019	
			Amount of	%		Amount of	%
			Change	Change		Change	Change
Notes Payable	\$29,050,000	\$4,750,000	\$24,300,000	511.6%	\$ -	\$4,750,000	100.0%
Tax Apportionment Bonds	96,900,000	102,670,000	(5,770,000)	(5.6)	108,305,000	(5,635,000)	(5.2)
Tax Increment Revenue Bonds	49,035,000	55,280,000	(6,245,000)	(11.3)	61,380,000	(6,100,000)	(9.9)
Tax Appropriation Bonds	<u>86,060,000</u>	<u>86,060,000</u>	-	0.0	<u>86,060,000</u>	-	0.0
	<u>\$261,045,000</u>	<u>\$248,760,000</u>	<u>\$12,285,000</u>		<u>\$255,745,000</u>	<u>(\$6,985,000)</u>	

The change in outstanding debt for 2021 is the net result of a note payable issuance for the First National Center project and normal scheduled payments. The change in outstanding debt for 2020 is the net result of the issuance of a note payable for the acquisition of the Core to Shore property 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

The Trust continues to feel the impacts of the economic environment directly affected by the coronavirus pandemic. Growth has been slow as the Trust is focused on new job and business development, both of which are trending in the right direction but entities remain cautious until stability fully returns.

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>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Pooled cash-----	\$123,926	\$ -
Non-pooled cash-----	2,885,170	-
Investments-----	86,750,519	98,578,548
Property taxes receivable-----	5,923,344	6,059,299
Accounts receivable, net-----	27,858	-
Interest receivable-----	92,869	30,164
Receivable from the City of Oklahoma City-----	5,212,564	5,518,472
Intergovernmental advance funding-----	192,112	282,466
Notes and economic incentives receivable-----	5,085,650	7,317,904
Total current assets-----	<u>106,294,012</u>	<u>117,786,853</u>
<u>NON-CURRENT ASSETS</u>		
Investments-----	16,510,674	16,510,656
Receivable from the City of Oklahoma City-----	-	1,850,000
Notes and economic incentives receivable-----	45,468,887	22,349,949
Capital assets:		
Land and construction in progress-----	23,652,873	11,124,054
Other capital assets, net of accumulated depreciation-----	16,669,462	17,038,544
Total capital assets-----	<u>40,322,335</u>	<u>28,162,598</u>
Total non-current assets-----	<u>102,301,896</u>	<u>68,873,203</u>
Total assets-----	<u>208,595,908</u>	<u>186,660,056</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses-----	5,469,530	2,543,989
Payable to component units of the City of Oklahoma City-----	-	109,490
Payable to the City of Oklahoma City-----	1,552,894	4,169,925
Estimated Claims Payable-----	52,500	35,000
Interest payable-----	152,210	-
Notes Payable-----	250,000	250,000
Bond interest payable-----	3,078,407	3,192,637
Bonds payable-----	14,895,000	12,015,000
Total current liabilities-----	<u>25,450,541</u>	<u>22,316,041</u>
<u>NON-CURRENT LIABILITIES</u>		
Notes payable-----	28,800,000	4,500,000
Bonds payable:		
Bonds payable-----	217,100,000	231,995,000
Unamortized bond premium-----	1,451,627	1,573,302
Bonds payable, net-----	<u>218,551,627</u>	<u>233,568,302</u>
Total non-current liabilities-----	<u>247,351,627</u>	<u>238,068,302</u>
Total liabilities-----	<u>272,802,168</u>	<u>260,384,343</u>
<u>DEFERRED INFLOWS OF RESOURCES</u> -----	<u>3,500,000</u>	<u>7,500,000</u>
<u>NET DEFICIT</u>		
Net investment in capital assets-----	6,067,667	(27,044,551)
Restricted for: Debt service-----	20,703,300	25,068,649
Public services-----	38,287,604	49,560,302
Unrestricted-----	<u>(132,764,831)</u>	<u>(128,808,687)</u>
Total net deficit-----	<u>(\$67,706,260)</u>	<u>(\$81,224,287)</u>

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES
For the Year Ended June 30,

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

	<u>2021</u>	<u>2020</u>
<u>PROGRAM EXPENSES</u>		
Materials and supplies-----	\$ -	\$7,045
Economic incentives and other contracts-----	4,288,444	16,015,722
Professional services-----	478,054	40,061,660
Other services and charges-----	3,215,388	2,818,737
Payments to the City of Oklahoma City-----	-	5,213,655
Payments to component units of the City of Oklahoma City-----	-	1,250,000
Depreciation-----	630,769	668,681
Other debt service-----	2,850	2,850
Interest on debt-----	9,253,859	9,140,565
Total program expenses-----	<u>17,869,364</u>	<u>75,178,915</u>
<u>PROGRAM REVENUES</u>		
<u>CHARGES FOR SERVICES</u>		
Economic development-----	389,286	261,949
<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		
Payments from the City of Oklahoma City-----	1,682,203	34,454,530
Payments from component units of the City of Oklahoma City-----	27,858	1,141,661
Special assessments-----	6,601,461	4,834,376
Restricted investment income-----	175,415	1,557,343
Total program revenues-----	<u>8,876,223</u>	<u>42,249,859</u>
Net (expense) revenue-----	<u>(8,993,141)</u>	<u>(32,929,056)</u>
<u>GENERAL REVENUES</u>		
Tax increment financing property taxes-----	22,494,043	21,406,508
Investment income-----	2,415	60,511
Other-----	14,710	50,000
Total general revenues-----	<u>22,511,168</u>	<u>21,517,019</u>
Change in net position (deficit)-----	<u>13,518,027</u>	<u>(11,412,037)</u>
Net position (deficit)-beginning-----	(81,224,287)	(69,812,250)
Net position (deficit)-ending-----	<u>(\$67,706,260)</u>	<u>(\$81,224,287)</u>

See accompanying notes to financial statements.

