



Oklahoma City Economic Development Trust

A discrete component unit of The City of Oklahoma City, Oklahoma
Annual Financial Report | for the Fiscal Year ended June 30, 2016

OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

A Discrete Component Unit of
Oklahoma City, Oklahoma

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Annual Financial Report for the Fiscal Year Ended June 30, 2016

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

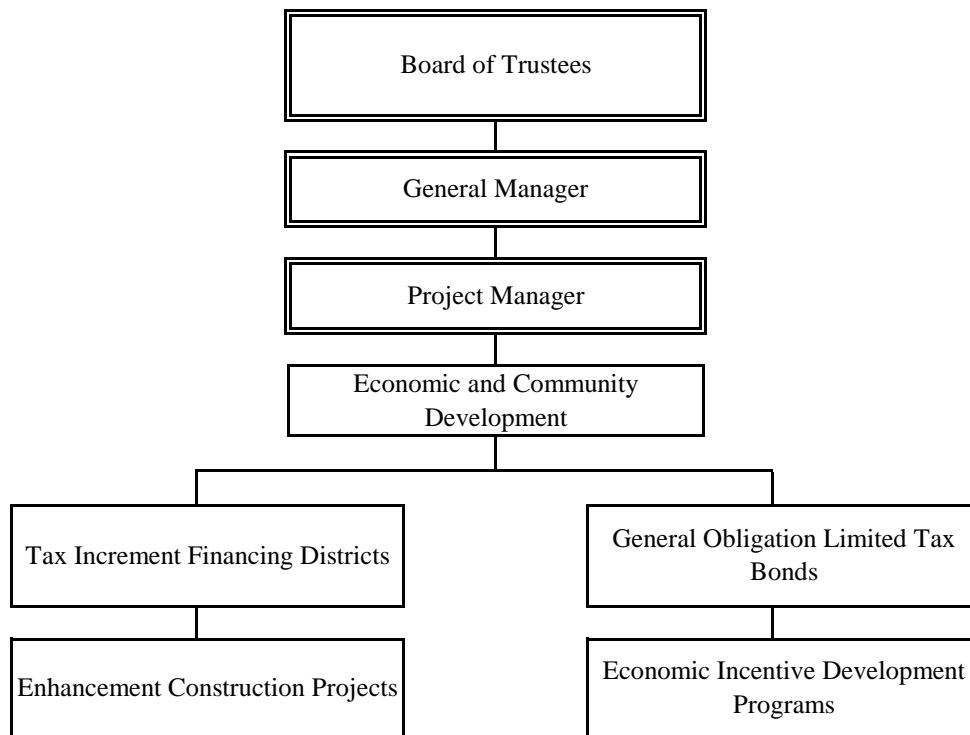
OKLAHOMA CITY ECONOMIC DEVELOPMENT TRUST

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Oklahoma City Economic Development Trust Organization Chart



Introductory Section



The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

November 18, 2016

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, 2016 and 2015. It complies with reporting requirements specified by Oklahoma State Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with generally accepted accounting principles in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust.

The Trust's annual report includes the reports of independent auditor, 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, 2016 and 2015, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. The Trust is a discretely presented component unit of the City of Oklahoma City (City) and, as such, is included within the City's Comprehensive Annual Financial Report (CAFR).

The Trust was established by City Council resolution on October 9, 2007, to support the City's economic and community development goals. With the approval of a \$75 million general obligation limited tax (GOLT) bond authorization by the citizens in 2007, the Trust developed the Strategic Investment Program that incentivizes companies to locate or expand in the Oklahoma City area. Since the inception of the Trust in 2007, the Trust has entered into 34 agreements that allocated approximately \$63 million in GOLT funds that are projected to lead to the creation of approximately 11,525 jobs with an estimated annual payroll of \$682 million and an investment of \$929 million. Through 2016 3,448 jobs have been created through the Strategic Investment Program, earning incentive payments of \$42 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. The Trust also provided \$1,500,000 to the John W. Rex Charter School for construction of the elementary school located in downtown Oklahoma City. On March 30, 2015, the Trust took a draw on TIF district #2 line of credit in the amount of \$6.58 million to pay for completed projects. The Trust made additional draws on February 5, 2016 in the amount of \$3.00 million and on March 23, 2016 in the amount of \$3.50 million to pay for completed projects and TIF allocations.

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 and the river landing and trails along the surrounding land.

TIF district #8 was created for continuing downtown redevelopment projects, centered around the Devon tower and Project 180. Project 180 includes landscaping, public art, marked bike lines, decorative street lights, on street parking and improvements to downtown park areas. Completed projects under TIF #8 include associated construction and groundscape of the completed Devon tower and several phases of Project 180. In fiscal year 2014 several new phases of Project 180 were started with completion goals by the end of 2016.

TIF district #9 was created to support public and private redevelopment in Northeast Oklahoma City.

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

The GOLT bond funds are used to fund the Strategic Investment Program and aid in projects that improve the economic development opportunities within the City. In 2015 the Trust provided \$23.5 million in GOLT funds to assist the U.S. Air Force in the acquisition of a 156 acre site owned by Burlington Northern Santa Fe Rail Yard to develop a 14 hanger complex which will support the maintenance and repair of the new KC-46A aircraft refueling fleet. In 2016 and 2015 the Trust provided \$2.49 million and \$5.64 million, respectively, through the Strategic Investment Program to enhance economic growth.

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

The current economic environment in Oklahoma City is positive; however, the economic outlook continues to be muted due to low oil and natural gas prices that are negatively impacting the many energy-related companies working in and around Oklahoma City. The cost of living rating is consistently below the national average and the City has a strong industry presence, low commuting times, convenient airline travel, high quality education, entertainment and sports opportunities, favorable weather, and is centrally located within the State of Oklahoma. According to the website Glassdoor, Oklahoma City came in at No. 10 on their 2016 list of "Best Cities for Jobs" and No. 3 in their study for "Best Large Cities to Start a Business". The list for best cities for jobs was based on factors such as hiring opportunity, cost of living and job satisfaction while the list for best large cities to start a business was focused on metrics such as office-space affordability and educational attainment of the local labor force.

In a report prepared by Dr. Russel Evans, Executive Director of the Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), dated February 2, 2016, Dr. Evans reported that the U.S. economy was performing below its long run average. As people and economic activity move southwest across the United States, the I-35 corridor running from southern Texas through Oklahoma City and onto Kansas City will continue to be one of the fastest growing megalopolises in the U.S. Oklahoma City is expected to continue to establish an economic identity singular to all other areas of the state, in spite of short run economic weakness, in part due to its geographic location along the I-35 corridor. The Institute described Oklahoma's economic future - and by extension, Oklahoma City's fiscal future, as heavily influenced by the future path in oil markets, suggesting that prices must move higher as current oil prices don't work for domestic producers or budgets of oil dependent governments. The baseline forecast was for Oklahoma City to experience fiscal weakness and contract in 2016. Conditions are projected to stabilize in the fall of 2016 and then grow modestly into 2017 posting fiscal year sales tax growth of 1.37%. Nonfarm and private sector payrolls were stronger than expected with gains in manufacturing, retail, and other sectors outpacing losses in the mining sector. Nonfarm employment is expected to grow by 1.3% in 2017. Oklahoma City population is projected to grow at its long run average of 1.5% in 2017 and Oklahoma City per capita personal income is estimated to return to modest growth of 0.9% in 2017. Dr. Evans presented an update to the City Council on August 16, 2016, in which he stated the baseline expectations for sales tax growth seem reasonable given persistent uncertainties in both regional and national conditions.

Additionally, Chris Tatham, president of ETC Institute presented on August 30, 2016, the results of a Citizen Satisfaction Survey that was conducted in May and June of 2016. The report showed that among large U.S. cities, Oklahoma City's rating for the overall quality of city services and customer service are among the best.

