



Oklahoma City Economic Development Trust

A discrete component unit of The City of Oklahoma City, Oklahoma

Annual Financial Report | for the Fiscal Years ended June 30, 2023 and 2022

OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

A Discrete Component Unit of
Oklahoma City, Oklahoma

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Annual Financial Report for the Fiscal Years Ended June 30, 2023 and 2022

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

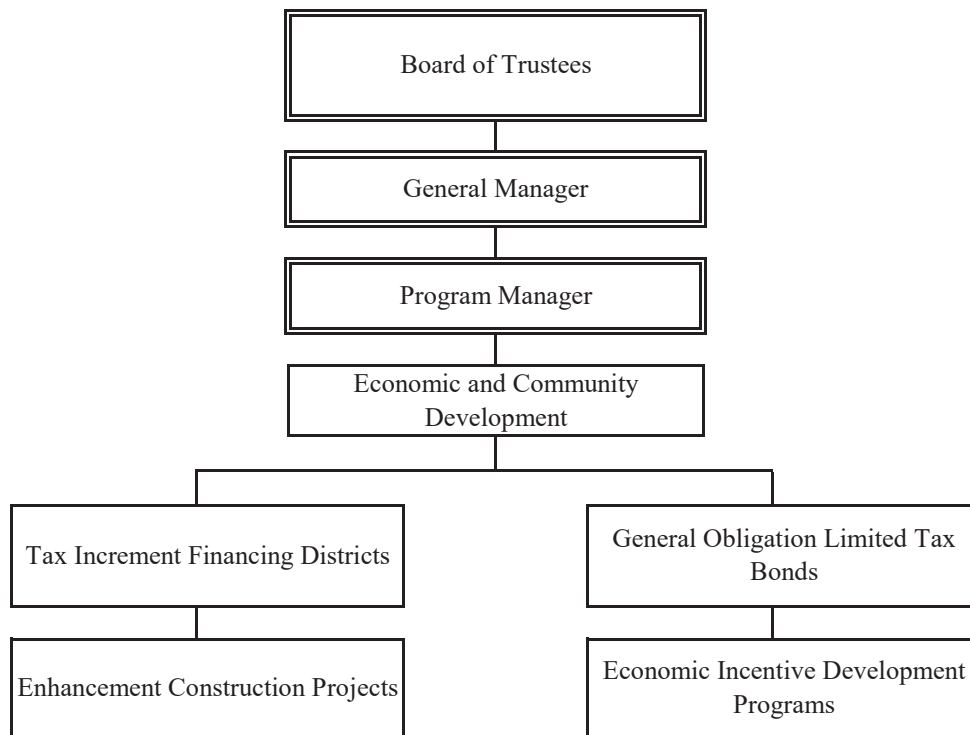
OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

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Oklahoma City Economic Development Trust Organization Chart



Introductory Section



The City of
OKLAHOMA CITY

December 5, 2023

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, 2023 and 2022. 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, 2023 and 2022, 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 an initial \$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 Oklahoma City. An additional authorization of \$60.00 million was approved in 2017 to continue the goals set by the Program. Since inception in 2007, the Trust has entered into agreements that allocated approximately \$78.47 million in GOLT funds that are projected to lead to the creation of approximately 19,101 jobs with an estimated payroll of \$1.09 billion and an investment of \$1.39 billion. Through 2023, 7,559 jobs have been created through the Strategic Investment Program, earning incentive payments of \$57.38 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 2023, the Trust provided \$700 thousand to Griffin Communications for their redevelopment and move to Century Center downtown, \$2.01 million for infrastructure improvements on Western Avenue, \$842 thousand for the West Village residential development, \$832 thousand to MetroTech for the remodel at their South Bryant Campus, and \$750 thousand to the BarK Dog Park.

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

TIF district #8 was created for continuing downtown redevelopment projects centered around the Devon Tower and Project 180. Project 180 includes landscaping, public art, marked bike lines, decorative street lights, on-street parking and improvements to downtown park areas. Completed projects under TIF #8 include associated construction and groundscape of the completed Devon tower and several phases of Project 180. In 2023, the Trust provided \$2.00 million to Griffin Communication for their redevelopment of and move to Century Center downtown.

TIF districts #9 & #15 were created to support public and private redevelopment in Northeast Oklahoma City. Bright spots in TIF #9 include EastPoint which houses retail, restaurants and a grocery store. TIF #15 projects include a Homeland grocery store, which brings food and groceries to a part of the City which was classified as a food desert.

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

TIF district #12 was created for the development of the Wheeler District Project located within the Western Gateway Project Area. In 2023, the Trust provided \$605 thousand for the elementary school and infrastructure projects.

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

TIF district #14 was created for the development of the First Americans Museum Project located just east of downtown Oklahoma City currently featuring the museum with the new Okana resort and waterpark currently under construction.

The GOLT bond funds are used to fund the Strategic Investment Program(SIP) and aid in projects that improve the economic development within the City. In 2023 and 2022, the Trust provided \$747 thousand and \$544 thousand, respectively, through the SIP to enhance economic growth. In 2023 and 2022, the Trust provided \$2.00 million and \$950 thousand under the affordable housing program.

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, Partner and Chief Economist at the Thorberg Collectorate, provides an annual economic outlook to City leaders in February. Dr. Evans' expectation for 2023 was at best slow economic growth, with a real possibility of a mild recession surfacing at some point. Although the labor market and consumer spending remained strong during the first half of the fiscal year, both were beginning to show signs of weakness as unemployment gradually rose and household net worth and savings fell. While inflation had begun to moderate, household spending was considered unlikely to keep pace and the record high revenue growth the City experienced in recent years from high sales and use tax collections were expected to significantly diminish in fiscal year 2023. Per-capita personal income in Oklahoma City was expected to increase 1.9% in 2023, due to current labor market strength. The forecast for nonfarm and private employment in Oklahoma City was for 0.8% growth in the number of people employed. Dr. Evans' forecast predicted sales tax growth of between 5.9% and 7.1% for fiscal year 2023, as the record-high growth witnessed in recent years recedes with the likelihood of an economic downturn at some point during the period.

In September 2023, Dr. Evans provided a mid-year update which took into consideration slowing job growth and increasing consumer fragility nationwide. The fragility of the consumer is underscored by the decline of personal savings to below pre-pandemic levels and rising credit card balances which have been fueling recent consumption. Despite these worrying signs, Oklahoma City is on a solid economic footing as payroll employment and average weekly earnings have grown. Oklahoma City is expected to maintain positive fiscal performance through fiscal year 2024, with sales tax collections forecasted to grow 2.5% and use tax collections expected to grow 11.4% in the baseline scenario. Still, there remain considerable downside risks to the forecast with uncertainty over how determined federal fiscal policy will be in imposing an economic slowdown and the ability of fragile consumers to weather such a contraction.

Going forward, there are several factors that position Oklahoma City to successfully weather a period of economic slowdown. The cost of living and the cost of doing business remain highly competitive among large cities in the U.S. 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 received \$123 million from the American Rescue Plan Act (ARPA) and has allocated 6% to the public health response to the COVID-19 pandemic, 30% to tourism and combating the negative economic impacts of the pandemic, and 64% to capital investments in infrastructure and public amenities.

Oklahoma City is being recognized more and more as a great place to work, live and visit. As evidence, Oklahoma City ranked number one as the least expensive metro for rent for January 2023 in the Realtor.com report using rental sources that reliably report data each month within the top 50 largest metropolitan areas. In its most recent analysis, Bankrate ranked Oklahoma City number four for the best city to live in in 2022 by examining the 100 largest metropolitan areas applying several factors including affordability, overall well-being, diversity, job market and migration patterns. Oklahoma City ranked number eight in WalletHub's 2022's Best & Worst-Run Cities in America' comparing 150 of the United States' largest cities judged on their quality of services in contrast to their per-capita budget. Oklahoma City also earned a AAA rating from Moody's and S&P for the 13th year in a row, which is the highest rating awarded by each agency.

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

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Financial Section

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2023 and 2022, the financial statements of each major fund of the Trust as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities as of June 30, 2023 and 2022, and each major fund of the Trust as of June 30, 2023, and the respective changes in its financial position for governmental activities for the years ended June 30, 2023 and 2022, and for each major fund for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matter

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, 2022, from which such summarized information was derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023 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

Wichita, KS
December 5, 2023

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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, 2023 and 2022. 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 \$9,718,809 (net deficit) and by \$25,586,385 (net deficit) for 2023 and 2022, respectively.
- Total net position (deficit) is comprised of the following:
 - (1) Net investment in capital assets, of (\$10,113,230) and \$6,844,858 for 2023 and 2022, respectively, include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted for debt service of \$18,989,905 and \$10,609,449 for 2023 and 2022, respectively, are constrained for repayment of debt service.
 - (3) Restricted net position for public services of \$71,550,688 and \$69,442,046 for 2023 and 2022, respectively, is constrained for general obligation limited tax (GOLT) bond related economic development.
 - (4) Unrestricted deficit is (\$90,146,172) for 2023 and (\$112,482,738) for 2022.
- The Trust's governmental funds reported total ending fund balance totaling \$182,761,188 in 2023 and ending fund balance of \$162,562,751 in 2022 showing an increase of \$20,198,437 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, 2023 and 2022 is \$9,718,809 and \$25,586,385, respectively. The overall financial condition of the Trust improved in fiscal year 2023. The 2021 net position was restated for a prior period adjustment related to the economic incentive receivable owed to the Trust.