BALANCE SHEETS
June 30,

**OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST**

	2021				2020	
	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Economic Development Fund	Convention Center Hotel Fund	Total	Total
ASSETS						
Pooled cash-----	\$62,042	\$39,178	\$9,532	\$13,174	\$123,926	\$ -
Non-pooled cash-----	2,885,170	-	-	-	2,885,170	-
Investments-----	50,540,273	19,140,358	4,658,740	12,411,148	86,750,519	98,578,548
Property taxes receivable-----	5,923,344	-	-	-	5,923,344	6,059,299
Accounts receivable-----	-	-	-	27,858	27,858	-
Interest receivable-----	92,102	420	102	245	92,869	30,164
Receivable from City of Oklahoma City-----	4,582,059	300,000	288,561	41,944	5,212,564	5,518,472
Intergovernmental advance funding-----	192,112	-	-	-	192,112	282,466
Notes and economic incentives receivable, current-----	2,585,650	-	2,500,000	-	5,085,650	7,317,904
Investments, non-current-----	16,510,674	-	-	-	16,510,674	16,510,656
Advance to other funds-----	-	7,075,000	-	-	7,075,000	7,075,000
Receivable from City of Oklahoma City, non-current--	-	-	-	-	-	1,850,000
Notes and economic incentives receivable, non-current-	42,468,887	-	3,000,000	-	45,468,887	22,349,949
Total assets-----	125,842,313	26,554,956	10,456,935	12,494,369	175,348,573	165,572,458
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenditures-----	1,799,140	1,644,136	2,026,254	-	5,469,530	2,543,989
Payable to component units, current-----	-	-	-	-	-	109,490
Payable to City of Oklahoma City General Fund-----	8,569	-	1,544,325	-	1,552,894	4,169,925
Advance from other funds-----	7,075,000	-	-	-	7,075,000	7,075,000
Total liabilities-----	8,882,709	1,644,136	3,570,579	-	14,097,424	13,898,404
DEFERRED INFLOWS OF RESOURCES-----	11,707,326	-	3,500,000	-	15,207,326	18,247,495
FUND BALANCES						
Restricted-----	107,034,440	24,910,820	2,000,605	12,491,957	146,437,822	133,154,672
Committed-----	-	-	-	2,412	2,412	2,484
Assigned-----	-	-	166,658	-	166,658	191,952
Unassigned-----	(1,782,162)	-	1,219,093	-	(563,069)	77,451
Total fund balances-----	105,252,278	24,910,820	3,386,356	12,494,369	146,043,823	133,426,559
Total liabilities, deferred inflows of resources and fund balances-----	\$125,842,313	\$26,554,956	\$10,456,935	\$12,494,369	\$175,348,573	\$165,572,458
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION (DEFICIT)						
Total fund balances-----	\$105,252,278	\$24,910,820	\$3,386,356	\$12,494,369	\$146,043,823	\$133,426,559
Capital assets-----	25,052,685	12,332,139	6,595,645	-	43,980,469	31,189,963
Accumulated depreciation-----	(3,658,134)	-	-	-	(3,658,134)	(3,027,365)
Earned but unavailable revenue-----	11,707,326	-	-	-	11,707,326	10,747,495
Long-term debt-----	(171,936,627)	-	(4,552,500)	(86,060,000)	(262,549,127)	(250,368,302)
Interest payable on long-term debt-----	(2,078,903)	-	-	(1,151,714)	(3,230,617)	(3,192,637)
Total net position (deficit)-----	(\$35,661,375)	\$37,242,959	\$5,429,501	(\$74,717,345)	(\$67,706,260)	(\$81,224,287)

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**

	2021				2020	
	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Economic Development Fund	Convention Center Hotel Fund	Total	Total
REVENUES						
Property taxes-----	\$22,151,747	\$ -	\$ -	\$458,877	\$22,610,624	\$21,160,348
Investment income-----	163,021	9,625	2,265	2,917	177,828	1,617,853
Rental income-----	-	-	-	389,286	389,286	261,949
Special assessments-----	5,612,836	-	-	-	5,612,836	5,707,331
Payments from component units-----	-	-	-	27,858	27,858	1,141,661
Payments from the City of Oklahoma City-----	1,316,623	100,000	17,311	160,485	1,594,419	34,381,080
Other-----	-	-	14,710	-	14,710	50,000
Total revenues-----	29,244,227	109,625	34,286	1,039,423	30,427,561	64,320,222
EXPENDITURES						
Materials and supplies-----	-	-	-	-	-	7,045
Economic incentives and other contracts-----	645,178	3,516,475	74,290	-	4,235,943	16,015,722
Professional services-----	312,064	146,679	17,311	2,000	478,054	40,061,660
Payments to component units-----	-	-	-	-	-	1,250,000
Payments to the City of Oklahoma City-----	-	1,400,000	-	-	1,400,000	2,631,855
Other services and charges-----	1,632,412	181,352	1,551	75	1,815,390	2,818,737
Capital outlay-----	493,368	12,332,139	-	-	12,825,507	5,544,020
Debt service-----	17,900,262	-	250,000	3,455,141	21,605,403	21,345,492
Total expenditures-----	20,983,284	17,576,645	343,152	3,457,216	42,360,297	89,674,531
OTHER FINANCING SOURCES						
Transfers within the Trust-----	(4,480,000)	-	-	4,480,000	-	-
Capital financing-----	-	-	-	-	-	5,000,000
Long-term debt issued-----	24,550,000	-	-	-	24,550,000	-
Net other financing sources-----	20,070,000	-	-	4,480,000	24,550,000	5,000,000
Net change in fund balances-----	28,330,943	(17,467,020)	(308,866)	2,062,207	12,617,264	(20,354,309)
Fund balance, beginning-----	76,921,335	42,377,840	3,695,222	10,432,162	133,426,559	\$153,780,868
Fund balances, ending-----	\$105,252,278	\$24,910,820	\$3,386,356	\$12,494,369	\$146,043,823	\$133,426,559
RECONCILIATION OF STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES						
Net changes in fund balances-----	\$28,330,943	(\$17,467,020)	(\$308,866)	\$2,062,207	\$12,617,264	(\$20,354,309)
Capital outlay-----	493,368	12,332,139	-	-	12,825,507	5,544,020
Depreciation expense-----	(630,769)	-	-	-	(630,769)	(668,681)
Issuance of long-term debt-----	(24,550,000)	-	-	-	(24,550,000)	(5,000,000)
Principal and interest on long-term debt-----	12,098,694	-	250,000	-	12,348,694	12,202,078
Loss on disposal of assets-----	-	-	-	-	-	(2,581,800)
Recognition of earned but unavailable revenue-----	959,831	-	-	-	959,831	(553,345)
Other-----	-	-	(52,500)	-	(52,500)	-
Change in net position (deficit)-----	\$16,702,067	(\$5,134,881)	(\$111,366)	\$2,062,207	\$13,518,027	(\$11,412,037)

See accompanying notes to financial statements.