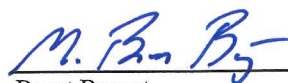
The five Trustees are nominated by the Mayor and confirmed by the City Council. The Trust participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's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

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

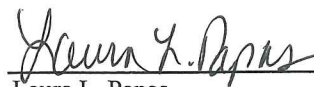
Respectfully submitted:



James D. Couch
General Manager



Brent Bryant
Economic Development
Program Manager



Laura L. Papas
City of Oklahoma City Controller

Financial Section

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Oklahoma City Economic Development Trust (the Trust), a discretely presented component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the Trust's basic financial statements as listed on the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Trust as of June 30, 2016 and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note I.D.1.* to the financial statements, in 2016, the Trust adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Other Matters

Report on Prior-Period Information

The financial statements of the Trust, as of and for the year ended June 30, 2015 were audited by other auditors, whose report, dated December 4, 2015, expressed an unmodified opinion on those statements.

Fund Financial Statements Summarized Prior Year Comparative Information

The fund financial statements include summarized prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended June 30, 2015, from which such information was derived.

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

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

November 18, 2016
Wichita, KS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Economic Development Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2016 and 2015. 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 exceeded assets by \$18,667,589 (net deficit) and \$37,905,626 (net deficit) for 2016 and 2015, respectively.
- Total net position (deficit) is comprised of the following:
 - (1) Net investment in capital assets, of \$31,940,001 and \$21,377,784 for 2016 and 2015, respectively, include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted for debt service of \$8,938,069 and \$7,110,036 for 2016 and 2015, respectively, are constrained for repayment of debt service.
 - (3) Restricted net position for public services of \$29,106,546 and \$19,313,129 for 2016 and 2015, respectively, is constrained for general obligation limited tax (GOLT) bond related economic development.
 - (4) Unrestricted deficit is \$88,652,205 for 2016 and \$85,706,575 for 2015.
- The Trust's governmental funds reported total ending fund balance totaling \$57,457,539 in 2016 and ending fund balance of \$53,602,401 in 2015 showing an increase of \$3,855,138 during the current year.

Overview of the Financial Statements

This discussion and analysis introduces the Trust's basic financial statements. The basic financial statements include: (1) statement of net position, (2) statement of activities, (3) balance sheet, (4) statement of revenues, expenditures, and changes in fund balances, and (5) notes to the financial statements.

Trust-wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Notes to the financial statements

The accompanying notes to the financial statement 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, 2016 and 2015 is \$18,667,589 and \$37,905,626, respectively. The overall financial condition of the Trust improved in fiscal year 2016.

	Summary of Net Position (Deficit)						
	<u>2016</u>	<u>2015</u>	<u>2016-2015</u> Amount of Change	<u>2016-2015</u> %	<u>2014</u>	<u>2015-2014</u> Amount of Change	<u>2015-2014</u> %
Assets							
Current assets	\$76,406,008	\$72,348,645	\$4,057,363	5.6%	\$81,827,071	(\$9,478,426)	(11.6%)
Capital assets, net	44,100,775	36,209,530	7,891,245	21.8	33,188,045	3,021,485	9.1
Other non-current assets	<u>30,729,867</u>	<u>25,345,856</u>	<u>5,384,011</u>	21.2	<u>15,775,156</u>	<u>9,570,700</u>	60.7
Total assets	<u>151,236,650</u>	<u>133,904,031</u>	<u>17,332,619</u>	12.9	<u>130,790,272</u>	<u>3,113,759</u>	2.4
Liabilities							
Current liabilities	32,694,238	27,707,981	4,986,257	18.0	21,859,569	5,848,412	26.8
Non-current liabilities	<u>137,210,001</u>	<u>144,101,676</u>	<u>(6,891,675)</u>	(4.8)	150,833,351	<u>(6,731,675)</u>	(4.5)
Total liabilities	<u>169,904,239</u>	<u>171,809,657</u>	<u>(1,905,418)</u>	(1.1)	<u>172,692,920</u>	<u>(883,263)</u>	(0.5)
Net position (deficit)							
Net Investment in capital assets	31,940,001	21,377,784	10,562,217	49.4	16,824,207	4,553,577	27.1
Restricted for debt service	8,938,069	7,110,036	1,828,033	25.7	2,279,300	4,830,736	211.9
Restricted for public services	29,106,546	19,313,129	9,793,417	50.7	22,480,224	(3,167,095)	(14.1)
Unrestricted	<u>(88,652,205)</u>	<u>(85,706,575)</u>	<u>(2,945,630)</u>	(3.4)	<u>(83,486,379)</u>	<u>(2,220,196)</u>	(2.7)
Total net position (deficit)	<u>(\$18,667,589)</u>	<u>(\$37,905,626)</u>	<u>\$19,238,037</u>	50.8	<u>(\$41,902,648)</u>	<u>\$3,997,022</u>	9.5

Current assets increased \$4.06 million in fiscal year 2016. Investments increased \$3.26 million. Interest receivable decreased \$150 thousand related to interest on new long-term low interest loans and economic incentive loans to developers to assist in financing on projects in the City. Receivables from the City increased by \$404 thousand primarily for funding for construction of safety features for train crossings (Quietzone Project). Intergovernmental advance funding decreased \$312 thousand due to additional work performed at the Oklahoma County Annex building. Along with interest receivable, notes receivable increased \$846 thousand due to new long-term low interest loans and economic incentive loans to developers. The decrease in current assets of \$9.48 million in fiscal year 2015 is primarily due to a decrease in investments of \$11.30 million. Interest receivable increased \$126 thousand due to long-term low interest loans and economic incentive loans to developers to assist in financing projects in the City. Receivable from the City increased by \$1.50 million primarily for funding for construction of the Quietzone Project. Intergovernmental advance funding decreased \$90 thousand due to work performed at the Oklahoma County Annex building. Along with interest receivable, notes receivable increased \$950 thousand due to new long-term low interest loans and economic incentive loans to developers.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

The increase of \$7.89 million in capital assets in fiscal year 2016 primarily consists of \$9.27 million in capital outlay, less \$1.38 million in depreciation. The increase of \$3.02 million in capital assets in fiscal year 2015 primarily consists of \$3.86 million in capital outlay, less \$838 thousand in depreciation.

The increase of \$5.38 million in non-current notes receivable in fiscal year 2016 and \$9.57 million in fiscal year 2015 is due to new long-term low interest loans and economic incentive loans to developers to assist in financing on projects in the City.

Current liabilities increased by \$4.99 million in fiscal year 2016. Accounts payable decreased \$478 thousand primarily due to timing of payments to vendors. Tax anticipation debt increased \$5.38 million due to a draw of \$6.50 million on the tax incremental financing (TIF) district #2 line of credit, offset by normal debt payments of \$1.12 million. Current liabilities increased by \$5.85 million in fiscal year 2015 due to an increase of \$1.96 million in accounts payable primarily due to timing of payments to vendors. Tax anticipation debt increased \$3.96 million due to a draw of \$6.58 million on the TIF district #2 line of credit, offset by normal debt payments of \$2.62 million.

Non-current liabilities decreased in 2016 by \$6.89 million and \$6.73 million in 2015, primarily due to a \$1.44 million and \$1.33 million decrease in tax anticipation debt for TIF district #2 and #4 and a \$5.45 million and \$5.40 million decrease to bonds payable, due to regular scheduled payments in 2016 and 2015, respectively.

Summary of Changes in Net Position (Deficit)

	2016	2015	2016-2015 Amount of Change	2016-2015 %	2014	2015-2014 Amount of Change	2015-2014 %
Revenues							
Program revenues							
Charges for services	\$26,074	\$15,000	\$11,074	73.8%	\$14,996	\$4	0.0%
Operating grants & contributions	22,129,335	37,057,275	(14,927,940)	(40.3)	9,597,138	27,460,137	286.1
Capital grants & contributions	18,968	-	18,968	100.0	-	-	0.0
General revenues	18,475,395	14,118,980	4,356,415	30.9	13,748,962	370,018	2.7
Total revenues	40,649,772	51,191,255	(10,541,483)	(20.6)	23,361,096	27,830,159	119.1
Program expenses	21,411,735	47,194,233	(25,782,498)	(54.6)	18,202,863	\$28,991,370	159.3
Changes in net position (deficit)	19,238,037	3,997,022	15,241,015	381.3	5,158,233	(1,161,211)	(22.5)
Beginning net position (deficit)	(37,905,626)	(41,902,648)	3,997,022	9.5	(47,060,881)	5,158,233	11.0
Ending net position (deficit)	(\$18,667,589)	(\$37,905,626)	\$19,238,037	50.8	(\$41,902,648)	\$3,997,022	9.5

Operating grants and contributions decreased by \$14.93 million in fiscal year 2016 over the same period in 2015 primarily due to the issuance and subsequent transfer of General Obligation Limited Tax bond proceeds from the City in the amount of \$11.90 million, offset by the issuance and subsequent transfer of two General Obligation Limited Tax bond proceeds in the amount of \$26.80 million by the City in September of 2014.