Summary of Net Position (Deficit)

	2023	2022	2023-2022 Amount of Change	2023-2022 %	2021	2022-2021 Amount of Change	2022-2021 %
Assets							
Current assets	\$151,876,919	\$133,739,328	\$18,137,591	13.6%	\$106,329,012	\$27,410,316	25.8%
Capital assets, net	20,861,700	40,443,625	(19,581,925)	(48.4)	40,322,335	121,290	0.3
Other non-current assets	<u>49,176,438</u>	<u>47,365,890</u>	<u>1,810,548</u>	3.8	<u>63,402,492</u>	<u>(16,036,602)</u>	(25.3)
Total assets	<u>221,915,057</u>	<u>221,548,843</u>	<u>366,214</u>	0.2	<u>210,053,839</u>	<u>11,495,004</u>	5.5
Deferred outflows	<u>3,107,833</u>	<u>3,463,014</u>	<u>(355,181)</u>	(10.3)	<u>-</u>	<u>3,463,014</u>	1.0
Liabilities							
Current liabilities	27,720,724	24,639,235	3,081,489	12.5	25,450,541	(811,306)	(3.2)
Non-current liabilities	<u>205,934,054</u>	<u>223,270,977</u>	<u>(17,336,923)</u>	(7.8)	<u>247,351,627</u>	<u>(24,080,650)</u>	(9.7)
Total liabilities	<u>233,654,778</u>	<u>247,910,212</u>	<u>(14,255,434)</u>	(5.8)	<u>272,802,168</u>	<u>(24,891,956)</u>	(9.1)
Deferred inflows	<u>1,086,921</u>	<u>2,688,030</u>	<u>(1,601,109)</u>	(59.6)	<u>3,500,000</u>	<u>(811,970)</u>	(23.2)
Net position (deficit)							
Net investment in capital assets	(10,113,230)	6,844,858	(16,958,088)	(247.7)	6,067,667	777,191	12.8
Restricted for debt service	18,989,905	10,609,449	8,380,456	79.0	20,703,300	(10,093,851)	(48.8)
Restricted for public services	71,550,688	69,442,046	2,108,642	3.0	39,745,535	29,696,511	74.7
Unrestricted	<u>(90,146,172)</u>	<u>(112,482,738)</u>	<u>22,336,566</u>	19.9	<u>(132,764,831)</u>	<u>20,282,093</u>	15.3
Total net position (deficit)	<u>(\$9,718,809)</u>	<u>(\$25,586,385)</u>	<u>\$15,867,576</u>	62.0	<u>(\$66,248,329)</u>	<u>\$40,661,944</u>	61.4

Current assets increased by \$18.14 million and \$27.41 million in fiscal years 2023 and 2022, respectively. Cash and investments increased \$5.31 million in 2023 primarily related to balances held for bonded debt payments. Cash and investments increased \$27.24 million in 2022 primarily for increases related to the GOLT allocation for future job agreements. Property taxes receivable, accounts receivable, interest receivable and receivable from the City decreased by \$1.57 million in 2023 primarily for a decrease in the receivable from the City due to the Trust no longer being eligible for tax incentives related to the Skirvin project as well as the Trust receiving a significant amount of past due Dell tax incentive funds. Property taxes receivable, accounts receivable, interest receivable and receivable from the City increased in 2022 by \$370 thousand, primarily due to an increase in the interest receivable of \$325 thousand related to investment activity. Receivable from component units increased \$15.08 million from the Trust's share of the proceeds related to the sale of the Skirvin property. Intergovernmental advance funding decreased by \$25 thousand and \$167 thousand in 2023 and 2022, respectively, due to additional work performed at the Oklahoma County Annex building. In 2023 and 2022, notes and economic incentives receivable decreased by \$657 thousand and \$31 thousand, respectively, due to regular scheduled payments by developers.

Capital assets decreased in 2023 by \$19.58 million primarily due to a transfer of assets from the Trust to the City. Capital assets increased in 2022 by \$121 thousand primarily related to the purchase of land from the Oklahoma Department of Transportation (ODOT) for future economic development projects and ongoing construction related to Project 180 renovations in downtown Oklahoma City offset by normal depreciation.

Other non-current assets increased \$1.81 million in 2023 and decreased \$16.04 million in 2022. Non-current investments remained steady in 2023 and decreased \$9.78 million in fiscal year 2022 related to the refinancing of the Series 2013A and 2013B Tax Apportionment Bonds into the Series 2021A and 2021B Tax Apportionment Bonds. Non-current notes and economic incentives receivables increased \$1.81 million in 2023 primarily due to the addition of the Convergence Project for \$5.00 million offset by the regularly scheduled payments received for economic activity. Non-current notes and economic incentives receivable decreased \$6.26 million in 2022 related to regularly scheduled payments received for economic activity.

Deferred outflows decreased \$355 thousand in fiscal year 2023 related to monthly debt transactions. Deferred outflows increased \$3.46 million in 2022 related to deferred refunding amount on the Series 2021A Tax Apportionment Bonds.

Current liabilities increased by \$3.08 million and decreased by \$811 thousand in fiscal years 2023 and 2022, respectively. Accounts payable increased \$1.99 million in 2023 and decreased \$695 thousand in 2022, respectively, primarily due to the timing of payments to vendors in both years. Payables to the City and City component units increased by \$92 thousand and \$76 thousand in 2023 and 2022, respectively. Notes payable increased \$800 thousand in 2023 due to the First National Center payment due in fiscal year 2024. Notes payable remained consistent at \$250 thousand in 2022 related to the acquisition of the Core to Shore land. Bond interest payable decreased by \$113 thousand in 2023 and \$898 thousand in 2022 for regular debt payments. Current bonds payable increased by \$315 thousand in 2023 and \$705 thousand in 2022, respectively, to meet debt payment schedules.

Non-current liabilities decreased by \$17.34 million in 2023, primarily due to annual bond payments. Non-current liabilities decreased by \$24.08 million in 2022, primarily due to the savings provided through the refinancing of the Series 2013A and 2013B Tax Apportionment bond and normal debt payments.

Deferred inflows decreased \$1.60 million in 2023 primarily related to professional fees paid to the First Americans Museum of \$1.50 million. Deferred inflows decreased \$812 thousand in 2022 primarily related to a decrease of \$2.00 million for nonexchange resources received before timing requirements were met relating to the First Americans Museum, offset by an increase of \$1.19 million for the deferred amount on the refunded Series 2021B Tax Apportionment Bonds.

	Summary of Changes in Net Position (Deficit)						
	2023	2022	2023-2022 Amount of Change	2023-2022 %	2021	2022-2021 Amount of Change	2022-2021 %
Revenues							
Program revenues							
Operating grants & contributions	\$31,161,490	\$41,973,714	(\$10,812,224)	(25.8%)	\$8,486,937	\$33,486,777	394.6%
General revenues	25,400,534	22,753,136	2,647,398	11.6	22,880,143	(127,007)	(0.6)
Total revenues	56,562,024	64,726,850	(8,164,826)	(12.6)	31,367,080	33,359,770	106.4
Program expenses	40,694,448	24,064,906	16,629,542	69.1	17,815,032	6,249,874	35.1
Changes in net position (deficit)	15,867,576	40,661,944	(24,794,368)	(61.0)	13,552,048	27,109,896	200.0
Beginning net position (deficit)							
As previously reported	(25,586,385)	(66,248,329)	40,661,944	(61.4)	(81,224,287)	14,975,958	18.4
Prior period adjustment	—	—	—	0.0	1,423,910	(1,423,910)	(100.0)
As adjusted	<u>(25,586,385)</u>	<u>(66,248,329)</u>	<u>40,661,944</u>	(61.4)	<u>(79,800,377)</u>	<u>13,552,048</u>	17.0
Ending net position (deficit)	<u>(\$9,718,809)</u>	<u>(\$25,586,385)</u>	<u>\$15,867,576</u>	62.0	<u>(\$66,248,329)</u>	<u>\$40,661,944</u>	61.4

Operating grants and contributions decreased by \$10.81 million and increased by \$33.49 million in fiscal years 2023 and 2022, respectively. Payments from the City decreased by \$30.66 million in 2023, primarily related to the \$29.86 million received in fiscal year 2022 for the Trust's Strategic Investment Program (SIP). Payments from the City increased by \$34.56 million in 2022 related to the receipt of \$29.86 million for the Trust SIP program and \$5.82 million related to tax incentives. Restricted investment income increased \$4.08 million and \$105 thousand in 2023 and 2022, respectively, related to economic markets. Special assessments increased \$1.11 million and decreased \$1.57 million in 2023 and 2022, respectively, primarily due to changes in economic incentive loans to developers. In 2023, payments from component units increased by \$15.08 million from the Trust's share of the proceeds related to the sale of the Skirvin property. Payments from component units decreased \$28 thousand in 2022, due to lease payments from the OCRA.