This Page Left Intentionally Blank

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, 2021 and 2020. Certain reclassifications between 2020 pledged revenues for tax anticipation debt and bonded debt 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 Annual Comprehensive Financial Report (ACFR)

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 ACFR since the majority of the Board is not the same as the voting majority of the City Council.

ACFR 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 101, 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, 2020, through June 30, 2021. 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.

First Americans Museum (FAM)

The FAM 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 FAM Land Development, LLC, to manage and operate the FAM 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

In 2021, the Trust implemented the following accounting standards. The implementation of these standards did not have a material impact on the Trust's financial statements.

The Trust implemented Governmental Accounting Standards Board (GASB) statement number 84, Fiduciary Activities. The primary purpose of this statement is to improve guidance and financial reporting of fiduciary activities. The requirements of this statement are intended to enhance the consistency and comparability of fiduciary activity to improve the usefulness of this information primarily for assessing government accountability and stewardship as a fiduciary.

The Trust implemented GASB statement number 90, Majority Equity Interests. The primary objectives of this statement are to improve the consistency and comparability of reporting majority equity interest in a legally separate organization and to improve the relevance of financial statement information by providing essential information related to presentation for certain component units.

The Trust implemented all requirements of GASB statement number 93, Replacement of Interbank Offered Rates with the exception of the removal of the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate, which will be effective for the Trust in fiscal year 2022. The primary purpose of this statement is to preserve the consistency and comparability of reporting hedging derivative instruments and leases after amending or replacing agreements to replace an Interbank Offered Rate. As a result of global reference rate reform, LIBOR is expected to cease to exist at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates.

The Trust early adopted GASB statement number 98, The Annual Comprehensive Financial Report. The primary purpose of this statement is to establish the term annual comprehensive financial report and its acronym ACFR. This statement was developed in response to concerns raised by stakeholders that the pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The Trust, like the GASB, is committed to promoting inclusiveness.

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 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.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on the Trust's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Trust's operations. However, if the pandemic continues to evolve it is likely to have a negative impact on economic growth in the City.

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, 2021 and 2020, 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, 2021						
	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>\$103,261,193</u>	<u>\$103,261,193</u>	<u>\$103,261,193</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	AAA/Aaa	1.05
		June 30, 2020						
	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>\$115,089,204</u>	<u>\$115,089,204</u>	<u>\$115,089,204</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	AAA/Aaa	0.57

- (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, 2021 and 2020.

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>2021</u>	<u>2020</u>
Bond principal and interest accounts	\$16,115,072	\$20,278,252
Project accounts	10,085,289	11,040,422
Bond reserve	<u>16,510,674</u>	<u>16,510,656</u>
	<u>\$42,711,035</u>	<u>\$47,829,330</u>

II. B. RECEIVABLES

Property Taxes Receivable

At June 30, 2021 and 2020, receivables of \$5,923,344 and \$6,059,299, 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, 2021 and 2020, \$734,987 and \$781,659, 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, 2021 and 2020, \$997,501 and \$1,068,690 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, 2021 and 2020, \$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, 2021 and 2020, \$527,697 and \$581,916, 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, 2021 and 2020, \$825,973 and \$1,101,298, respectively, is receivable on the note. Allowances of \$825,973 and \$1,101,298 were recorded at June 30, 2021 and 2020, respectively, due to the expectation that the loan will be forgiven.

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, 2021 and 2020, \$600,000 is receivable on the note. An allowance of \$600,000 was recorded at June 30, 2021 due to the expectation that the loan will be forgiven.

FAM

On June 30, 2018, the Trust recorded \$14,000,000 in a no interest loan to the FAM for the purchase of land to redevelop the existing structure into a cultural and educational museum. At June 30, 2021 and 2020, \$5,500,000 and \$9,500,000, respectively, is receivable on the note.

Small Business Continuity Program (SBCP)

On April 13, 2020, the City and OCEDT approved an allocation not to exceed \$5.500 million from the General Obligation Limited Tax bond proceeds to provide funding for the OKC SBCP. The purpose of the OKC SBCP is to provide economic development assistance for qualifying existing small and neighborhood businesses dealing with adverse impact and business disruption arising from the COVID-19 pandemic for the retention of existing employees. To be in good standing a business must maintain 85% of their pre-COVID employment for three years. Each agreement will be evaluated annually to ensure requirements are being met, at which point a portion of their outstanding balance will be forgiven. For the first year of compliance, 50% of the balance is forgiven, followed by 30% for the second year and the remaining 20% for the final year. A note receivable has not been recorded based on the expectation that all of the loans will be forgiven. As of June 30, 2021, \$4,956,066 million has been loaned out.

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	Loan Date	Loan Amount	Finance Charges	Minimum Tax	Base Tax	Outstanding Balance June 30, 2021
Midtown HC #1 mixed use project	4/29/2013	\$1,000	\$309	\$210	\$23	\$52
Midtown HC #2 mixed use project	7/7/2014	1,100	382	201	13	201
4th Street residential project	10/13/2014	1,000	365	191	8	58
	8/15/2017	1,000	202	200	14	489
10th Street parking garage and mixed use project	4/9/2015	2,000	611	260	22	1,185
Mideke Commercial Office Building redevelopment project	3/10/2016	1,000	210	191	38	302
Century Center mixed use redevelopment project	9/8/2015	1,250	316	184	24	586
Level West (Mosaic) Residential Apartments project	9/9/2016	1,150	291	172	7	618
21c Hotel and Museum project	10/21/2016	2,000	1,404	214	23	2,118
Sunshine Cleaners mixed use project	3/17/2017	550	196	31	9	603
Journal Record Building	7/14/2017	875	406	150	-	648
Journal Record Garage	7/14/2017	1,500	1,015	50	-	2,315
10th & Shartel Apartments	12/18/2018	3,000	773	450	-	1,836
Townhouse Hotel	5/11/2018	350	122	29	13	406
Homeland Grocery	4/28/2020	3,500	-	30	-	3,500
First National Center Tower	9/28/2020	23,858	1,697	449	93	<u>25,555</u>
						<u>\$40,472</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 \$90,354 and \$92,410 during 2021 and 2020, respectively. At year-end 2021 and 2020, the unspent balance of the advance is \$192,112 and \$282,466, respectively.