General revenues increased by \$4.36 million in fiscal year 2016. Property taxes increased \$3.14 million primarily due to a 37% increase in direct properties and 20% increase in indirect properties added to the property tax rolls. Investment income decreased \$255 thousand. Other revenues increased \$1.47 million due to a reclassification of interest on long-term low interest loans to developers to assist in financing on projects in the City. General revenues increased by \$370 thousand in fiscal year 2015. Property taxes increased \$117 thousand primarily due to a 10.87% increase in direct properties and a 7.85% increase in indirect properties added to the tax rolls. Investment income increased \$253 thousand.

Program expenses decreased by \$25.80 million in fiscal year 2016. Economic incentives decreased \$27.48 million primarily due to the City's participation in funding the U.S. Air Force purchase of the Burlington Northern Santa Fe (BNSF) rail yard of \$23.50 million and a decrease in payments under the Strategic Investment Program (SIP) of \$3.98 million. Payments to the City increased \$594 thousand to fund capital improvements at the Capital Hill Library, Quietzone Project costs and the City Arts Festival relocation project. Professional services increased \$651 thousand due to an increase in management fees and along with legal fees related to a project to improve the area from the existing downtown core to the shore of the Oklahoma River (Core to Shore Project). Normal depreciation increased by \$538 thousand. Program expenses increased by \$28.99 million in fiscal year 2015. Professional services decreased \$209 thousand due to the completion of audio upgrades at the Myriad Botanical Gardens. Economic incentives and other contracts increased \$27.68 million due to City's participation in funding the U.S. Air Force purchase of the BNSF rail yard of \$23.50 million, an increase of payments under the SIP program of \$5.46 million. Other services and charges increased \$1.12 million to fund renovations at the Oklahoma County Jail and \$75 thousand for utilities at the Myriad Botanical Gardens. In addition, payments to the City increased \$399 thousand to fund capital improvements at the Capitol Hill Library and Myriad Botanical Gardens. Normal depreciation increased by \$499 thousand.

Governmental Funds

Governmental funds reported ending fund balances of \$57,457,539 and \$53,602,401 for the year ended June 30, 2016 and 2015, respectively. Of these year-end totals \$4,401,194 (deficit) and \$17,062,758 (deficit) at June 30, 2016 and 2015, respectively, is unassigned. Debt is used to finance the operation costs of economic development resulting in a negative unassigned fund balance.

Capital Assets

The Trust's investment in capital assets, net of accumulated depreciation, for the fiscal year 2016 and 2015 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						
	2016	2015	2016-2015 Amount of Change	2016-2015 %	2014	2015-2014 Amount of Change	2015-2014 %
Non-Depreciable Assets							
Land	\$4,377,334	\$4,202,334	\$175,000	4.2%	\$4,202,334	\$ -	0.0%
Construction in progress	<u>11,021,424</u>	<u>8,863,239</u>	<u>2,158,185</u>	24.3	<u>16,898,925</u>	<u>(8,035,686)</u>	(47.6)
Total capital assets	<u>15,398,758</u>	<u>13,065,573</u>	<u>2,333,185</u>	17.9	<u>21,101,259</u>	<u>(8,035,686)</u>	(38.1)
Depreciable Assets							
Buildings	2,531,587	2,531,587	-	0.0	2,257,410	274,177	12.1
Infrastructure	<u>26,170,430</u>	<u>20,612,370</u>	<u>5,558,060</u>	27.0	<u>9,829,376</u>	<u>10,782,994</u>	109.7
Total depreciable assets	<u>28,702,017</u>	<u>23,143,957</u>	<u>5,558,060</u>	24.0	<u>12,086,786</u>	<u>11,057,171</u>	91.5
Total net capital assets	<u>\$44,100,775</u>	<u>\$36,209,530</u>	<u>\$7,891,245</u>	21.8	<u>\$33,188,045</u>	<u>\$3,021,485</u>	9.1

Land increased by \$175 thousand due to the purchase of a tract of land under the Dell Economic Development agreement and of \$2.16 million in purchases for streetscape improvements. The increase in depreciable assets of \$5.56 million is due primarily to Bricktown infrastructure renovations of \$794 thousand, City Hall renovations of \$2.10 million, \$656 thousand on Cottage District Alleyway renovations, and \$3.39 million for utility relocation on Park Avenue, offset by depreciation of \$1.38 million. Total construction in progress decreased by \$8.04 million in fiscal year 2015 due to completion of certain phases of construction projects including \$1.27 million for Oklahoma River shoreline improvements, \$6.44 million for streetscape improvements, and \$331 thousand for McGee Center Lobby renovations. The increase in capital assets in fiscal year 2015 of \$3.02 million is \$3.86 million in capital outlay for construction on the south bank of the Oklahoma River shoreline improvements of \$66 thousand, Bricktown infrastructure renovations of \$515 thousand, Cottage District renovations of \$594 thousand, City Hall lawn renovations of \$256 thousand, construction on streetscape phases for \$2.31 million, and construction on the McGee Center Lobby of \$116 thousand, offset by depreciation of \$838 thousand.

Long-term debt

At the end of 2016 and 2015, the Trust had total long-term debt outstanding of \$124,575,000 and \$129,850,000, respectively.

Tax Apportionment Bonds

On April 1, 2013, the Trust issued two tax apportionment bonds, Series 2013A and 2013B Tax Apportionment Bonds. Series 2013A Tax Apportionment Bond proceeds of \$116,445,000, less \$881,498 in issuance costs and \$92,918,116 for payment of tax anticipation note for TIF district #8, were issued to finance construction projects in the Myriad Botanical Gardens, the Bicentennial Park, and various streetscape projects in the City. Series 2013B Tax Apportionment Bond proceeds of \$26,295,445 including \$3,455,455 in premiums, less \$313,289 in issuance costs, were issued to finance construction of various other infrastructure and public improvements in downtown Oklahoma City. At the end of fiscal year 2016 and 2015, the Trust had outstanding bond debt of \$124,575,000 and \$129,850,000, respectively. The bonds are payable solely from the Trust. See Note III. B. for more information regarding revenue bonds.

Outstanding Long-term Debt								
			2016 - 2015	2016 - 2015			2015 - 2014	2015 - 2014
	2016	2015	Amount of	%	2014	Amount of	%	
			Change	Change		Change	Change	
Tax Apportionment Bonds	<u>\$124,575,000</u>	<u>\$129,850,000</u>	<u>(\$5,275,000)</u>	(4.1%)	<u>\$135,080,000</u>	<u>(\$5,230,000)</u>	(3.9%)	

The change in outstanding debt for 2016 and 2015 is the result of the normal payments made on tax apportionment bonds. 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 current slump in energy prices have had an impact on the local economy with a number of layoffs in this industry. Despite the decline in the energy, this sector comprises only 3 percent of the City's employment base. The City experienced a banner year for economic development in 2015. This momentum continued into 2016 to drive more development throughout the City.