General revenues increased \$2.65 million in 2023 primarily due to increased property taxes of \$3.51 million and increased investment income of \$274 thousand, offset by a decrease to other general revenue of \$1.14 million. General revenues decreased by \$94 thousand in 2022 primarily due to a decrease in property taxes of \$1.15 million, offset by an increase to other general revenue and investment income of \$1.06 million.

Program expenses increased by \$16.63 million and \$6.25 million in 2023 and 2022, respectively. Professional services increased \$1.63 million primarily due to \$1.50 million in economic funding for the expanding operations of First Americans Museum and increased \$571 thousand in 2022 primarily related to the opening of the First Americans Museum. Other significant changes in 2023 include an increase of \$18.55 million in assets transferred to the City, a decrease of \$3.44 million in other services and charges related to general economic development activity, and a decrease of \$592 thousand for interest on debt. Other significant changes in 2022 include an increase of \$3.58 million in economic development incentives related to developers meeting the requirements of their agreements and a decrease in interest on debt of \$2.21 million related to regular debt payments and the refinancing debt. Depreciation expense increased \$426 thousand and decreased \$11 thousand in 2023 and 2022, respectively. Other debt service expenses decreased \$589 thousand and increased \$594 thousand in 2023 and 2022, respectively, due to the refinancing provided in the Series 2021A and 2021B Tax Apportionment Bonds.

Governmental Funds

Governmental funds reported ending fund balances of \$182,761,188 and \$162,562,751 for the years ended June 30, 2023 and 2022, respectively. Of these year-end totals (\$1,660,720) and \$916,875 at June 30, 2023 and 2022, respectively, is unassigned.

Capital Assets

The Trust's investment in capital assets, net of accumulated depreciation, for the fiscal years 2023 and 2022 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>2023</u>	<u>2022</u>	2023-2022	2023-2022	<u>2021</u>	2022-2021	2022-2021
			Amount	%		Amount	%
			<u>of Change</u>	<u>Change</u>		<u>of Change</u>	<u>Change</u>
Non-Depreciable Assets							
Land	\$20,861,700	\$20,861,700	\$ -	0.0%	\$20,705,804	\$155,896	0.8%
Construction in progress	-	3,532,488	(3,532,488)	(100.0)	2,947,069	585,419	19.9
Total capital assets	<u>20,861,700</u>	<u>24,394,188</u>	<u>(3,532,488)</u>	(14.5)	<u>23,652,873</u>	<u>741,315</u>	3.1
Buildings	-	1,758,381	(1,758,381)	(100.0)	1,850,744	(92,363)	(5.0)
Infrastructure	-	14,291,056	(14,291,056)	(100.0)	14,818,718	(527,662)	(3.6)
Total depreciable assets	-	<u>16,049,437</u>	<u>(16,049,437)</u>	(100.0)	<u>16,669,462</u>	<u>(620,025)</u>	(3.7)
Total net capital assets	<u>\$20,861,700</u>	<u>\$40,443,625</u>	<u>(\$19,581,925)</u>	(48.4)	<u>\$40,322,335</u>	<u>\$121,290</u>	0.3

Capital assets, net of accumulated depreciation, decreased by \$19.58 million at June 30, 2023. This decrease is due to a transfer of assets from the Trust to the City of Oklahoma City for \$18.55 million and normal depreciation of \$1.05 million. Capital assets, net of accumulated depreciation, increased by \$121 thousand at June 30, 2022. This increase is primarily due to land additions of \$156 thousand, ongoing construction related to Project 180 in downtown Oklahoma City of \$585 thousand offset by depreciation of \$620 thousand.

Long-term debt

At the end of 2023 and 2022, the Trust had total long-term debt outstanding of \$219,190,000 and \$235,040,000, respectively.

	Outstanding Long-term Debt						
	<u>2023</u>	<u>2022</u>	2023 - 2022	2023 - 2022	<u>2021</u>	2022 - 2021	2022 - 2021
			Amount of	%		Amount of	%
			<u>Change</u>	<u>Change</u>		<u>Change</u>	<u>Change</u>
Notes Payable	\$28,550,000	\$28,800,000	(\$250,000)	(0.9%)	\$29,050,000	(\$250,000)	(0.9%)
Tax Apportionment Bonds	73,725,000	80,105,000	(6,380,000)	(8.0)	96,900,000	(16,795,000)	(17.3)
Tax Increment Revenue Bonds	36,050,000	42,630,000	(6,580,000)	(15.4)	49,035,000	(6,405,000)	(13.1)
Tax Appropriation Bonds	<u>80,865,000</u>	<u>83,505,000</u>	<u>(2,640,000)</u>	<u>(3.2)</u>	<u>86,060,000</u>	<u>(2,555,000)</u>	<u>(3.0)</u>
	<u>\$219,190,000</u>	<u>\$235,040,000</u>	<u>(\$15,850,000)</u>		<u>\$261,045,000</u>	<u>(\$26,005,000)</u>	

The change in outstanding debt for 2023 is the result of making principal payments on the bonds. The change in outstanding debt for 2022 is the net result of the issuance of the Series 2021A and 2021B Tax Apportionment Bonds offset by the refunding of the Series 2013A and 2013B Tax Apportionment Bonds 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 focus on new job and business development within the local market while monitoring the status of the global economy. Growth has been slow in the primary areas of influence, but is trending in the right direction as new entities and developers 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>2023</u>	<u>2022</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Pooled cash-----	\$1,184,714	\$21,187
Non-pooled cash-----	3,359,318	2,885,709
Investments-----	117,769,388	114,092,037
Property taxes receivable-----	5,989,552	5,953,771
Interest receivable-----	757,415	417,468
Receivable from component units-----	15,078,474	-
Receivable from the City of Oklahoma City-----	3,306,260	5,255,115
Intergovernmental advance funding-----	-	24,818
Notes and economic incentives receivable-----	4,431,798	5,089,223
Total current assets-----	<u>151,876,919</u>	<u>133,739,328</u>
<u>NON-CURRENT ASSETS</u>		
Investments-----	6,735,518	6,735,518
Notes and economic incentives receivable-----	42,440,920	40,630,372
Capital assets:		
Land and construction in progress-----	20,861,700	24,394,188
Other capital assets, net of accumulated depreciation-----	-	16,049,437
Total capital assets-----	<u>20,861,700</u>	<u>40,443,625</u>
Total non-current assets-----	<u>70,038,138</u>	<u>87,809,515</u>
Total assets-----	<u>221,915,057</u>	<u>221,548,843</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
	<u>3,107,833</u>	<u>3,463,014</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses-----	6,762,500	4,774,912
Payable to the City of Oklahoma City-----	1,720,898	1,629,203
Estimated Claims Payable-----	52,500	52,500
Interest payable-----	152,210	152,210
Notes Payable-----	1,050,000	250,000
Bond interest payable-----	2,067,616	2,180,410
Bonds payable-----	15,915,000	15,600,000
Total current liabilities-----	<u>27,720,724</u>	<u>24,639,235</u>
<u>NON-CURRENT LIABILITIES</u>		
Notes payable-----	27,500,000	28,550,000
Bonds payable:		
Bonds payable-----	174,725,000	190,640,000
Unamortized bond premium-----	3,709,054	4,080,977
Bonds payable, net-----	<u>178,434,054</u>	<u>194,720,977</u>
Total non-current liabilities-----	<u>205,934,054</u>	<u>223,270,977</u>
Total liabilities-----	<u>233,654,778</u>	<u>247,910,212</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
	<u>1,086,921</u>	<u>2,688,030</u>
<u>NET DEFICIT</u>		
Net investment in capital assets-----	(10,113,230)	6,844,858
Restricted for: Debt service-----	18,989,905	10,609,449
Public services-----	71,550,688	69,442,046
Unrestricted-----	<u>(90,146,172)</u>	<u>(112,482,738)</u>
Total net deficit-----	<u>(\$9,718,809)</u>	<u>(\$25,586,385)</u>

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES
For the Year Ended June 30,

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

	<u>2023</u>	<u>2022</u>
<u>PROGRAM EXPENSES</u>		
Economic incentives and other contracts-----	\$8,520,953	\$7,868,845
Professional services-----	2,678,886	1,049,473
Other services and charges-----	3,438,829	6,881,030
Payments to the City of Oklahoma City-----	18,545,282	-
Depreciation-----	1,045,993	619,865
Other debt service-----	7,800	597,097
Interest on debt-----	6,456,705	7,048,596
Total program expenses-----	<u>40,694,448</u>	<u>24,064,906</u>
<u>PROGRAM REVENUES</u>		
<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		
Payments from the City of Oklahoma City-----	5,576,406	36,241,203
Payments from component units-----	15,078,474	-
Special assessments-----	6,142,396	5,034,295
Restricted investment income-----	4,364,214	279,974
Other operating grants and contributions-----	-	418,242
Total program revenues-----	<u>31,161,490</u>	<u>41,973,714</u>
Net (expense) revenue-----	<u>(9,532,958)</u>	<u>17,908,808</u>
<u>GENERAL REVENUES</u>		
Tax increment financing property taxes-----	24,833,874	21,321,284
Investment income-----	237,663	(36,761)
Other-----	328,997	1,468,613
Total general revenues-----	<u>25,400,534</u>	<u>22,753,136</u>
Change in net position (deficit)-----	<u>15,867,576</u>	<u>40,661,944</u>
Net position (deficit)-beginning-----	(25,586,385)	(66,248,329)
Net position (deficit)-ending-----	<u>(\$9,718,809)</u>	<u>(\$25,586,385)</u>

See accompanying notes to financial statements.