II. E. CAPITAL ASSETS

Changes in Capital Assets

	2021						
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
CAPITAL ASSETS							
Balance, June 30, 2020	\$8,408,665	\$2,715,389	\$11,124,054	\$2,628,134	\$17,437,775	\$20,065,909	\$31,189,963
Increases	12,297,139	437,888	\$12,735,027	-	55,479	55,479	12,790,506
Transfers	-	(206,208)	(206,208)	-	206,208	206,208	-
Balance, June 30, 2021	<u>20,705,804</u>	<u>2,947,069</u>	<u>23,652,873</u>	<u>2,628,134</u>	<u>17,699,462</u>	<u>20,327,596</u>	<u>43,980,469</u>
ACCUMULATED DEPRECIATION							
Balance, June 30, 2020				685,027	2,342,338	3,027,365	3,027,365
Increases				92,363	538,406	630,769	630,769
Balance, June 30, 2021				<u>777,390</u>	<u>2,880,744</u>	<u>3,658,134</u>	<u>3,658,134</u>
Capital assets, Net	<u>\$20,705,804</u>	<u>\$2,947,069</u>	<u>\$23,652,873</u>	<u>\$1,850,744</u>	<u>\$14,818,718</u>	<u>\$16,669,462</u>	<u>\$40,322,335</u>

	2020						
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
CAPITAL ASSETS							
Balance, June 30, 2019	\$5,955,465	\$6,249,637	\$12,205,102	\$2,628,134	\$13,359,507	\$15,987,641	\$28,192,743
Increases	5,035,000	544,020	5,579,020	-	-	-	5,579,020
Decreases	(2,581,800)	-	(2,581,800)	-	-	-	(2,581,800)
Transfers	-	(4,078,268)	(4,078,268)	-	4,078,268	4,078,268	-
Balance, June 30, 2020	<u>8,408,665</u>	<u>2,715,389</u>	<u>11,124,054</u>	<u>2,628,134</u>	<u>17,437,775</u>	<u>20,065,909</u>	<u>31,189,963</u>
ACCUMULATED DEPRECIATION							
Balance, June 30, 2019				592,664	1,766,020	2,358,684	2,358,684
Increases				92,363	576,318	668,681	668,681
Balance, June 30, 2020				<u>685,027</u>	<u>2,342,338</u>	<u>3,027,365</u>	<u>3,027,365</u>
Capital assets, net	<u>\$8,408,665</u>	<u>\$2,715,389</u>	<u>\$11,124,054</u>	<u>\$1,943,107</u>	<u>\$15,095,437</u>	<u>\$17,038,544</u>	<u>\$28,162,598</u>

Depreciation Expense

Depreciation expense was charged to the Trust in the amount of \$630,769 for the fiscal year ending 2021 and \$668,681 for the fiscal year ending 2020.

III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

III. A. NOTES PAYABLE

In December of 2017, the Trust entered into an agreement to purchase property from Oklahoma Gas and Electric (OG&E) for \$14,000,000. Per the agreement, \$9,000,000 was paid initially, with the remaining \$5,000,000 to be paid by a non interest promissory note. Under the terms of the note \$250,000 is to be paid annually in March until 2039 with the first payment being made in fiscal year 2020.

On November 6, 2020, the Trust issued a direct placement note payable with JPMorgan Chase to provide an economic development incentive for the First National Center Redevelopment Project in the amount of \$24,550,000. Under the terms the interest rate range from 3.23% to 2.48% with annual payments in October until 2034 with the first payment being made in fiscal year 2022.

Notes Payable Requirements to Maturity

Notes Payable (1)	
	<u>Principal</u>
2022	\$250,000
2023	250,000
2024	1,050,000
2025	1,750,000
2026	1,850,000
2027-2031	11,100,000
2032-2036	12,050,000
2037-2041	<u>750,000</u>
	<u>\$29,050,000</u>

(1) All notes payable are from private placements.

The Trust's outstanding notes from direct placements of \$29,050,000, contain a provision that in an event of default, outstanding amounts may become immediately due if the Trust is unable to make payment.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

**OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST**

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>
2022	\$14,895,000	\$8,738,545	\$23,633,545
2023	15,330,000	8,306,618	23,636,618
2024	15,800,000	7,844,505	23,644,505
2025	16,315,000	7,342,893	23,657,893
2026	16,865,000	6,800,155	23,665,155
2027-2031	69,500,000	25,602,036	95,102,036
2032-2036	47,210,000	12,631,697	59,841,697
2037-2041	24,640,000	5,205,880	29,845,880
2042-2046	<u>11,440,000</u>	<u>500,071</u>	<u>11,940,071</u>
	<u>\$231,995,000</u>	<u>\$82,972,400</u>	<u>\$314,967,400</u>

Bonds Outstanding

	<u>Amount</u>	<u>Interest</u>	<u>Issue</u>	<u>Principal</u>	<u>2021</u>	<u>2020</u>
	<u>Issued</u>	<u>Rate %</u>	<u>Date</u>	<u>Maturity Date</u>	<u>Principal</u>	<u>Principal</u>
					<u>Balance</u>	<u>Balance</u>
Series 2013A Tax Apportionment Bonds	\$116,445,000	0.40-4.30%	4/1/2013	3/1/2032	\$73,060,000	\$78,830,000
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	49,035,000	55,280,000
Series 2018 Annual Appropriation Bonds	86,060,000	3.17-4.13%	9/25/2018	9/1/2042	<u>86,060,000</u>	<u>86,060,000</u>
					<u>\$231,995,000</u>	<u>\$244,010,000</u>