Contacting the Trust's Financial Management

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

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Basic Financial Statements

Trust-wide Financial Statements

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

Fund Financial Statements

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

Governmental Fund Financial Statements

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

STATEMENTS OF NET POSITION (DEFICIT)
June 30,

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Pooled cash-----	\$11,526	\$1,182
Non-pooled cash-----	1,057,205	1,057,208
Investments-----	62,372,521	59,115,056
Property taxes receivable-----	5,812,333	5,811,978
Accounts receivable, net-----	2,500	1,250
Interest receivable-----	13,100	163,251
Receivable from the City of Oklahoma City-----	4,280,306	3,876,729
Intergovernmental advance funding-----	1,060,722	1,372,445
Notes and economic incentives receivable-----	1,795,795	949,546
Total current assets-----	<u>76,406,008</u>	<u>72,348,645</u>
<u>NON-CURRENT ASSETS</u>		
Investments-----	9,775,156	9,775,156
Receivable from the City of Oklahoma City-----	6,000,000	6,000,000
Notes and economic incentives receivable-----	14,954,711	9,570,700
Capital assets:		
Land and construction in progress-----	15,398,758	13,065,573
Other capital assets, net of accumulated depreciation-----	28,702,017	23,143,957
Total capital assets-----	<u>44,100,775</u>	<u>36,209,530</u>
Total non-current assets-----	<u>74,830,642</u>	<u>61,555,386</u>
Total assets-----	<u>151,236,650</u>	<u>133,904,031</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable-----	6,718,687	7,197,291
Payable to the City of Oklahoma City-----	704,432	666,623
Tax anticipation debt-----	18,445,243	13,061,047
Bond interest payable-----	1,490,876	1,508,020
Bonds payable-----	5,335,000	5,275,000
Total current liabilities-----	<u>32,694,238</u>	<u>27,707,981</u>
<u>NON-CURRENT LIABILITIES</u>		
Non-current tax anticipation debt-----	15,910,000	17,345,000
Bonds payable:		
Bonds payable-----	119,240,000	124,575,000
Unamortized bond premium-----	2,060,001	2,181,676
Bonds payable, net-----	<u>121,300,001</u>	<u>126,756,676</u>
Total non-current liabilities-----	<u>137,210,001</u>	<u>144,101,676</u>
Total liabilities-----	<u>169,904,239</u>	<u>171,809,657</u>
<u>NET DEFICIT</u>		
Net investment in capital assets-----	31,940,001	21,377,784
Restricted for: Debt service-----	8,938,069	7,110,036
Public services-----	29,106,546	19,313,129
Unrestricted-----	<u>(88,652,205)</u>	<u>(85,706,575)</u>
Total net deficit-----	<u>(\$18,667,589)</u>	<u>(\$37,905,626)</u>

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES
For the Year Ended June 30,

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

	<u>2016</u>	<u>2015</u>
<u>PROGRAM EXPENSES</u>		
Materials and supplies-----	\$13,215	\$32,154
Economic incentives and other contracts-----	5,537,989	33,016,960
Professional services-----	3,454,284	2,803,683
Other services and charges-----	1,254,564	2,469,082
Payments to the City of Oklahoma City-----	2,894,031	1,085,444
Payments to component units of the City of Oklahoma City-----	1,112,000	1,103,571
Depreciation-----	1,376,183	837,830
Other debt service-----	2,850	2,850
Interest on debt-----	5,766,619	5,842,659
Total program expenses-----	<u>21,411,735</u>	<u>47,194,233</u>
<u>PROGRAM REVENUES</u>		
<u>CHARGES FOR SERVICES</u>		
Economic development-----	26,074	15,000
<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		
Payments from the City of Oklahoma City-----	16,687,611	31,822,758
Special assessments-----	5,240,826	5,206,893
Restricted investment income-----	200,898	27,624
<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>		
Other capital grants and contributions-----	18,968	-
Total program revenues-----	<u>22,174,377</u>	<u>37,072,275</u>
Net (expense) revenue-----	<u>762,642</u>	<u>(10,121,958)</u>
<u>GENERAL REVENUES</u>		
Tax increment financing property taxes-----	17,004,906	13,860,076
Investment income-----	3,210	258,613
Other-----	1,467,279	291
Total general revenues-----	<u>18,475,395</u>	<u>14,118,980</u>
Change in net position (deficit)-----	<u>19,238,037</u>	<u>3,997,022</u>
Net position (deficit)-beginning-----	(37,905,626)	(41,902,648)
Net position (deficit)-ending-----	<u>(\$18,667,589)</u>	<u>(\$37,905,626)</u>

See accompanying notes to financial statements.

BALANCE SHEETS
June 30,

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

	2016			2015	
	Economic Development Fund	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Total	Total
<u>ASSETS</u>					
Pooled cash-----	\$249	\$4,105	\$7,172	\$11,526	\$1,182
Non-pooled cash-----	-	1,057,205	-	1,057,205	1,057,208
Investments-----	948,786	34,026,189	27,397,546	62,372,521	59,115,056
Property taxes receivable-----	-	5,812,333	-	5,812,333	5,811,978
Accounts receivable-----	2,500	-	-	2,500	1,250
Interest receivable-----	139	12,961	-	13,100	163,251
Receivable from City of Oklahoma City General Fund- Receivable from City of Oklahoma City	-	-	-	-	430
Capital Improvement Fund-----	64,948	1,848,667	-	1,913,615	1,314,905
Receivable from City of Oklahoma City	-	-	-	-	-
Tax Incremental Financing Fund-----	-	2,366,691	-	2,366,691	2,561,394
Intergovernmental advance funding-----	-	1,060,722	-	1,060,722	1,372,445
Notes and economic incentives receivable, current-----	-	1,795,795	-	1,795,795	949,546
Notes and economic incentives receivable, non-current-----	-	14,954,711	-	14,954,711	9,570,700
Investments, non-current-----	-	9,775,156	-	9,775,156	9,775,156
Receivable from the City of Oklahoma City	-	-	-	-	-
Special Purpose Fund-----	-	-	6,000,000	6,000,000	6,000,000
Total assets-----	\$1,016,622	\$72,714,535	\$33,404,718	\$107,135,875	\$97,694,501
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts payable-----	\$620,616	\$1,513,783	\$4,584,288	\$6,718,687	\$7,197,291
Payable to City of Oklahoma City General Fund-----	676,620	27,812	-	704,432	666,623
Tax anticipation notes payable-----	-	34,355,243	-	34,355,243	30,406,047
Total liabilities-----	1,297,236	35,896,838	4,584,288	41,778,362	38,269,961
DEFERRED INFLOWS OF RESOURCES-----	-	7,899,974	-	7,899,974	5,822,139
<u>FUND BALANCES</u>					
Non-spendable-----	-	1,060,722	-	1,060,722	1,372,445
Restricted-----	-	31,977,581	28,820,430	60,798,011	69,292,714
Unassigned-----	(280,614)	(4,120,580)	-	(4,401,194)	(17,062,758)
Total fund balances-----	(280,614)	28,917,723	28,820,430	57,457,539	53,602,401
Total liabilities, deferred inflows of resources and fund balances-----	\$1,016,622	\$72,714,535	\$33,404,718	\$107,135,875	\$97,694,501
<u>RECONCILIATION OF THE BALANCE TO THE STATEMENT OF NET POSITION (DEFICIT)</u>					
Total fund balances-----	(\$280,614)	\$28,917,723	\$28,820,430	\$57,457,539	\$53,602,401
Capital assets-----	-	46,865,660	-	46,865,660	37,598,232
Accumulated depreciation-----	-	(2,764,885)	-	(2,764,885)	(1,388,702)
Earned but unavailable revenue-----	-	7,899,974	-	7,899,974	5,822,139
Long-term debt-----	-	(126,635,001)	-	(126,635,001)	(132,031,676)
Interest payable on long-term debt-----	-	(1,490,876)	-	(1,490,876)	(1,508,020)
Total net position (deficit)-----	(\$280,614)	(\$47,207,405)	\$28,820,430	(\$18,667,589)	(\$37,905,626)