BALANCE SHEETS
June 30,

**OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST**

	2023				2022	
	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Economic Development Fund	Convention Center Hotel Fund	Total	Total
ASSETS						
Pooled cash-----	\$273,980	\$516,459	\$43,723	\$350,552	\$1,184,714	\$21,187
Non-pooled cash-----	3,359,318	-	-	-	3,359,318	2,885,709
Investments-----	56,345,197	43,289,815	3,656,649	14,477,727	117,769,388	114,092,037
Property taxes receivable-----	5,989,552	-	-	-	5,989,552	5,953,771
Interest receivable-----	539,549	152,002	12,484	53,380	757,415	417,468
Due within the Trust-----	(905,800)	900,000	7,800	(2,000)	-	-
Receivable from component units-----	-	-	15,078,474	-	15,078,474	-
Receivable from City of Oklahoma City-----	1,078,016	-	637,390	1,590,854	3,306,260	5,255,115
Intergovernmental advance funding-----	-	-	-	-	-	24,818
Notes and economic incentives receivable, current-----	2,931,798	-	1,500,000	-	4,431,798	5,089,223
Investments, non-current-----	6,735,518	-	-	-	6,735,518	6,735,518
Advance to other funds-----	-	8,814,990	-	-	8,814,990	6,406,857
Notes and economic incentives receivable, non-current-----	37,440,920	1,000,000	-	4,000,000	42,440,920	40,630,372
Total assets-----	113,788,048	54,673,266	20,936,520	20,470,513	209,868,347	187,512,075
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenditures-----	2,624,103	2,501,831	1,576,251	60,315	6,762,500	4,774,912
Payable to City of Oklahoma City-----	208,889	145,275	1,355,262	11,472	1,720,898	1,629,203
Advance from other funds-----	8,814,990	-	-	-	8,814,990	6,406,857
Total liabilities-----	11,647,982	2,647,106	2,931,513	71,787	17,298,388	12,810,972
DEFERRED INFLOWS OF RESOURCES-----	8,408,771	-	-	1,400,000	9,808,771	12,138,352
FUND BALANCES						
Restricted-----	96,178,865	52,026,160	1,501,005	14,998,051	164,704,081	161,138,690
Committed-----	-	-	-	4,000,675	4,000,675	-
Assigned-----	-	-	15,717,152	-	15,717,152	507,186
Unassigned-----	(2,447,570)	-	786,850	-	(1,660,720)	916,875
Total fund balances-----	93,731,295	52,026,160	18,005,007	18,998,726	182,761,188	162,562,751
Total liabilities, deferred inflows of resources and fund balances-----	\$113,788,048	\$54,673,266	\$20,936,520	\$20,470,513	\$209,868,347	\$187,512,075
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION (DEFICIT)						
Total fund balances-----	\$93,731,295	\$52,026,160	\$18,005,007	\$18,998,726	\$182,761,188	\$162,562,751
Capital assets-----	1,778,020	12,332,139	6,751,541	-	20,861,700	44,721,624
Accumulated depreciation-----	-	-	-	-	-	(4,277,999)
Earned but unavailable revenue-----	8,408,771	-	-	1,400,000	9,808,771	10,638,352
Deferred debt expense-----	2,020,912	-	-	-	2,020,912	2,274,984
Long-term debt-----	(138,034,054)	-	(4,052,500)	(80,865,000)	(222,951,554)	(239,173,477)
Interest payable on long-term debt-----	(1,123,481)	-	-	(1,096,345)	(2,219,826)	(2,332,620)
Total net position (deficit)-----	(\$33,218,537)	\$64,358,299	\$20,704,048	(\$61,562,619)	(\$9,718,809)	(\$25,586,385)

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**

	2023				2022	
	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Economic Development Fund	Convention Center Hotel Fund	Total	Total
REVENUES						
Property taxes-----	\$22,971,176	\$ -	\$ -	\$1,831,482	\$24,802,658	\$21,893,129
Investment income-----	2,328,257	1,617,320	228,933	431,407	4,605,917	239,172
Special assessments-----	6,552,207	-	-	-	6,552,207	6,692,880
Payments from component units-----	-	-	15,078,474	-	15,078,474	-
Payments from the City of Oklahoma City-----	2,140,256	-	1,591,233	2,291,862	6,023,351	35,083,786
Intergovernmental programs-----	-	-	-	-	-	418,243
Other-----	-	-	-	328,997	328,997	1,468,613
Total revenues-----	33,991,896	1,617,320	16,898,640	4,883,748	57,391,604	65,795,823
EXPENDITURES						
Economic incentives and other contracts-----	8,830,022	262,450	28,481	-	9,120,953	7,868,844
Professional services-----	310,445	327,748	2,039,223	1,471	2,678,887	1,049,473
Payments to component units-----	-	-	-	-	-	2,313,000
Other services and charges-----	523,253	2,290,549	2,082	22,944	2,838,828	4,568,031
Capital outlay-----	9,350	-	-	-	9,350	741,155
Debt service-----	16,321,583	-	250,000	5,973,566	22,545,149	125,701,229
Total expenditures-----	25,994,653	2,880,747	2,319,786	5,997,981	37,193,167	142,241,732
OTHER FINANCING SOURCES						
Transfers within the Trust-----	(4,480,000)	-	-	4,480,000	-	-
Premium on bonds-----	-	-	-	-	-	4,421,906
Long-term debt issued-----	-	-	-	-	-	87,085,000
Net other financing uses-----	(4,480,000)	-	-	4,480,000	-	91,506,906
Net change in fund balances-----	3,517,243	(1,263,427)	14,578,854	3,365,767	20,198,437	15,060,997
Fund balance, beginning-----	90,214,052	53,289,587	3,426,153	15,632,959	162,562,751	\$147,501,754
Fund balances, ending-----	\$93,731,295	\$52,026,160	\$18,005,007	\$18,998,726	\$182,761,188	\$162,562,751
RECONCILIATION OF STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES						
Net changes in fund balances-----	\$3,517,243	(\$1,263,427)	\$14,578,854	\$3,365,767	\$20,198,437	\$15,060,997
Capital outlay-----	9,350	-	-	-	9,350	741,155
Depreciation expense-----	(1,045,993)	-	-	-	(1,045,993)	(619,865)
Issuance of long-term debt-----	-	-	-	-	-	(87,085,000)
Premium on bonds-----	-	-	-	-	-	(4,421,906)
Principal and interest on long-term debt-----	13,162,291	-	250,000	2,668,354	16,080,645	15,364,532
Transfer of assets-----	(18,545,282)	-	-	-	(18,545,282)	-
Refunded long-term debt-----	-	-	-	-	-	102,691,005
Recognition of earned but unavailable revenue-----	(1,526,324)	(1,886)	(168)	698,797	(829,581)	(1,068,974)
Change in net position (deficit)-----	(\$4,428,715)	(\$1,265,313)	\$14,828,686	\$6,732,918	\$15,867,576	\$40,661,944

See accompanying notes to financial statements.

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Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The notes are organized to provide explanations, including required disclosures, of the Oklahoma City Economic Development Trust (Trust) financial activities for the fiscal years ended June 30, 2023 and 2022.

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.

The City's ACFR may be obtained online at www.okc.gov/departments/finance.

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, 2023. The agreement has been renewed for fiscal year 2024. 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, 2022, through June 30, 2023. The agreement has been renewed for fiscal year 2024. 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 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. On August 17, 2017, the City entered into a professional agreement with FAM Land Development, LLC, to manage and operate the FAM.

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, the balance sheet, and the 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 the 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 2023, the Trust implemented the following accounting standards. The implementation of these standards did not have an impact on the Trust's financial statements.