Bond Coverage

	<u>2021</u>	<u>2020</u>
Revenue available for debt service	\$29,786,215	\$30,518,889
Net revenue available for debt service	<u>\$29,786,215</u>	<u>\$30,518,889</u>
Principal amounts	12,015,000	11,735,000
Interest amounts	<u>9,092,326</u>	<u>9,357,644</u>
Total debt service requirements	<u>\$21,107,326</u>	<u>\$21,092,644</u>
Bond coverage	<u>1.41</u>	<u>1.44</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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

**OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST**

Pledged Revenues

The Trust issued tax anticipation bonds to support its economic development activities. The TIF Fund financial statements report revenue-supported debt. In 2021 and 2020, the Trust recognized \$6,601,461 and \$4,834,376, respectively, in special assessments and \$22,494,043 and \$21,406,508, 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

	2021					
	Balance July 1, 2020	Issued	Retired	Balance June 30, 2021	Due Within One Year	Due After One Year
	Notes payable (1)	\$4,750,000	\$24,550,000	\$250,000	\$29,050,000	\$250,000
Tax apportionment bonds	102,670,000	-	5,770,000	96,900,000	5,935,000	90,965,000
Tax increment revenue bonds	55,280,000	-	6,245,000	49,035,000	6,405,000	42,630,000
Tax appropriation bonds	<u>86,060,000</u>	-	-	<u>86,060,000</u>	<u>2,555,000</u>	<u>83,505,000</u>
Total long-term debt	<u>\$248,760,000</u>	<u>\$24,550,000</u>	<u>\$12,265,000</u>	<u>\$261,045,000</u>	<u>\$15,145,000</u>	<u>\$245,900,000</u>

	2020					
	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020	Due Within One Year	Due After One Year
	Notes payable (1)		\$5,000,000	\$250,000	\$4,750,000	\$250,000
Tax apportionment bonds	108,305,000	-	5,635,000	102,670,000	5,770,000	96,900,000
Tax increment revenue bonds	61,380,000	-	6,100,000	55,280,000	6,245,000	49,035,000
Tax appropriation bonds	<u>86,060,000</u>	-	-	<u>86,060,000</u>	-	<u>86,060,000</u>
Total long-term debt	<u>\$255,745,000</u>	<u>\$5,000,000</u>	<u>\$11,985,000</u>	<u>\$248,760,000</u>	<u>\$12,265,000</u>	<u>\$236,495,000</u>

(1) All notes payable are from private placement

III. D. ACTIVITIES WITH REVENUE SUPPORTED DEBT

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

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets	\$35,815,608	\$33,442,462
Non-current assets	<u>23,381,068</u>	<u>26,547,807</u>
Total Assets	<u>59,196,676</u>	<u>59,990,269</u>
<u>LIABILITIES</u>		
Current liabilities	8,148,111	7,050,395
Non-current liabilities	<u>42,630,000</u>	<u>49,035,000</u>
Total Liabilities	<u>50,778,111</u>	<u>56,085,395</u>
<u>NET POSITION (DEFICIT)</u>		
Net investment in capital assets	2,956,764	3,056,666
Restricted	13,921,563	20,765,048
Unrestricted	<u>(8,459,761)</u>	<u>(19,916,840)</u>
Total net position (deficit)	<u>\$8,418,566</u>	<u>\$3,904,874</u>

TIF District #2 Condensed Statement of Activities

	<u>2021</u>	<u>2020</u>
Program expenses	(\$5,534,433)	(\$17,037,921)
Operating grants and contributions	475,675	959,678
General revenues	13,782,718	13,053,318
Transfers	<u>(4,210,268)</u>	<u>(3,530,000)</u>
Change in net position (deficit)	<u>4,513,692</u>	<u>(6,554,925)</u>
Beginning net position	3,904,874	10,459,799
Ending net position (deficit)	<u>\$8,418,566</u>	<u>\$3,904,874</u>

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

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets	\$17,971,391	\$19,052,022
Non-current assets	<u>27,627,605</u>	<u>27,536,605</u>
Total Assets	<u>45,598,996</u>	<u>46,588,627</u>
<u>LIABILITIES</u>		
Current liabilities	7,761,278	8,853,303
Non-current liabilities	<u>92,416,627</u>	<u>98,473,302</u>
Total Liabilities	<u>100,177,905</u>	<u>107,326,605</u>
<u>NET POSITION (DEFICIT)</u>		
Net investment in capital assets	(11,902,219)	(32,694,884)
Restricted	1,657,851	1,999,173
Unrestricted	<u>(44,319,359)</u>	<u>(30,042,267)</u>
Total net position (deficit)	<u>(\$54,563,727)</u>	<u>(\$60,737,978)</u>

TIF District #8 Condensed Statement of Activities

	<u>2021</u>	<u>2020</u>
Program expenses	(\$4,849,424)	(\$6,408,289)
Operating grants and contributions	4,909,393	5,104,515
General revenues	6,384,014	6,522,974
Transfers	<u>(269,732)</u>	<u>(950,000)</u>
Change in net position (deficit)	<u>6,174,251</u>	<u>4,269,200</u>
Beginning net position	<u>(60,737,978)</u>	<u>(65,007,178)</u>
Ending net position (deficit)	<u>(\$54,563,727)</u>	<u>(\$60,737,978)</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 2021 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	\$8,667,282	\$73,060,000
Series 2013B Tax Apportionment Bonds	1,192,000	23,840,000
Series 2018 Tax Increment Revenue Bonds	7,804,645	49,035,000
Series 2018 Tax Appropriation Bonds	<u>5,969,618</u>	<u>86,060,000</u>
	<u>\$23,633,545</u>	<u>\$231,995,000</u>
 <u>Debt Service Requirements</u>		

- (1) The amount guaranteed is only the amount of debt service due on or before June 30, 2022, and covered under the guarantee effective July 1, 2021. It is anticipated that the guarantees will be renewed annually.

III. F. DEFERRED INFLOWS OF RESOURCES

Unavailable Revenues

Unavailable revenue in the governmental fund financial statements includes revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds reported unavailable revenues of \$11,707,326 and \$10,747,495 at June 30, 2021 and 2020, respectively. Of this amount \$4,749,452 is from economic incentive repayments, \$1,034,530 is from payments from the City, and \$5,923,344 is from property taxes at June 30, 2021. At June 30, 2020, \$3,741,452 is from economic incentive repayments, \$946,745 is from payments from the City, and \$6,059,298 is from property taxes.