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**

	2016			2015	
	Economic Development Fund	Tax Incremental Financing Fund	General Obligation Limited Tax Fund	Total	Total
REVENUES					
Property taxes-----	\$ -	\$17,003,246	\$ -	\$17,003,246	\$13,877,153
Investment income-----	3,572	180,883	31,119	215,574	290,678
Rental income-----	15,000	-	-	15,000	15,000
Special assessments-----	-	4,619,810	-	4,619,810	5,206,893
Payments from the City of Oklahoma City-----	3,517,646	1,267,345	11,902,620	16,687,611	31,822,758
Other-----	11,074	654	-	11,728	291
Total revenues-----	3,547,292	23,071,938	11,933,739	38,552,969	51,212,773
EXPENDITURES					
Materials and supplies-----	-	13,215	-	13,215	32,154
Economic incentives and other contracts-----	482,001	2,906,788	2,149,200	5,537,989	33,016,960
Professional services-----	3,082,730	270,526	101,028	3,454,284	2,803,683
Payments to component units-----	-	1,112,000	-	1,112,000	1,103,571
Payments to the City of Oklahoma City-----	224,439	2,500,710	168,882	2,894,031	1,085,444
Other services and charges-----	115	1,254,449	-	1,254,564	2,469,082
Capital outlay-----	-	9,267,428	-	9,267,428	3,859,315
Debt service-----	-	11,183,288	-	11,183,288	11,208,519
Total expenditures-----	3,789,285	28,508,404	2,419,110	34,716,799	55,578,728
OTHER FINANCING SOURCES					
Sale of assets-----	-	18,968	-	18,968	-
Net change in fund balances-----	(241,993)	(5,417,498)	9,514,629	3,855,138	(4,365,955)
Fund balance, beginning-----	(38,621)	34,335,221	19,305,801	53,602,401	57,968,356
Fund balances, ending-----	(\$280,614)	\$28,917,723	\$28,820,430	\$57,457,539	\$53,602,401
RECONCILIATION OF STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES					
Net changes in fund balances-----	(\$241,993)	(\$5,417,498)	\$9,514,629	\$3,855,138	(\$4,365,955)
Capital outlay-----	-	9,267,428	-	9,267,428	3,859,315
Depreciation expense-----	-	(1,376,183)	-	(1,376,183)	(837,830)
Principal and interest on long-term debt-----	-	5,413,819	-	5,413,819	5,363,010
Recognition of earned but unavailable revenue-----	(363)	2,085,526	(7,328)	2,077,835	(21,518)
Change in net position (deficit)-----	(\$242,356)	\$9,973,092	\$9,507,301	\$19,238,037	\$3,997,022

See accompanying notes to financial statements.

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Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Economic Development Trust (Trust) financial activities for the fiscal year ended June 30, 2016 and 2015. Certain reclassifications have been made to 2015 fund balance to reclass non-spendable to restricted fund balance and net position to reclass restricted for debt service to unrestricted net position.

I. B. BASIS OF PRESENTATION

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

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

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

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

The Trust is a component unit of the City because the City appoints the Board of Trustees (Board) and the Trust is fiscally dependent on the City as major revenues of the Trust are derived from interfund payments from the City for sales and property tax revenues. The Trust's net position represents cash and investments related to bond proceeds, capital assets, TIF sales taxes, and related debt for notes and bonds. The Trust is discretely presented because the majority of the Board is not the same as the voting majority of the City Council.

The Trust is a component unit of the City and is included in the City's financial reporting entity. The financial activity of the Trust is discretely presented in the City's CAFR. CAFR financial statements may be obtained from the Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

Management Agreements

Alliance for Economic Development of Oklahoma City (AEDOC)

The AEDOC functions as a services provider that performs consolidated economic development functions pursuant to service contracts with various agencies. The Trust has a service contract with AEDOC to provide consolidated and coordinated economic development services to the City and the Trust. The agreement is effective May 1, 2011, through June 30, 2016. The thirteen member AEDOC Board includes the City Manager and a City Council representative. AEDOC can be contacted at 105 N. Hudson Suite 100, Oklahoma City, OK 73102.

Oklahoma City Myriad Gardens Foundation (OCMGF)

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

Oklahoma City Economic Development Foundation (OCEDF)

The OCEDF works to improve economic growth in the greater Oklahoma City area. The Trust has a professional services agreement with the OCEDF to provide certain economic development services for the Trust and the City. The agreement was effective July 1, 2015, through June 30, 2016. The agreement calls for OCEDF to assist with business retention and expansion, research, recruitment and marketing as well as managing the application process for the strategic incentive program. Financial information can be obtained at 123 Park Avenue, Oklahoma City, OK 73102.

Trust Administration

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

I. B. 2. BASIC FINANCIAL STATEMENTS

The basic financial statements include the statement of net position (deficit), the statement of activities, balance sheet, and statement of revenues, expenditures, and changes in fund balances. These statements report financial information for the Trust as a whole.

Trust-wide Financial Statements

The statement of net position (deficit) reports both short and long-term assets and liabilities specifically including capital assets acquired by the Trust.

The statement of activities reports the revenues and expenses of the Trust's economic development function. Program revenues include charges for services and operating grants and contributions. All other revenues of the Trust are included as general revenues.

Fund Financial Statements

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

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

Trust-wide Financial Statements

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

Fund Financial Statements

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

General Fund

Economic Development Fund

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

Special Revenue Funds

Tax Increment Financing (TIF) Fund

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

General Obligation Limited Tax (GOLT) Fund

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

I. C. BUDGET LAW AND PRACTICE

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

**I. D. POLICIES RELATED TO ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES,
DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY**

I. D. 1. CASH AND INVESTMENTS

Implementation of New Accounting Standard

Effective July 1, 2015, the Trust implemented GASB statement number 72, Fair Value Measurement and Application. This statement is designed to enhance comparability of financial statements among governments by requiring consistent definitions of fair value and accepted valuation techniques in the measurement of fair value. It also provides additional disclosure to provide information about the impact of fair value measurements on financial position.

The Trust participates in the investment policy approved by the City Council. The Trust's governing board formally adopted the City's updated deposit and investment policy in November 2012.

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

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

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

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

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

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

Level 3 - Significant unobservable prices or inputs.

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

I. D. 2. PROPERTY TAXES RECEIVABLE

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

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

I. D. 3. CAPITAL ASSETS AND DEPRECIATION

Property and equipment are stated at actual or estimated historical cost. The Trust generally capitalizes assets with cost of \$7,500 or more as purchases and construction outlays occur. Capital assets are reported in the statement of net position and depreciated using the straight line method with estimated useful lives ranging from 5 to 50 years from the date placed in service. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10 - 50
Infrastructure and improvements other than buildings	10 - 50
Mobile equipment, furniture, machinery, and equipment	5 - 20

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

I. D. 4. DEFERRED INFLOWS OF RESOURCES

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

I. D. 5. TIF

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

I. D. 6. FUND EQUITY

Fund Balance

Non-Spendable Fund Balance

Fund balance reported as non-spendable includes amounts that cannot be spent because it is not in spendable form or is not expected to be converted to cash including inventories, prepaid expenses, non-current receivables and advances, and restricted non-current bond reserve investments.

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

Fund Balance Usage

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

Net Position

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

Net Investment in Capital Assets

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

Restricted Net Position

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

I. D. 7. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

I. D. 8. RISK MANAGEMENT

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

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

I. E. MAJOR REVENUES

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

I. F. TAX STATUS

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

I. G. RETAINAGES

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

II. ASSETS

II. A. DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2016 and 2015, the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust or the City, less the Federal depository insurance.

Investments

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's financial position. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

		June 30, 2016						
	Cost	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Money								
market (4)(5)	<u>\$72,147,677</u>	<u>\$72,147,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	AAA/Aaa	1.28
		June 30, 2015						
	Cost	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Federal								
obligations	\$8,115,893	\$8,097,840	\$ -	\$8,097,840	\$ -	\$ -	AA/Aaa	5.40
Money								
market (4)(5)	<u>60,792,372</u>	<u>60,792,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAA/Aaa	1.69
	<u>\$68,908,265</u>	<u>\$68,890,212</u>	<u>\$ -</u>	<u>\$8,097,840</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) Valued at cost.
- (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, 2016 and 2015.

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.

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

Money market funds fair value approximates cost and therefore fair value measurement is not presented.

Investment policy

The Trust's investment policy is maintained by the City Treasurer. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Trust funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged; (2) Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those insured by or fully guaranteed as principal and interest by Federal agencies or U.S. government-sponsored enterprises; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in Oklahoma when secured by appropriate collateral or fully insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located outside of Oklahoma; (4) repurchase agreements that have underlying collateral of direct obligations or obligations of the U.S. government, its agencies, and instrumentalities; (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law; (6) savings accounts or certificates of savings and loan associations, banks, and credit unions, to the extent the accounts are fully insured by Federal depository insurance; (7) State and Local Government Series (SLGS); (8) City direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the City is a beneficiary and judgments rendered against the City by a court of record, provided it is a prudent investment; (9) prime commercial paper with a maturity date less than 180 days which represents less than 10% of the outstanding paper of an issuing corporation.