The Trust implemented GASB statement number 91, Conduit Debt Obligations. The objective of this Statement is to eliminate diversity in practice and provide a single method of reporting conduit debt obligations and improving related required note disclosures. This standard did not have an impact on the Trust's financial statements.

The Trust implemented GASB statement number 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objectives of this statement are to better meet the information needs of financial statement users by improving the comparability of financial statements among governments by addressing issues related to public-private and public-public partnership arrangements and also provide guidance for accounting and financial reporting for availability payment arrangements. This standard has been applied retroactively and the implementation of this standard did not have an impact on the Trust's financial statements.

The Trust implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The Statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments and requires note disclosures regarding a SBITA. This standard has been applied retroactively and the implementation of this standard did not have an impact on the Trust's financial statements.

The Trust implemented GASB statement number 99, Omnibus 2022. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The adoption of GASB 99 did not have an impact on the Trust's financial statements.

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 2021.

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 are recorded as construction in progress and are 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 OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net assets that applies to a future period which will not be recognized as an inflow of resources until that time.

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 Chief Finance Officer.

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, including accounts payable and retainages payable, used to purchase the assets net of unspent portions. Unspent portions of bonds payable, 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 is to administer property and liability insurance programs of the City, in which the Trust participates. These funds account for the risk financing activities of the Trust and constitute a transfer of risk from the Trust.

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

I. E. MAJOR REVENUES

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

I. F. TAX STATUS

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

I. G. RETAINAGES

It is the policy of the Trust to retain a percentage of construction contracts until a completed project has been accepted by the Trustees. Contractors may request to opt out of this retainage by providing a certificate of deposit 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 AND DEFERRED OUTFLOWS OF RESOURCES

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, 2023 and 2022, 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, 2023								
	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)	\$94,750,847	\$94,750,847	\$94,750,847	\$ -	\$ -	\$ -	AAA/Aaa	0.89
Treasury Note(4)(5)	<u>29,650,781</u>	<u>29,754,059</u>	-	<u>29,754,059</u>	-	-	N/A	2.07
	<u>\$124,401,628</u>	<u>\$124,504,906</u>	<u>\$94,750,847</u>	<u>\$29,754,059</u>	<u>\$-</u>	<u>\$-</u>		

June 30, 2022								
	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)	\$79,046,591	\$79,046,591	\$79,046,591	\$ -	\$ -	\$ -	AAA/Aaa	1.35
Treasury Note(4)(5)	<u>42,565,469</u>	<u>41,780,964</u>	-	<u>41,780,964</u>	-	-	N/A	12.69
	<u>\$121,612,060</u>	<u>\$120,827,555</u>	<u>\$79,046,591</u>	<u>\$41,780,964</u>	<u>\$-</u>	<u>\$-</u>		

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

Fair Value Measurement

The following is a description of the valuation methodologies used for assets measured at fair value in the tables above. There have been no changes in the methodologies used at June 30, 2023 and 2022.

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 Agricultural Mortgage Corporation, Federal Farm Credit Bank, Federal Home Loan Bank, Freddie Mac and Fannie Mae notes. These securities use pricing models that maximize the use of observable inputs for similar securities and are valued at level 2. U.S. Treasury 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 investment grade obligations of this state; provided, that any such security shall be rated A+ or better by Standard and Poor's Corporation or A1 or better by Moody's Investor Service or an equivalent investment grade by a securities rating organization accepted by the National Association of Insurance Commissioners including investment grade obligations of state agencies; (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) County, municipal or school district direct debt obligations for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgements against such county, municipality or school district ordered by a court of record or bonds or bond revenue anticipation notes issued by a public trust of which such county, municipality or school district is a beneficiary thereof; (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	
	Maximum % (2)		Maximum % (4)
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		
Direct debt obligations and 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 Trust 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>2023</u>	<u>2022</u>
Bond principal and interest accounts	\$14,592,753	\$6,766,671
Project accounts	3,750,947	4,649,900
Bond reserve	<u>10,094,836</u>	<u>9,621,228</u>
	<u>\$28,438,536</u>	<u>\$21,037,799</u>

II. B. RECEIVABLES

Property Taxes Receivable

At June 30, 2023 and 2022, receivables of \$5,989,552 and \$5,953,771, 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 Note 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, 2023 and 2022, \$639,331 and \$691,532, 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, 2023 and 2022, \$776,680 and \$888,469, 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% for years 1 through 5, 1.0% for years 5 through 7 and 3.0% for years 8 through 20. The length of the note is not to exceed 20 years. As of June 30, 2023 and 2022, \$2,323,146 is receivable on the note.

Journal Record Building Redevelopment Project Note Receivable

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, 2023 and 2022, \$275,330 and \$550,649, respectively, is receivable on the note. Allowances of \$275,330 and \$550,649 were recorded at June 30, 2023 and 2022, respectively, due to the expectation that the loan will be forgiven.

NE 23rd Street Clinic Project Note Receivable

On October 17, 2017, 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 both June 30, 2023 and 2022, \$600,000 is receivable on the note. An allowance of \$600,000 was recorded at both June 30, 2023 and 2022 due to the expectation that the loan will be forgiven.

NE 23rd Street Retail Project Note Receivable

On February 20, 2018, the Trust disbursed \$575,000 in the form of a forgivable, no interest loan to OneYetMany for the redevelopment of commercial space into new retail space to make investment, development and economic growth in the area possible. At both June 30, 2023 and 2022, \$575,000 is receivable on the note. An allowance of \$575,000 was recorded at both June 30, 2023 and 2022 due to the expectation that the loan will be forgiven.

FAM Project Note Receivable

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, 2023 and 2022, \$1,500,000 and \$3,500,000, 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, 2023 and 2022, respectively, \$4,956,066 has been loaned out.

Convergence Project Note Receivable

On November 22, 2022, OCEDT entered into an agreement with the OCRA to provide assistance in development financing for the creation of the Convergence Project inside of the Innovation District. The development will be for a major mixed-use project consisting of an office tower, research labs, a parking garage, a hotel with amenity deck, a public realm open-air community environment and the building of the Innovation Hall. The balance outstanding is \$5,000,000 at June 30, 2023.

Economic Incentives Receivable

OCEDT provides assistance in development financing to various developers, in anticipation of generating increased property tax value in TIF districts #2 and #9. 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 districts #2 and #9 expire or terminate. Amounts are presented in thousands:

	<u>Loan</u>	<u>Loan</u>	<u>Finance</u>	<u>Minimum</u>	<u>Base</u>	<u>Outstanding</u>	<u>Outstanding</u>
	<u>Date</u>	<u>Amount</u>	<u>Charges</u>	<u>Tax</u>	<u>Tax</u>	<u>Balance</u>	<u>Balance</u>
						<u>June 30,2023</u>	<u>June 30,2022</u>
Midtown HC #2 mixed use project	7/7/2014	\$1,100	\$382	\$201	\$13	\$ -	\$9
10th Street parking garage and mixed use project	4/9/2015	2,000	611	260	22	717	948
Mideke Office Building redevelopment project	3/10/2016	1,000	210	191	38	-	150
Century Center mixed use redevelopment project	9/8/2015	1,250	316	184	24	944	416
Level West (Mosaic) Apartments project	9/9/2016	1,150	291	172	7	288	453
21c Hotel and Museum project	10/21/2016	2,000	1,404	214	23	1,692	1,907
Sunshine Cleaners mixed use project	3/17/2017	550	196	31	9	521	562
Journal Record Building	7/14/2017	875	406	150	-	317	482
Journal Record Garage	7/14/2017	1,500	1,015	50	-	2,215	2,315
23rd Street Clinic	11/21/2017	700	-	20	2	628	645
23rd Street Retail	2/27/2018	800	-	15	10	793	798
10th & Shartel Apartments	12/18/2018	3,000	773	450	-	753	1,308
Townhouse Hotel	5/11/2018	350	122	29	13	275	406
Homeland Grocery	4/28/2020	3,500	-	30	-	3,207	3,369
First National Center Tower	9/28/2020	23,858	-	449	93	<u>24,285</u>	<u>24,550</u>
						<u>\$36,635</u>	<u>\$38,318</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 \$24,818 and \$167,294 during 2023 and 2022, respectively. The unspent balance of the advance is \$0 and \$24,818 at June 30, 2023 and 2022, respectively.