Other Deferred Inflows

Deferred inflows at June 30, 2021 and 2020, respectively, of \$3,500,000 and \$7,500,000 related to the FAM, are reported for nonexchange resources received before timing requirements were met.

IV. FUND EQUITY

IV. A. FUND BALANCE

Restricted Fund Balance

	<u>2021</u>	<u>2020</u>
Restricted for TIF #2 projects	\$44,856,443	\$45,668,722
Restricted for TIF #4 projects	5,826,229	4,028,643
Restricted for TIF #8 projects	11,744,483	9,546,834
Restricted for TIF #9 projects	(1,782,162)	(1,425,216)
Restricted for TIF #10 projects	898,929	459,863
Restricted for TIF #13 projects	6,520,693	6,973,535
Restricted for FAM	2,000,605	2,000,604
Restricted for debt service	49,679,620	22,098,630
Restricted for GOLT bond economic development	24,910,820	42,377,841
Reallocation for negative restricted	<u>1,782,162</u>	<u>1,425,216</u>
	<u>\$146,437,822</u>	<u>\$133,154,672</u>

Committed Fund Balance

	<u>2021</u>	<u>2020</u>
Committed for Convention Center Hotel	<u>\$2,412</u>	<u>\$2,484</u>

Assigned Fund Balance

	<u>2021</u>	<u>2020</u>
Assigned for encumbrances		
of the Economic Development Fund	\$131,530	\$157,500
Assigned for MAPS Park Foundation	35,128	34,452
Assigned for Myriad Gardens administration	(110,843)	(111,402)
Assigned for outlet mall marketing	(91,465)	(91,639)
Reallocation for negative assigned	<u>202,308</u>	<u>203,041</u>
	<u>\$166,658</u>	<u>\$191,952</u>

Unassigned

	<u>2021</u>	<u>2020</u>
Unassigned	\$1,421,401	\$1,705,708
Restricted negative fund balance	(1,782,162)	(1,425,216)
Assigned negative fund balance	<u>(202,308)</u>	<u>(203,041)</u>
	<u>(\$563,069)</u>	<u>\$77,451</u>

Encumbrances

Encumbrances of \$5,348,160 and \$2,605,985 at June 30, 2021 and 2020, 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 in 2021 was due to the issuance of debt for economic development projects.

IV. B. NET POSITION

Net Investment in Capital Assets

	<u>2021</u>	<u>2020</u>
Capital assets, net	\$40,322,336	\$28,162,599
Bonds payable, net	(237,946,627)	(250,333,302)
Non-capital related bonds payable	194,398,050	185,906,600
Bond accounts funded with bond proceeds (1)	8,844,038	8,527,622
Bond issuance costs paid with bond proceeds (1)	848,299	848,299
Retainages and capital related accounts payable	<u>(398,429)</u>	<u>(156,369)</u>
	<u>\$6,067,667</u>	<u>(\$27,044,551)</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>2021</u>	<u>2020</u>
Bond principal and interest accounts	\$16,115,072	\$20,278,252
Bond reserve account	16,510,674	16,510,656
Bond reserve funded with bond proceeds	(8,844,039)	(8,527,622)
Current bond interest payable	<u>(3,078,407)</u>	<u>(3,192,637)</u>
	<u>\$20,703,300</u>	<u>\$25,068,649</u>

Restricted for Public Services

	<u>2021</u>	<u>2020</u>
Restricted for TIF #2 projects	(\$8,459,761)	(\$19,916,840)
Restricted for TIF #4 projects	6,662,411	4,721,994
Restricted for TIF #8 projects	(44,319,359)	(30,042,267)
Restricted for TIF #9 projects	(1,782,162)	(1,425,216)
Restricted for TIF #10 projects	4,713,762	459,863
Restricted for TIF #13 projects	(79,536,793)	(79,083,981)
Restricted for AICCM projects	2,000,605	2,000,604
Restricted for GOLT bond economic development	24,910,820	42,377,841
GOLT bond project account	9,393,765	14,879,657
GOLT bond project account funded with bond proceeds	(9,393,765)	(14,879,657)
Reallocation for negative restricted	<u>134,098,081</u>	<u>130,468,304</u>
	<u>\$38,287,604</u>	<u>\$49,560,302</u>

Unrestricted

	<u>2021</u>	<u>2020</u>
Unrestricted	\$1,333,250	\$1,659,617
Restricted negative net position	<u>(134,098,081)</u>	<u>(130,468,304)</u>
	<u>(\$132,764,831)</u>	<u>(\$128,808,687)</u>

Deficit Net Position

Deficit net position of \$67,706,260 and \$81,224,287 was reported for fiscal years 2021 and 2020, 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 2021 and 2020, the Trust recognized \$4,924,158 and \$4,962,906, 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 \$688,678 and \$744,424 in 2021 and 2020, respectively, in the Tax Incremental Financing Fund.

Lease Revenues

In 2002, the City loaned the Oklahoma City Urban Renewal Authority (OCURA) \$17,000,000 to fund leasehold improvements at the Bass Pro Shop. The OCURA held the lease with the Bass Pro Shop. The City leases the building and land to OCURA. Lease revenues were used to pay the loan. The loan was paid off in 2016. Beginning in 2020, the City appointed the Trust as the recipient of the lease revenue to be used in assistance in paying off the Series 2018 Tax Appropriation Bonds. The lease revenue was \$386,119 and \$258,782 in 2021 and 2020, respectively.

On August 27, 2019, the Trust entered into an Agreement with Veolia North American and Green Country Interiors to use the former Goodwill Property for parking during construction on the new Convention Center. The agreement was effective from August 27, 2019 through the early termination on December 9, 2019 due to the property being sold for development. During the effective period, \$3,167 was earned in lease revenue.

V. B. EXPENSES/EXPENDITURES

Management Fees

For fiscal years ending June 30, 2021 and 2020, the Trust reported payments to the related parties for economic development services of \$1,518,000 and \$1,450,000, respectively.