Under the policy, the Trust may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset values and/or has no call options prior to the City's desired maturity or is a variable rate instrument. Collateralization is further restricted to permitted investments shown previously as items (1) and (2).

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

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

Portfolio Structure (1)

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

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

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

Bond Indenture Restrictions

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

Investments Held by Others

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Policy provides that investment collateral is held by a third party custodian with whom the City has a current custodial agreement in the City's name or be held in the name of both parties by the Federal Reserve Bank servicing Oklahoma. The Trust's investments are insured or collateralized with securities held by the Trust, the City, or its agent in the Trust's or the City's name.

Compliance with State Restrictions

Trust investment policy and bond indenture requirements are more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma Statutes and the standards of the Oklahoma Uniform Prudent Investor Act. These statutes restrict public trust investing to the Prudent Investor Rule defined by Title 60 Oklahoma Statutes to consider the purposes, terms, distribution requirements, and other circumstances of the Trust and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the Trust’s portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Trust.

Restricted Deposits and Investments

	<u>2016</u>	<u>2015</u>
Bond principal and interest accounts	\$2,239,152	\$2,262,361
Construction accounts	13,741,688	22,636,762
Bond reserve	9,775,156	9,775,156
	<u>\$25,755,996</u>	<u>\$34,674,279</u>

II. B. RECEIVABLES

Property Taxes Receivable

At June 30, 2016 and 2015, receivables of \$5,812,333 and \$5,811,978, respectively, represent tax incremental financing property taxes. Amounts received 60 days after year-end are recorded as unavailable revenues in governmental funds.

II. C. NOTES AND ECONOMIC INCENTIVE RECEIVABLE

Notes Receivable

10th Street Parking Garage and Mixed Use Project Receivable

During 2015 the Trust provided \$1,000,000 to 10th & Broadway Parking, LLC in the form of a low-interest, non-forgivable loan to construct a multi-story parking garage to make possible investment, development and economic growth in the area, thereby reversing economic stagnation and decline. Interest on the note will accrue at 1.5% and the length of the note will not exceed 20 years. As of June 30, 2016, \$963,152 is receivable on the note.

Steelyard Residential and Commercial Building Project Note Receivable

During 2015 the Trust provided \$1,000,000 to Bricktown Apartments, LLC in the form of a low-interest, non-forgivable loan to rehabilitate infrastructure that is necessary for the development of the residential and commercial project to make possible investment, development and economic growth in the area, thereby reversing economic stagnation and decline. Interest on the note will accrue at 2.5% and the length of the note will not exceed 10 years. As of June 30, 2016, \$1,028,866 is receivable on the note.

21c Hotel & Museum Project Note Receivable

During 2015 the Trust provided \$3,300,000 to 21c OKC, LLC in the form of a low-interest, non-forgivable loan for renovation of commercial space into a hotel, art museum and restaurant to make possible investment, development and economic growth in the area, thereby reversing economic stagnation and decline. Interest on the note will accrue at an accelerated rate of 0.5% years 1 through 5, 1.0% years 5 through 7 and 3.0% years 8 through 20. The length of the note will not exceed 20 years. As of June 30, 2016, \$3,300,000 is receivable on the note.

Century Center Mixed Use Redevelopment Project Note Receivable

During 2016 the Trust provided \$800,000 to 100 Main, LLC in the form of a low-interest, non-forgivable loan for redevelopment of parking, office space, and other commercial, restaurant or retail space to make possible investment, development and economic growth in the area, thereby reversing economic stagnation and decline. Interest on the note will accrue at an accelerated rate of 2.0% and the length of the note will not exceed 15 years. As of June 30, 2016, \$771,228 is receivable on the note.

Economic Incentives Receivable

Midtown HC #2 Mixed Use Project Receivable

During 2015 the Trust provided \$1,100,000 as assistance in development financing to Midtown HC, LLC, the developer of the mixed use project, in anticipation of generating increased property tax value in TIF district #2. Midtown HC, LLC agreed to make minimum annual payments of \$201,085. The minimum payments less the base tax of \$13,440 will continue until the total of \$1,481,795, including finance charges, is reached or TIF district #2 expires or terminates. As of June 30, 2016, \$1,294,150 is receivable from the developer.

4th Street Residential Project Receivable

During 2015 the Trust provided \$1,000,000 as assistance in development financing to 4th Street Properties, LLC, the developer of the residential project, in anticipation of generating increased property tax value in TIF district #2. 4th Street Properties, LLC agreed to make minimum annual payments of \$190,905. The minimum payments less the base tax of \$15,358 will continue until the total of \$1,365,044, including finance charges, is reached or TIF district #2 expires or terminates. As of June 30, 2016, \$1,013,950 is receivable from the developer.

Carnegie Centre Mixed Use Project Receivable

During 2015 the Trust provided \$370,000 as assistance in development financing to Carnegie Centre, LLC, the developer of the mixed use project, in anticipation of generating increased property tax value in TIF district #2. Carnegie Centre, LLC agreed to make minimum annual payments of \$85,470. The minimum payments less the base tax of \$11,492 will continue until the total of \$465,431, including finance charges, is reached or TIF district #2 expires or terminates. As of June 30, 2016, \$317,475 is receivable from the developer.

City Center Residential Project Receivable

During 2015 the Trust provided \$1,250,000 as assistance in development financing to City Center Development, LLC, the developer of the residential project, in anticipation of generating increased property tax value in TIF district #2. City Center Development, LLC agreed to make minimum annual payments of \$229,086. The minimum payments less the base tax amount of \$22,718 will continue until the total of \$1,481,241, including finance charges, is reached or TIF district #2 expires or terminates. As of June 30, 2016, \$994,950 is receivable from the developer.

10th Street Parking Garage and Mixed Use Project Receivable #2

During 2015 the Trust provided \$2,000,000 as assistance in development financing to 10th & Broadway Parking, LLC, the developer of the parking garage and mixed use project, in anticipation of generating increased property tax value in TIF district #2. 10th & Broadway Parking, LLC agreed to make minimum annual payments of \$259,840. The minimum payments less the base tax amount \$22,274 will continue until the total \$2,611,692, including finance charges, is reached or TIF district #2 expires or terminates. As of June 30, 2016, \$2,374,126 is receivable from the developer.

Century Center Mixed Use Redevelopment Project Receivable

During 2016 the Trust provided \$1,250,000 as assistance in development financing to 100 Main, LLC, the developer of the parking garage and mixed use project, in anticipation of generating increased property tax value in TIF district #2. 100 Main, LLC agreed to make minimum annual payments of \$184,200. The minimum payments less the base tax amount of \$24,200 will continue until the total of \$1,565,572, including finance charges, is reached or TIF district #2 expires or terminates. As of June 30, 2016, \$1,565,572 is receivable from the developer.

Mideke Commercial Office Building Project Receivable

During 2016 the Trust provided \$1,000,000 as assistance in development financing to Mideke Partners, LLC, the developer of the commercial office space, in anticipation of generating increased property tax value in TIF district #2. Mideke Partners, LLC agreed to make minimum annual payments of \$190,905. The minimum annual payments less the base tax amount of \$38,181 will continue until the total of \$1,572,037, including finance charges, is reached or TIF district #2 expires or terminates. As of June 30, 2016, \$1,572,037 is receivable from the developer.

Edge Apartments Residential Project Receivable

During 2016 the Trust provided \$1,500,000 as assistance in development financing to Midtown Edge Holdings, LLC, the developer of the apartments and mixed use project, in anticipation of generating increased property tax value in TIF district #2. Midtown Edge Holdings, LLC agreed to make minimum annual payments of \$363,000. The minimum payments will continue until the total of \$1,555,000, including finance charges, is reached or TIF district #2 expires or terminates. As of June 30, 2016, \$1,555,000 is receivable from the developer.