II. E. CAPITAL ASSETS

Changes in Capital Assets

	2023						
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
<u>CAPITAL ASSETS</u>							
Balance, June 30, 2022	\$20,861,700	\$3,532,488	\$24,394,188	\$2,628,134	\$17,699,302	\$20,327,436	\$44,721,624
Increases	-	-	-	-	220,187	220,187	220,187
Decreases	-	(210,837)	(210,837)	-	-	-	(210,837)
Transfers	-	(3,321,651)	(3,321,651)	(2,628,134)	(17,919,489)	(20,547,623)	(23,869,274)
Balance, June 30, 2023	<u>20,861,700</u>	<u>-</u>	<u>20,861,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,861,700</u>
<u>ACCUMULATED DEPRECIATION</u>							
Balance, June 30, 2022				869,753	3,408,246	4,277,999	4,277,999
Increases				84,667	961,326	1,045,993	1,045,993
Transfers				(954,420)	(4,369,572)	(5,323,992)	(5,323,992)
Balance, June 30, 2023				<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, Net	<u>\$20,861,700</u>	<u>\$-</u>	<u>\$20,861,700</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$20,861,700</u>
	2022						
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
<u>CAPITAL ASSETS</u>							
Balance, June 30, 2021	\$20,705,804	\$2,947,069	\$23,652,873	\$2,628,134	\$17,699,462	\$20,327,596	\$43,980,469
Increases	155,896	585,419	741,315	-	-	-	741,315
Decreases	-	-	-	-	(160)	(160)	(160)
Balance, June 30, 2022	<u>20,861,700</u>	<u>3,532,488</u>	<u>24,394,188</u>	<u>2,628,134</u>	<u>17,699,302</u>	<u>20,327,436</u>	<u>44,721,624</u>
<u>ACCUMULATED DEPRECIATION</u>							
Balance, June 30, 2021				777,390	2,880,744	3,658,134	3,658,134
Increases				92,363	527,502	619,865	619,865
Balance, June 30, 2022				<u>869,753</u>	<u>3,408,246</u>	<u>4,277,999</u>	<u>4,277,999</u>
Capital assets, net	<u>\$20,861,700</u>	<u>\$3,532,488</u>	<u>\$24,394,188</u>	<u>\$1,758,381</u>	<u>\$14,291,056</u>	<u>\$16,049,437</u>	<u>\$40,443,625</u>

Depreciation Expense

Depreciation expense was charged to the Trust in the amount of \$1,045,993 for the fiscal year ending 2023 and \$619,865 for the fiscal year ending 2022.

Assets Donated to Others

Assets Donated to the City

Generally, assets constructed or purchased by the Trust to further economic development but not intended to be held for economic incentive purposes, are subsequently donated to the party that will maintain the asset in the future. In fiscal year 2023, the Trust donated improvements to the City with a net book value of \$18,545,282. This amount is reported with payments to the City in the Trust-wide financial statements. No assets were donated in fiscal year 2022.

II. F. DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts on Refunding

Deferred amounts on refundings of bonds results from a difference in carrying value of refunded debt to its reacquisition price. Deferred amounts on refunding are amortized over the shorter of the life of the refunded or refunding debt. The TIF fund reported deferred amounts on refunding of \$3,758,998 at both June 30, 2023 and 2022, less accumulated amortization of \$651,165 at June 30, 2023, and \$295,984 at June 30, 2022, related to the refunding of the Series 2013A Tax Apportionment Bonds.

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 no 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 ranges from 2.48% to 3.23% with annual payments in October until 2034 with the first payment being made in fiscal year 2024.

Notes Payable Requirements to Maturity

	Notes Payable (1)	
	<u>Principal</u>	<u>Interest</u>
2024	\$1,050,000	\$598,920
2025	1,750,000	570,400
2026	1,850,000	531,960
2027	1,900,000	491,660
2028	2,000,000	449,500
2029-2033	12,850,000	1,463,200
2034-2038	6,900,000	140,740
2039-2043	<u>250,000</u>	<u>-</u>
	<u>\$28,550,000</u>	<u>\$4,246,380</u>

(1) All notes payable are from private placements.

The Trust's outstanding notes from direct placements of \$28,550,000 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 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 refunding bonds were issued to take advantage of the current economic climate, thus lowering the interest rate.

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 were to be used to finance construction of various other infrastructure and public improvements in downtown Oklahoma City. 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, Series 2013A and the Tax Apportionment Bonds, Series 2013B. The refunding bonds were issued to take advantage of the current economic climate, thus lowering the interest rate.

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

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

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

On August 24, 2021, the Trust issued \$69,075,000 in tax apportionment refunding bonds, with an average interest rate (coupon) of 1.51%. Proceeds of \$69,075,000 less issuance cost of \$426 thousand were used to defease principal and interest on the tax apportionment bonds taxable series 2013A. The bonds mature on March 1, 2032.

On August 24, 2021, the Trust issued \$18,010,000 in tax apportionment refunding bonds, with an average interest rate (coupon) of 4.00%. Net proceeds of \$22,261,000 including a premium of \$4,421,906 less issuance cost of \$171 thousand were used to defease principal and interest on the tax apportionment bonds taxable series 2013B. The bonds mature on March 1, 2034.

Defeasances

On August 24, 2021, the Trust placed \$68,649,000 of the proceeds from the Tax apportionment Refunding Bonds, Taxable Series 2021A and \$9,553,000 of bond reserve funds in an irrevocable escrow account to officially defease the outstanding maturities of the Tax Apportionment Bonds, Taxable Series 2013A. As a result, Series 2013A are to be considered defeased and the liability for those bonds removed from the financial statements. This achieved a cash flow saving of approximately \$6,005,000 and an economic gain of \$6,512,000.

On August 24, 2021, the Trust placed \$22,261,000 of the proceeds from the Tax apportionment Refunding Bonds, Taxable Series 2021B and \$2,257,000 of bond reserve funds in an irrevocable escrow account to officially defease the outstanding maturities of the Tax Apportionment Bonds, Taxable Series 2013B. As a result, Series 2013B are to be considered defeased and the liability for those bonds removed from the financial statements. This achieved a cash flow saving of approximately \$9,633,000 and an economic gain of \$8,693,000.

Bonded Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$15,915,000	\$5,775,442	\$21,690,442
2025	16,270,000	5,434,241	21,704,241
2026	16,655,000	5,053,879	21,708,879
2027	17,085,000	4,639,782	21,724,782
2028	17,550,000	4,188,079	21,738,079
2029-2033	51,175,000	16,567,593	67,742,593
2034-2038	29,145,000	8,444,157	37,589,157
2039-2043	<u>26,845,000</u>	<u>3,000,020</u>	<u>29,845,020</u>
	<u>\$190,640,000</u>	<u>\$53,103,193</u>	<u>\$243,743,193</u>

Bonds Outstanding

	Amount	Interest	Issue	Principal	<u>2023</u>	<u>2022</u>
	<u>Issued</u>	<u>Rate %</u>	<u>Date</u>	<u>Maturity Date</u>	Principal <u>Balance</u>	Principal <u>Balance</u>
Series 2018 Tax Increment Revenue Bonds	\$67,355,000	1.97-3.31%	1/17/2018	8/1/2027	\$36,050,000	\$42,630,000
Series 2018 Annual Appropriation Bonds	86,060,000	3.17-4.13%	9/25/2018	9/1/2042	80,865,000	83,505,000
Series 2021A Tax Apportionment Bonds	69,075,000	0.234-1.991%	8/24/2021	3/1/2032	55,715,000	62,095,000
Series 2021B Tax Apportionment Bonds	18,010,000	4.00%	8/24/2021	3/1/2034	<u>18,010,000</u>	<u>18,010,000</u>
					<u>\$190,640,000</u>	<u>\$206,240,000</u>

Bond Coverage

	<u>2023</u>	<u>2022</u>
Revenue available for debt service	\$33,977,706	\$32,761,086
Net revenue available for debt service	<u>\$33,977,706</u>	<u>\$32,761,086</u>
Principal amounts	15,600,000	15,940,000
Interest amounts	6,078,509	5,614,288
Total debt service requirements	<u>\$21,678,509</u>	<u>\$21,554,288</u>
 Bond coverage	 <u>1.57</u>	 <u>1.52</u>

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

Pledged Revenues

The Trust issued tax anticipation bonds to support its economic development activities. The TIF Fund financial statements report revenue-supported debt. In 2023 and 2022, the Trust recognized \$6,142,396 and \$5,034,295, respectively, in special assessments and \$24,833,874 and \$21,321,284, 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