	<u>2021</u>	<u>2020</u>
OCEDF	\$968,000	\$900,000
AEDOC	550,000	550,000
	<u>\$1,518,000</u>	<u>\$1,450,000</u>

VI. INTERFUND TRANSACTIONS

VI. A. INTERFUND BALANCES

Receivable From/Payable to the City

		2021					
				Economic	Convention		
<u>RECEIVABLE FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Development</u>	<u>Center</u>	<u>Total</u>	
City General Fund	Administrative subsidies	\$200,000	\$ -	\$ -	\$ -	\$200,000	
City General Fund	Retail incentives	-	-	288,561	-	288,561	
City Special Purpose Fund	Softball Hall of Fame construction	-	300,000	-	-	300,000	
City Hotel Motel Special Revenue Tax Fund	Hotel tax	-	-	-	41,944	41,944	
City TIF Fund	TIF sales tax	2,069,059	-	-	-	2,069,059	
OCPPA General Purpose Fund	Capital Improvement	<u>2,313,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,313,000</u>	
		<u>\$4,582,059</u>	<u>\$300,000</u>	<u>\$288,561</u>	<u>\$41,944</u>	<u>\$5,212,564</u>	
<u>PAYABLE TO</u>							
City General Fund	Unspent administration funding	\$ -	\$ -	\$1,346,636	\$ -	\$1,346,636	
City General Fund	Administration funding	8,569	-	-	-	8,569	
City Capital Improvement Fund	Unspent capital funding	<u>-</u>	<u>-</u>	<u>197,689</u>	<u>-</u>	<u>197,689</u>	
		<u>\$8,569</u>	<u>\$-</u>	<u>\$1,544,325</u>	<u>\$-</u>	<u>\$1,552,894</u>	

		2020					
				Economic	Convention		
<u>RECEIVABLE FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Development</u>	<u>Center</u>	<u>Total</u>	
City General Fund	Administrative subsidies	\$200,000	\$ -	\$1,400,000	\$750,000	\$2,350,000	
City General Fund	Retail incentives	-	-	165,319	-	165,319	
City Special Purpose Fund	Softball Hall of Fame construction	-	1,850,000	-	-	1,850,000	
City Grant Management Fund	Small Business Continuity Program	-	1,386,042	-	-	1,386,042	
City TIF Fund	TIF sales tax	<u>1,617,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,617,111</u>	
		<u>\$1,817,111</u>	<u>\$3,236,042</u>	<u>\$1,565,319</u>	<u>\$750,000</u>	<u>\$7,368,472</u>	
<u>PAYABLE TO</u>							
City General Fund	Unspent administration funding	\$ -	\$ -	\$1,709,139	\$ -	\$1,709,139	
City Grant Management Fund	Small Business Continuity Program	-	897,469	-	-	897,469	
City Grant Management Fund	Capital Improvement	<u>1,563,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,563,317</u>	
		<u>\$1,563,317</u>	<u>\$897,469</u>	<u>\$1,709,139</u>	<u>\$-</u>	<u>\$4,169,925</u>	

VI. B. INTERFUND PAYMENTS

Interfund Payments To/From the City

2021						
<u>PAYMENTS FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center Hotel</u>	<u>Total</u>
City General Fund	Administrative subsidies	\$200,000	\$ -	\$ -	\$ -	\$200,000
City General Fund	Sales Tax	-	-	-	94,658	94,658
City Hotel Motel Special Revenue Tax Fund	Hotel tax	-	-	-	65,826	65,826
City Capital Improvement Fund	Capital improvement	-	100,000	17,311	-	117,311
City TIF Fund (1)	TIF sales tax	<u>1,204,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,204,408</u>
		<u>\$1,404,408</u>	<u>\$100,000</u>	<u>\$17,311</u>	<u>\$160,484</u>	<u>\$1,682,203</u>
<u>PAYMENTS TO</u>						
City Special Purpose Fund	Capital improvement	<u>\$ -</u>	<u>\$1,400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,400,000</u>

Interfund Payments To/From the City

2020						
<u>PAYMENTS FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center Hotel</u>	<u>Total</u>
City General Fund	Administrative subsidies	\$200,000	\$ -	\$ -	\$750,000	\$950,000
City General Obligation Fund	Strategic Incentive Program	-	29,875,000	-	-	29,875,000
City Capital Improvement Fund	Capital improvement	-	-	2,417,248	-	2,417,248
City TIF Fund (1)	TIF sales tax	<u>1,212,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,212,282</u>
		<u>\$1,412,282</u>	<u>\$29,875,000</u>	<u>\$2,417,248</u>	<u>\$750,000</u>	<u>\$34,454,530</u>
<u>PAYMENTS TO</u>						
City Capital Improvement Fund	Capital improvement	\$220	\$1,300,000	\$300,000	\$ -	\$1,600,220
City Grant Management Fund	Capital improvement	<u>1,031,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,031,635</u>
		<u>\$1,031,855</u>	<u>\$1,300,000</u>	<u>\$300,000</u>	<u>\$ -</u>	<u>\$2,631,855</u>

(1) Amounts reported do not include unavailable revenue adjustments of \$87,785 and \$73,450 at June 30, 2021 and 2020, respectively.

Interfund Payments To/From Component Units of the City

In 2021 and 2020, the Trust reported payments from OCRA for bonded debt service requirements of \$27,858 and \$1,141,661, respectively.

In 2020, the Trust reported payments to COTPA for capital improvements of \$1,250,000.

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, 2021 and 2020, the Trust reported interest earnings of \$0 and \$301, as investment income, respectively.

Administrative Chargebacks

For fiscal years ending June 30, 2021 and 2020, the Trust reported payments to the City General fund to reimburse for the cost of providing administrative and operational services of \$594,367 and \$305,132, 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, 2021 and 2020, the Trust reimbursed \$582,883 and \$702,440, respectively.

TIF Funded Commitments

As of June 30, 2021 and 2020, the Trust has approved TIF funding on projects with outstanding commitments of \$1,038,077 and \$253,173, respectively.