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 \$311,723 and \$339,752 during 2016 and 2015, respectively. At year-end 2016 and 2015, the unspent balance of the advance is \$1,060,722 and \$1,372,445, respectively.

II. E. CAPITAL ASSETS

Changes in Capital Assets

	2016						
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
CAPITAL ASSETS							
Balance, June 30, 2015	\$4,202,334	\$8,863,239	\$13,065,573	\$2,803,127	\$21,729,532	\$24,532,659	\$37,598,232
Increases	<u>175,000</u>	<u>2,158,185</u>	<u>2,333,185</u>	<u>-</u>	<u>6,934,243</u>	<u>6,934,243</u>	<u>9,267,428</u>
Balance, June 30, 2016	<u>4,377,334</u>	<u>11,021,424</u>	<u>15,398,758</u>	<u>2,803,127</u>	<u>28,663,775</u>	<u>31,466,902</u>	<u>46,865,660</u>
ACCUMULATED DEPRECIATION							
Balance, June 30, 2015				271,540	1,117,162	1,388,702	1,388,702
Increases				<u>-</u>	<u>1,376,183</u>	<u>1,376,183</u>	<u>1,376,183</u>
Balance, June 30, 2016				<u>271,540</u>	<u>2,493,345</u>	<u>2,764,885</u>	<u>2,764,885</u>
Capital assets, Net	<u>\$4,377,334</u>	<u>\$11,021,424</u>	<u>\$15,398,758</u>	<u>\$2,531,587</u>	<u>\$26,170,430</u>	<u>\$28,702,017</u>	<u>\$44,100,775</u>
	2015						
	Capital assets, not depreciated			Capital assets, depreciated			Total Capital Assets, net
	Land	Construction In Progress	Total	Buildings	Infrastructure	Total	
CAPITAL ASSETS							
Balance, June 30, 2014	\$4,202,334	\$16,898,925	\$21,101,259	\$2,472,530	\$10,165,128	\$12,637,658	\$33,738,917
Increases	-	3,852,765	3,852,765	-	6,550	6,550	3,859,315
Transfers	<u>-</u>	<u>(11,888,451)</u>	<u>(11,888,451)</u>	<u>330,597</u>	<u>11,557,854</u>	<u>11,888,451</u>	<u>-</u>
Balance, June 30, 2015	<u>4,202,334</u>	<u>8,863,239</u>	<u>13,065,573</u>	<u>2,803,127</u>	<u>21,729,532</u>	<u>24,532,659</u>	<u>37,598,232</u>
ACCUMULATED DEPRECIATION							
Balance, June 30, 2014				215,120	335,752	550,872	550,872
Increases				<u>56,420</u>	<u>781,410</u>	<u>837,830</u>	<u>837,830</u>
Balance, June 30, 2015				<u>271,540</u>	<u>1,117,162</u>	<u>1,388,702</u>	<u>1,388,702</u>
Capital assets, net	<u>\$4,202,334</u>	<u>\$8,863,239</u>	<u>\$13,065,573</u>	<u>\$2,531,587</u>	<u>\$20,612,370</u>	<u>\$23,143,957</u>	<u>\$36,209,530</u>

Depreciation Expense

Depreciation expense was charged to the Trust in the amount of \$1,376,183 for the fiscal year ending 2016 and \$837,830 for the fiscal year ending 2015.

III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

III. A. TAX ANTICIPATION DEBT

TIF Districts #2 and #3

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

On October 22, 2008, the Trust issued Private Placement Tax Anticipation Note 2008 from JP Morgan Chase Bank, N.A. in the amount of \$25,000,000 with a fixed interest rate of 6.99% for a 16 year term to pay the outstanding principal and interest on the OCPPA TIF districts #2 and #3 line of credit in the amount of \$20,523,262. The balance of proceeds from the 2008 note is available to fund the remaining projects within the TIF districts.

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

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

At June 30, 2016 and 2015, \$30,425,430 and \$25,260,430, respectively, is outstanding on amounts drawn to fund TIF districts #2 and #3 projects. Of the amount due, \$15,910,000 and \$17,345,000 is reported with non-current liabilities at June 30, 2016 and 2015, respectively.

TIF Districts #4 and #5

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

OKLAHOMA CITY ECONOMIC
DEVELOPMENT TRUST

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

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

At June 30, 2016 and 2015, \$3,617,065 and \$4,809,577, respectively, is outstanding on amounts drawn to fund TIF districts #4 and #5.

Changes in Tax Anticipation Debt

	2016				
	Balance	Issued/	Retired	Balance	Effective
	<u>July 1, 2015</u>	<u>Transferred</u>		<u>June 30, 2016</u>	<u>Interest Rate</u>
2008 TIF districts #2 and #3	\$18,680,000	\$ -	\$1,335,000	\$17,345,000	6.99%
2014 TIF districts #2 and #3	6,580,430	6,500,000	-	13,080,430	1.04
TIF districts #4 and #5	4,809,577	-	1,192,512	3,617,065	1.03
TIF interest payable	<u>336,040</u>	<u>1,232,587</u>	<u>1,255,879</u>	<u>312,748</u>	
	<u>\$30,406,047</u>	<u>\$7,732,587</u>	<u>\$3,783,391</u>	<u>\$34,355,243</u>	
	2015				
	Balance	Issued	Retired	Balance	Effective
	<u>July 1, 2014</u>	<u>Issued</u>		<u>June 30, 2015</u>	<u>Interest Rate</u>
2008 TIF districts #2 and #3	\$19,925,000	\$ -	\$1,245,000	\$18,680,000	6.99%
2010 TIF districts #2 and #3	1,500,000	-	1,500,000	-	4.20
2014 TIF districts #2 and #3	-	6,580,430	-	6,580,430	0.79
TIF districts #4 and #5	6,000,000	-	1,190,423	4,809,577	1.00
TIF interest payable	<u>358,954</u>	<u>1,358,037</u>	<u>1,380,951</u>	<u>336,040</u>	
	<u>\$27,783,954</u>	<u>\$7,938,467</u>	<u>\$5,316,374</u>	<u>\$30,406,047</u>	

Tax Anticipation Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$18,132,495	\$1,175,352	\$19,307,847
2018	1,535,000	1,058,608	2,593,608
2019	1,650,000	947,303	2,597,303
2020	1,770,000	828,834	2,598,834
2021	1,895,000	698,657	2,593,657
2021-2025	<u>9,060,000</u>	<u>1,322,327</u>	<u>10,382,327</u>
	<u>\$34,042,495</u>	<u>\$6,031,081</u>	<u>\$40,073,576</u>

Pledged Revenues

The Trust issued and assumed tax anticipation notes to support its economic development activities. The TIF Fund financial statements report revenue-supported debt. In 2016 and 2015, the Trust recognized \$10,867,659 and \$7,424,262, respectively, in property taxes and \$633,884 and \$669,172 in payments from the City for sales tax. In addition, if the principal and interest on the TIF debt is not paid as due, the City transfers amounts sufficient to pay the principal and interest due.

III. B. TAX APPORTIONMENT BONDS

Bond Issuance

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

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

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

Bonded Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$5,335,000	\$4,472,630	\$9,807,630
2018	5,420,000	4,399,220	9,819,220
2019	5,515,000	4,311,090	9,826,090
2020	5,635,000	4,200,516	9,835,516
2021	5,770,000	4,076,264	9,846,264
2022-2026	31,615,000	17,755,570	49,370,570
2027-2031	38,040,000	11,605,826	49,645,826
2030-2034	<u>27,245,000</u>	<u>2,745,312</u>	<u>29,990,312</u>
	<u>\$124,575,000</u>	<u>\$53,566,428</u>	<u>\$178,141,428</u>

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OKLAHOMA CITY ECONOMIC
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Tax Apportionment Bonds Outstanding

	Amount	Interest	Issue	Principal	<u>2016</u>	<u>2015</u>
	<u>Issued</u>	<u>Rate %</u>	<u>Date</u>	<u>Maturity Date</u>	Principal <u>Balance</u>	Principal <u>Balance</u>
Series 2013A Tax Apportionment Bonds	\$116,445,000	.40-4.30%	4/1/2013	3/1/2032	\$100,735,000	\$106,010,000
Series 2013B Tax Apportionment Bonds	23,840,000	5.00%	4/1/2013	3/1/2034	<u>23,840,000</u>	<u>23,840,000</u>
					<u>\$124,575,000</u>	<u>\$129,850,000</u>