	2023					
	Balance			Balance		
	July 1, 2022	Issued	Retired	June 30, 2023	Due Within One Year	Due After One Year
Notes payable (1)	\$28,800,000	\$ -	\$250,000	\$28,550,000	\$1,050,000	\$27,500,000
Tax apportionment bonds	80,105,000	-	6,380,000	73,725,000	6,420,000	67,305,000
Tax increment revenue bonds	42,630,000	-	6,580,000	36,050,000	6,770,000	29,280,000
Tax appropriation bonds	<u>83,505,000</u>	-	<u>2,640,000</u>	<u>80,865,000</u>	<u>2,725,000</u>	<u>78,140,000</u>
Total long-term debt	<u>\$235,040,000</u>	<u>\$ -</u>	<u>\$15,850,000</u>	<u>\$219,190,000</u>	<u>\$16,965,000</u>	<u>\$202,225,000</u>
	2022					
	Balance			Balance		
	July 1, 2021	Issued	Retired	June 30, 2022	Due Within One Year	Due After One Year
Notes payable (1)	\$29,050,000	\$ -	\$250,000	\$28,800,000	\$250,000	\$28,550,000
Tax apportionment bonds	96,900,000	87,085,000	103,880,000	80,105,000	6,380,000	73,725,000
Tax increment revenue bonds	49,035,000	-	6,405,000	42,630,000	6,580,000	36,050,000
Tax appropriation bonds	<u>86,060,000</u>	-	<u>2,555,000</u>	<u>83,505,000</u>	<u>2,640,000</u>	<u>80,865,000</u>
Total long-term debt	<u>\$261,045,000</u>	<u>\$87,085,000</u>	<u>\$113,090,000</u>	<u>\$235,040,000</u>	<u>\$15,850,000</u>	<u>\$219,190,000</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>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current assets	\$35,213,435	\$34,121,072
Non-current assets	<u>17,433,710</u>	<u>20,670,854</u>
Total Assets	<u>52,647,145</u>	<u>54,791,926</u>
<u>LIABILITIES</u>		
Current liabilities	9,347,113	7,766,825
Non-current liabilities	<u>29,280,000</u>	<u>36,050,000</u>
Total Liabilities	<u>38,627,113</u>	<u>43,816,825</u>
<u>NET POSITION (DEFICIT)</u>		
Net investment in capital assets	1,059,745	2,856,862
Restricted	14,066,367	8,118,239
Unrestricted	<u>(1,106,080)</u>	-
Total net position (deficit)	<u>\$14,020,032</u>	<u>\$10,975,101</u>

TIF District #2 Condensed Statement of Activities

	<u>2023</u>	<u>2022</u>
Program expenses	(\$9,608,658)	(\$8,522,207)
Operating grants and contributions	998,791	603,152
General revenues	15,184,798	14,006,179
Transfers	<u>(3,530,000)</u>	<u>(3,530,589)</u>
Change in net position (deficit)	<u>3,044,931</u>	<u>2,556,535</u>
Beginning net position	<u>10,975,101</u>	<u>8,418,566</u>
Ending net position (deficit)	<u>\$14,020,032</u>	<u>\$10,975,101</u>

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

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current assets	\$12,430,582	\$12,286,267
Non-current assets	<u>543,274</u>	<u>18,045,429</u>
Total Assets	<u>12,973,856</u>	<u>30,331,696</u>
<u>DEFERRED OUTFLOWS</u>		
	<u>3,107,833</u>	<u>3,463,014</u>
<u>LIABILITIES</u>		
Current liabilities	6,970,412	7,244,179
Non-current liabilities	<u>71,014,054</u>	<u>77,805,977</u>
Total Liabilities	<u>77,984,466</u>	<u>85,050,156</u>
<u>DEFERRED INFLOWS</u>		
	<u>1,086,921</u>	<u>1,188,030</u>
<u>NET POSITION (DEFICIT)</u>		
Net investment in capital assets	(26,431,655)	(11,974,373)
Restricted	-	241,618
Unrestricted	<u>(36,558,043)</u>	<u>(40,710,720)</u>
Total net position (deficit)	<u>(\$62,989,698)</u>	<u>(\$52,443,475)</u>

TIF District #8 Condensed Statement of Activities

	<u>2023</u>	<u>2022</u>
Program expenses	(\$21,180,069)	(\$8,180,660)
Operating grants and contributions	6,413,561	6,677,143
General revenues	5,170,285	4,573,180
Transfers	<u>(950,000)</u>	<u>(949,411)</u>
Change in net position (deficit)	<u>(10,546,223)</u>	<u>2,120,252</u>
Beginning net position	<u>(52,443,475)</u>	<u>(54,563,727)</u>
Ending net position (deficit)	<u>(\$62,989,698)</u>	<u>(\$52,443,475)</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 2021A, Series 2021B, 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 fiscal year 2023 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 2021A Tax Apportionment Bonds	\$7,198,922	\$55,715,000
Series 2021B Tax Apportionment Bonds	720,400	18,010,000
Series 2018 Tax Increment Revenue Bonds	7,802,346	36,050,000
Series 2018 Tax Appropriation Bonds	<u>5,968,774</u>	<u>80,865,000</u>
	<u>\$21,690,442</u>	<u>\$190,640,000</u>

- (1) The amount guaranteed is only the amount of debt service due on or before June 30, 2024, and covered under the guarantee effective July 1, 2024. 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 \$9,808,771 and \$10,638,352 at June 30, 2023 and 2022, respectively. Of this amount \$2,074,219 is from economic incentive repayments, \$1,745,000 is from payments from the City and \$5,989,552 is from property taxes at June 30, 2023. At June 30, 2022, \$2,488,595 is from economic incentive repayments, \$2,191,946 is from payments from the City, \$5,953,771 is from property taxes and \$4,040 is from investments.

Other Deferred Inflows

Deferred inflows at June 30, 2023 and 2022, are \$1,086,921 and \$2,688,030, respectively. In 2023, \$1,086,921 is reported as a deferred amount on the refunded 2021B bond issuance. In 2022, \$1,500,000 is reported for nonexchange resources received before timing requirements were met for the FAM and \$1,188,030 is reported as a deferred amount on the refunded 2021B bond issuance.

IV. FUND EQUITY

IV. A. FUND BALANCE

Restricted Fund Balance

	<u>2023</u>	<u>2022</u>
Restricted for TIF #2 projects	\$40,309,890	\$41,245,360
Restricted for TIF #4 projects	9,743,979	7,296,467
Restricted for TIF #8 projects	5,951,658	5,486,844
Restricted for TIF #9 projects	-	137,099
Restricted for TIF #10 projects	25,176,378	480,864
Restricted for TIF #12 projects	43,312	14,973
Restricted for TIF #13 projects	8,953,840	9,657,007
Restricted for TIF #14 projects	1,622,747	1,999,892
Restricted for TIF #15 projects	3,487,550	-
Restricted for debt service	17,388,567	41,530,597
Restricted for GOLT bond economic development	<u>52,026,160</u>	<u>53,289,587</u>
	<u>\$164,704,081</u>	<u>\$161,138,690</u>

Committed Fund Balance

	<u>2023</u>	<u>2022</u>
Committed for Convention Center Hotel	<u>\$4,000,675</u>	<u>\$-</u>

Assigned Fund Balance

	<u>2023</u>	<u>2022</u>
Assigned for encumbrances		
of the Economic Development Fund	\$142,684	\$172,121
Assigned for MAPS Park Foundation	104,997	23,549
Assigned for Myriad Gardens administration	249,365	174,653
Assigned for outlet mall marketing	141,632	136,863
Assigned for Economic Development	<u>15,078,474</u>	<u>-</u>
	<u>\$15,717,152</u>	<u>\$507,186</u>

Unassigned

	<u>2023</u>	<u>2022</u>
Unassigned	<u>(\$1,660,720)</u>	<u>\$916,875</u>

Encumbrances

Encumbrances of \$5,147,489 and \$5,547,136 at June 30, 2023 and 2022, respectively, are reported with restricted fund balances. Encumbrances related to unassigned fund balance are considered and reported as assigned fund balance.

IV. B. NET POSITION

Net Investment in Capital Assets

	<u>2023</u>	<u>2022</u>
Capital assets, net	\$20,861,700	\$40,443,625
Bonds payable, net	(196,328,143)	(212,295,993)
Non-capital related bonds payable	164,484,475	177,572,900
Bond accounts funded with bond proceeds (1)	456,742	712,330
Bond issuance costs paid with bond proceeds (1)	411,996	411,996
	<u>(\$10,113,230)</u>	<u>\$6,844,858</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>2023</u>	<u>2022</u>
Bond principal and interest accounts	\$14,592,753	\$6,766,671
Bond reserve account	6,735,518	6,735,518
Bond reserve funded with bond proceeds	(270,750)	(712,330)
Current bond interest payable	<u>(2,067,616)</u>	<u>(2,180,410)</u>
	<u>\$18,989,905</u>	<u>\$10,609,449</u>

Restricted for Public Services

	<u>2023</u>	<u>2022</u>
Restricted for TIF #2 projects	(\$1,106,080)	\$1,930,145
Restricted for TIF #4 projects	10,088,979	8,267,847
Restricted for TIF #8 projects	(36,372,052)	(40,710,720)
Restricted for TIF #9 projects	(2,447,570)	137,162
Restricted for TIF #10 projects	4,281,940	3,800,526
Restricted for TIF #12 projects	43,312	14,985
Restricted for TIF #13 projects	(66,485,981)	(73,145,930)
Restricted for TIF #14 projects	1,622,747	1,999,908
Restricted for TIF #15 projects	3,487,550	-
Restricted for GOLT bond economic development	52,026,160	53,291,473
Bond project account	3,750,947	4,649,900
Bond project account funded with bond proceeds	(3,750,947)	(4,649,900)
Reallocation for negative restricted	<u>106,411,683</u>	<u>113,856,650</u>
	<u>\$71,550,688</u>	<u>\$69,442,046</u>

Unrestricted

	<u>2023</u>	<u>2022</u>
Unrestricted	\$16,265,511	\$1,373,912
Restricted negative net position	<u>(106,411,683)</u>	<u>(113,856,650)</u>
	<u>(\$90,146,172)</u>	<u>(\$112,482,738)</u>

Deficit Net Position

Deficit net position of \$9,718,809 and \$25,586,385 was reported for fiscal years 2023 and 2022, 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 2023 and 2022, the Trust recognized \$6,137,831 and \$6,128,702, 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 \$414,376 and \$564,178 in 2023 and 2022, respectively, in the Tax Incremental Financing Fund.