	<u>2021</u>	<u>2020</u>
	<u>Outstanding Award</u>	<u>Outstanding Award</u>
Rock Island Plow	\$775,742	\$824,890
Wheeler District	59,837,181	59,990,504
Steelyard Apartments	2,588,176	3,060,000
Criterion	-	350,000
NE Renaissance Shopping	-	2,060,000
Main St. Arcade	-	350,323
1st National Center Garage	13,000,000	17,000,000
I-89 School Project	-	788,209
West Village	4,000,000	4,000,000
700 West	2,155,000	2,155,000
Villa Teresa	982,501	1,000,000
Heartland	2,300,000	2,300,000
Oklahoma Contemporary Arts	22,936	-
MetroTech	3,087,182	-
BarK Dog Park	<u>750,000</u>	<u>-</u>
	<u>\$89,498,718</u>	<u>\$93,878,926</u>

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, 2021, \$29,875,000 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 2021, the Trust approved GOLT bond proceed allocations of \$3,975,000 and paid \$70,100. During 2020, the Trust approved GOLT bond proceed allocations of \$2,675,750 and paid \$2,215,800.

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>2021</u>	<u>2020</u>
	<u>Outstanding Award</u>	<u>Outstanding Award</u>
American Tissue	\$125,000	\$125,000
Amazon.com	1,600,000	1,700,000
Boeing Company #3	2,360,450	3,160,450
Bakery Bling	400,000	-
Booz Allen Hamilton	250,000	250,000
CACI	1,210,000	1,210,000
Corken	300,000	-
Costco	3,000,000	-
DuraCoatings	96,400	96,400
General Electric	1,172,500	1,072,500
Heartland Payment	800,000	901,250
Kratos Unmanned Aerial Systems	691,200	800,000
McClarin Plastics	80,000	80,000
M-D Building Products	157,500	157,500
Mobile Medical	500,000	500,000
National Litigation Law Group	482,000	482,000
Niagara Bottling	150,000	215,000
North American ATK	69,150	69,150
Paycom #2, & #3	26,000	26,000
Progrexion	304,300	304,300
Rural Sourcing	379,900	450,000
Skydweller Aero	275,000	-
SkyWest Airlines	1,900,000	1,900,000
Sutherland Global Service	230,000	230,000
Tapstone	715,750	813,250
Wegolook	-	400,000
	<u>\$17,275,150</u>	<u>\$14,942,800</u>

Affordable Housing

The Trust desires to promote and assist community residential development through the construction of affordable housing opportunities within City limits. To do this, the trust has entered into economic development agreements to provide development financing assistance for organizations that wish to meet the affordability requirements. To meet these requirements, developers must provide necessary documentation to the trust before receiving reimbursement from GOLT and TIF funds.

	<u>2021</u>	<u>2020</u>
	<u>Outstanding Award</u>	<u>Outstanding Award</u>
700 West	\$2,000,000	\$ -
Mount Vernon	600,000	600,000
Page Woodson	950,000	950,000
Villa Teresa	<u>982,501</u>	-
	<u>\$4,532,501</u>	<u>\$1,550,000</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, 2018, the City and OCEDT 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 OCEDT to the developer to pay off a private loan that was secured for the construction of the garage component of the project. The potential OCEDT 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. On March 26, 2019, the City Council and OCEDT entered into an economic development agreement for the redevelopment of the hotel component of the project. On September 29, 2020, the City and OCEDT entered into an amended economic development agreement for the redevelopment. The economic development agreement includes a loan to the developer that will be paid off by the ad valorem taxes generated by the hotel, an annual minimum tax payment on the hotel, and sales taxes generated by the hotel.

On February 1, 2017, City Council adopted ordinance 25,558 which adopted and approved the Western Gateway Project Plan and established TIF district #12. As of September 26, 2017, the City and OCEDT have entered into an economic development agreement for the development of approximately 150 acres within the larger Western Gateway Project Area. The project consists of a mixed-use urban neighborhood including over 2,000 units of housing, as well as office, retail and other commercial space along with supporting street and public space infrastructure.

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>2021</u>	<u>2020</u>
Economic Development Project Plan	Property taxes	\$3,441,213	\$3,343,293
Retail Incentive Policy	Sales taxes	<u>1,751,559</u>	<u>1,460,472</u>
		<u>\$5,192,772</u>	<u>\$4,803,765</u>

IX. SUBSEQUENT EVENTS

On August 24, 2021, the Trust issued Tax Apportionment Refunding Bonds, Series 2021A in the amount of \$69,075,000 and Tax Apportionment Refunding Bonds, Series 2021B in the amount of \$18,010,000. The Trust issued the 2021A and 2021B bonds in order to provide refinancing for the Tax Apportionment Bonds, Series 2013A and the Tax Apportionment Bonds, Series 2013B. The original bonds were issued to finance construction projects for the Myriad Botanical Gardens, Bicentennial Park, streetscape projects as well as various other infrastructure and public improvements in downtown Oklahoma City. The refunding bonds were issued to take advantage of the current economic climate, thus lowering the interest rate.

This Page Left Intentionally Blank

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, 2021 and 2020, the financial statements of each major fund of the Trust as of and for the year ended June 30, 2021, 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 19, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of findings and questioned costs* as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

The Trust's Response to Finding

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

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 19, 2021
Wichita, Kansas

OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENT FINDING

Finding 2021-001: Economic Development Notes Receivable (Material Weakness)

The Trust's management is responsible for the accuracy, completeness, and fairness of data presented in the year-end financial statements, including all disclosures. One material audit adjustment was identified during the fiscal year 2021 audit of the financial statements to increase notes receivable and decrease expenditures in the amount of \$3,500,000.

Criteria or Specific Requirement: Internal controls should be designed to provide adequate control over the preparation of year-end accruals.

Cause: This adjustment resulted from an economic incentive agreement being entered into this year that was not identified and evaluated for financial reporting impacts.

Effect: Lack of controls and procedures over year-end accruals could result in a material misstatement to the financial statements.

Recommendations: We recommend that management evaluate the completeness of the economic development agreement listing used for financial reporting by reviewing expenditure accounts for any payments made during the year that are missing from the listing.

Management Response (unaudited): Management agrees with the recommendation. No less than quarterly, all expenditure accounts will be reviewed for payments made during the year and compared to the economic development agreement listing. In addition, this will be addressed at each quarterly meeting with Trust management to enable a review of agreements to ensure completeness of the listing which is relied upon for accruals.