V. B. EXPENSES/EXPENDITURES

Management Fees

For fiscal years ending June 30, 2023 and 2022, the Trust reported payments to the related parties for economic development services of \$2,099,139 and \$1,554,921, respectively.

	<u>2023</u>	<u>2022</u>
OCEDF	\$1,425,079	\$954,921
AEDOC	<u>674,060</u>	<u>600,000</u>
	<u>\$2,099,139</u>	<u>\$1,554,921</u>

VI. INTERFUND TRANSACTIONS

VI. A. INTERFUND BALANCES

Receivable From/Payable to the City

2023						
<u>RECEIVABLE FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center Hotel</u>	<u>Total</u>
City General Fund	Operational expenses	\$266,274	\$ -	\$ -	\$ -	\$266,274
City General Fund	Retail incentives	-	-	560,390	-	560,390
City Hotel Motel Special						
Revenue Tax Fund	Hotel tax	-	-	-	97,817	97,817
City TIF Fund	TIF taxes	811,742	-	-	1,493,037	2,304,779
OCPPA General						
Purpose Fund	Capital Improvement	-	-	77,000	-	77,000
		<u>\$1,078,016</u>	<u>\$ -</u>	<u>\$637,390</u>	<u>\$1,590,854</u>	<u>\$3,306,260</u>
<u>PAYABLE TO</u>						
City General Fund	Unspent administration funding	\$ -	\$ -	\$841,306	\$ -	\$841,306
City General Fund	Administration services	208,889	145,275	-	11,472	365,636
City Capital						
Improvement Fund	Unspent capital funding	-	-	513,956	-	513,956
		<u>\$208,889</u>	<u>\$145,275</u>	<u>\$1,355,262</u>	<u>\$11,472</u>	<u>\$1,720,898</u>
2022						
<u>RECEIVABLE FROM</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center Hotel</u>	<u>Total</u>
City General Fund	Operational expenses	\$4,497	\$ -	\$ -	\$ -	\$4,497
City General Fund	Retail incentives	-	-	1,245,352	-	1,245,352
City Hotel Motel Special						
Revenue Tax Fund	Hotel tax	-	-	-	46,333	46,333
City TIF Fund	TIF taxes	2,254,139	-	-	1,704,794	3,958,933
		<u>\$2,258,636</u>	<u>\$ -</u>	<u>\$1,245,352</u>	<u>\$1,751,127</u>	<u>\$5,255,115</u>
<u>PAYABLE TO</u>						
City General Fund	Unspent administration funding	\$ -	\$ -	\$861,514	\$ -	\$861,514
City Capital						
Improvement Fund	Unspent capital funding	-	-	767,689	-	767,689
		<u>\$ -</u>	<u>\$ -</u>	<u>\$1,629,203</u>	<u>\$ -</u>	<u>\$1,629,203</u>

Receivable From/Payable to OCRA

The Trust reported a receivable from OCRA for the Trust's share of the proceeds related to the sale of the Skirvin property of \$15,078,474 at June 30, 2023.

VI. B. INTERFUND PAYMENTS

Interfund Payments To/From the City

2023						
<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	\$150,000	\$ -	\$67,500	\$ -	\$217,500
City Hotel Motel Special Revenue Tax Fund	Hotel tax	-	-	-	538,560	538,560
City Capital Improvement Fund	Capital improvement	-	-	1,523,733	-	1,523,733
City TIF Fund (1)	TIF sales tax	<u>844,174</u>	<u>-</u>	<u>-</u>	<u>2,452,439</u>	<u>3,296,613</u>
		<u>\$994,174</u>	<u>\$-</u>	<u>\$1,591,233</u>	<u>\$2,990,999</u>	<u>\$5,576,406</u>
2022						
<u>PAYMENTS TO</u>	<u>Purpose</u>	<u>TIF</u>	<u>GOLT</u>	<u>Economic Development</u>	<u>Convention Center Hotel</u>	<u>Total</u>
City GO Bond Fund	Capital asset donation	<u>\$18,545,282</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$18,545,282</u>
City General Fund	Administrative subsidies	\$ -	\$ -	\$262,092	\$ -	\$262,092
City GO Bond Fund	SIP Program funding	-	29,855,000	-	-	29,855,000
City Hotel Motel Special Revenue Tax Fund	Hotel tax	-	-	-	347,052	347,052
City Capital Improvement Fund	Capital improvement	-	-	300,000	-	300,000
City Special Purpose Fund	Sale of land	-	-	8,248	4,205,665	4,213,913
City TIF Fund (1)	TIF sales tax	<u>1,263,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,146</u>
		<u>\$1,263,146</u>	<u>\$29,855,000</u>	<u>\$570,340</u>	<u>\$4,552,717</u>	<u>\$36,241,203</u>

(1) Amounts reported do not include unavailable revenue adjustments of \$446,945 and \$1,157,417 at June 30, 2023 and 2022, respectively.

(2) Reported on the trust-wide statement of activities only.

Interfund Payments To/From Component Units of the City

In 2023, the Trust reported payments from OCRA for the Trust's share of the proceeds from the sale of the Skirvin property of \$15,078,474.

In 2022, the Trust reported payments to OCPPA for land acquisition of \$2,313,000.

VI. C. OTHER INTERFUND TRANSACTIONS

Payments to City General Fund

Administrative Chargebacks

For fiscal years ending June 30, 2023 and 2022, the Trust reported payments to the City General fund to reimburse for the cost of providing administrative and operational services of \$731,270 and \$667,790, 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, 2023 and 2022, the Trust reimbursed \$0 and \$32,819, respectively. Beginning in 2021, the City has taken over the agreement for the Outlet Mall.

TIF Funded Commitments

As of June 30, 2023 and 2022, the Trust has approved TIF funding on projects with outstanding commitments of \$545,252 and \$832,121, respectively.

	<u>2023</u>	<u>2022</u>
	<u>Outstanding Award</u>	<u>Outstanding Award</u>
Rock Island Plow	\$600,000	\$703,153
Wheeler District	59,203,410	59,657,184
Western Elementary	19,734,470	19,885,728
Steelyard Apartments	1,738,176	2,078,176
1st National Center Garage	13,000,000	13,000,000
I-89 School Project	47,228	216,178
West Village	2,000,000	4,000,000
700 West	2,155,000	2,155,000
Villa Teresa	982,501	982,501
Heartland	1,497,164	1,978,745
MetroTech	-	823,109
BarK Dog Park	-	750,000
Oklahoma County Capital Project	5,000,000	5,000,000
North Hudson/Broadway/Walker Infrastructure	50,116	87,070
Harmony School	200,000	200,000
Okana	102,132,426	102,200,000
Griffin Communications	-	2,700,000
Boulevard Place	-	7,200,000
Myriad Gardens Renovation	104,902	995,342
JRB Citizen	1,080,000	-
Nova	765,000	-
Public Strategies	<u>975,000</u>	<u>-</u>
	<u>\$211,265,393</u>	<u>\$224,612,186</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, 2023 and 2022, \$59,730,000 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 2023, the Trust approved GOLT bond proceed allocations of \$1,400,000 and paid \$747,450. During 2022, the Trust approved GOLT bond proceed allocations of \$400,000 and paid \$543,750. As of June 30, 2023 and 2022, \$18,469,950 and \$18,327,400, respectively is available for outstanding awards.

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.

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>2023</u>	<u>2022</u>
	<u>Outstanding Award</u>	<u>Outstanding Award</u>
700 West	\$ -	\$2,000,000
Mount Vernon	-	600,000
Harmony School	1,100,000	1,100,000
Fairgrounds Flats	<u>2,000,000</u>	-
	<u>\$3,100,000</u>	<u>\$3,700,000</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 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>2023</u>	<u>2022</u>
Economic Development Project Plan	Property taxes	\$4,642,586	\$3,126,890
Retail Incentive Policy	Sales taxes	830,427	1,506,500
		<u>\$5,473,013</u>	<u>\$4,633,390</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF 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, 2023 and 2022, the financial statements of each major fund of the Trust as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated December 5, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from 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 financial statements. 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*.

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

Wichita, KS
December 5, 2023