Bond Coverage

	<u>2016</u>	<u>2015</u>
Increment revenue	\$11,316,568	\$11,305,424
Direct expenditures and transfers out, excluding capital outlay and debt service	<u>-</u>	<u>-</u>
Net revenue available for debt service	<u>\$11,316,568</u>	<u>\$11,305,424</u>
Principal amounts	\$5,275,000	\$5,230,000
Interest amounts	<u>4,524,060</u>	<u>4,558,056</u>
Total debt service requirements	<u>\$9,799,060</u>	<u>\$9,788,056</u>
Tax apportionment bond coverage	<u>1.15</u>	<u>1.15</u>

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

Pledged Revenues

The Trust issued tax anticipation bonds to support its economic development activities. The TIF Fund financial statements report revenue-supported debt. In 2016 and 2015 the Trust recognized \$5,240,826 and \$5,206,893, respectively, in special assessments and \$6,137,247 and \$6,435,814, respectively, in property taxes. In addition, if the principal and interest on the TIF debt is not paid as due, the City transfers amounts sufficient to pay the principal and interest due.

III. C. CHANGES IN LONG-TERM DEBT

	<u>2016</u>					
	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016	Due Within One Year	Due After One Year
Tax apportionment bonds	<u>\$129,850,000</u>	<u>\$ -</u>	<u>\$5,275,000</u>	<u>\$124,575,000</u>	<u>\$5,335,000</u>	<u>\$119,240,000</u>
	<u>2015</u>					
	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015	Due Within One Year	Due After One Year
Tax apportionment bonds	<u>\$135,080,000</u>	<u>\$ -</u>	<u>\$5,230,000</u>	<u>\$129,850,000</u>	<u>\$5,275,000</u>	<u>\$124,575,000</u>

III. D. ACTIVITIES WITH REVENUE SUPPORTED DEBT

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

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets	\$30,414,350	\$38,394,556
Non-current assets	<u>46,091,286</u>	<u>38,444,848</u>
Total Assets	<u>76,505,636</u>	<u>76,839,404</u>
<u>LIABILITIES</u>		
Current Liabilities	10,381,225	9,695,414
Non-current liabilities	<u>119,240,000</u>	<u>124,575,000</u>
Total Liabilities	<u>129,621,225</u>	<u>134,270,414</u>
<u>NET POSITION (DEFICIT)</u>		
Net investment in capital assets	28,621,860	18,065,486
Restricted	12,014,306	2,262,362
Unrestricted	<u>(93,751,754)</u>	<u>(77,758,858)</u>
Total net position (deficit)	<u>(\$53,115,588)</u>	<u>(\$57,431,010)</u>

TIF District #8 Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>2016</u>	<u>2015</u>
<u>OPERATING INCOME (EXPENSES)</u>		
Operating revenues	\$11,389,101	\$11,315,199
Depreciation expense	(1,126,218)	(670,419)
Other operating expenses	<u>(5,947,461)</u>	<u>(8,723,369)</u>
Operating income (loss)	<u>4,315,422</u>	<u>1,921,411</u>
Beginning net position	<u>(57,431,010)</u>	<u>(59,352,421)</u>
Ending net position (deficit)	<u>(\$53,115,588)</u>	<u>(\$57,431,010)</u>

III. E. GUARANTEED DEBT

The City has executed an agreement of support which guarantees the City will fund debt service and bond reserve requirements for the Series 2013A and Series 2013B Tax Apportionment Bonds, as well as, the 2006 Tax Anticipation Note, 2008 Tax Anticipation Note, 2010 Tax Anticipation Note, and 2014 Tax Anticipation Note. Under Oklahoma law, the City may only be obligated to transfer up to the end of it's fiscal year (June 30) and has no legal obligation or promise to transfer beyond it's 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 2016 or any preceding year in which the debt was outstanding.

<u>Maximum of Bond Reserve or Bond Debt Service Requirements</u>	<u>Total Amount Guaranteed (1)</u>	<u>Total Amount Outstanding</u>
Series 2013A Tax Apportionment Bonds	\$8,615,630	\$100,735,000
series 2013B Tax Apportionment Bonds	<u>1,192,000</u>	<u>23,840,000</u>
	<u>9,807,630</u>	<u>124,575,000</u>
<u>Debt Service Requirements</u>		
2008 TIF districts #2 and #3 Tax Anticipation Note	2,595,739	17,345,000
2014 TIF districts #2 and #3 Tax Anticipation Note	13,091,318	13,080,430
TIF districts #4 and #5 Tax Anticipation Note	<u>3,620,790</u>	<u>3,617,065</u>
	<u>19,307,847</u>	<u>34,042,495</u>
	<u>\$29,115,477</u>	<u>\$158,617,495</u>

- (1) The amount guaranteed is only the amount of debt service due on or before June 30, 2017, and covered under the guarantee effective July 1, 2016. It is anticipated that the guarantees will be renewed annually.

III. F. ARBITRAGE COMPLIANCE

Proceeds from tax-exempt revenue bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Trust invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. The Trust did not have an arbitrage liability as of June 30, 2016.

III. G. DEFERRED INFLOWS OF RESOURCES

Unavailable Revenues

Unavailable revenue in the governmental fund financial statements includes revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds reported unavailable revenues of \$7,899,974 and \$5,822,139 at June 30, 2016 and 2015, respectively. Of this amount \$2,087,641 is from economic incentive repayments, and \$5,812,333 is from property taxes at June 30, 2016 and \$10,157 is from unavailable investment earnings, and \$5,811,978 is from property taxes at June 30, 2015.

IV. FUND EQUITY

IV. A. FUND BALANCE

Non-spendable

	<u>2016</u>	<u>2015</u>
Intergovernmental advance funding	<u>\$1,060,722</u>	<u>\$1,372,445</u>

Restricted Fund Balance

	<u>2016</u>	<u>2015</u>
Restricted for TIF #2 projects	(\$1,966,671)	(\$4,063,057)
Restricted for TIF #4 projects	(2,153,906)	(3,826,130)
Restricted for TIF #8 projects	22,199,976	46,211,756
Restricted for debt service	9,777,605	9,775,156
Restricted for GOLT bond economic development	28,820,430	13,305,802
Reallocation for negative restricted	4,120,577	7,889,187
	<u>\$60,798,011</u>	<u>\$69,292,714</u>

Assigned Fund Balance

	<u>2016</u>	<u>2015</u>
Assigned for encumbrances		
of the Economic Development Fund	\$60,000	\$216,128
Assigned for OCMGF administration	254,773	476,633
Assigned for outlet mall marketing	(568,186)	(589,093)
Reallocation for negative unassigned	<u>253,413</u>	<u>(103,668)</u>
	<u>\$-</u>	<u>\$-</u>

Unassigned

	<u>2016</u>	<u>2015</u>
Unassigned	(\$27,204)	(\$9,277,239)
Restricted negative fund balance	(4,120,577)	(7,889,187)
Reallocation of negative unassigned fund balance	<u>(253,413)</u>	<u>103,668</u>
	<u>(\$4,401,194)</u>	<u>(\$17,062,758)</u>

Encumbrances

Encumbrances of \$102,087 and \$10,626,212 at June 30, 2016 and 2015, respectively, are reported with restricted fund balances. Encumbrances related to unassigned fund balance are considered and reported as assigned fund balance.

Deficit Fund Balance

Deficit fund balance is due to payments for erosion control at the Myriad Botanical Gardens.

IV. B. NET POSITION

Net Investment in Capital Assets

	<u>2016</u>	<u>2015</u>
Capital assets, net	\$44,100,775	\$36,209,530
Tax anticipation debt	(34,355,243)	(30,406,047)
Non-capital related tax anticipation debt	29,896,643	26,576,629
Bonds payable, net	(126,635,001)	(132,031,676)
Non-capital related bonds payable	118,098,035	118,098,035
Bond accounts funded with bond proceeds (1)	1,585,362	3,419,461
Bond issuance costs paid with bond proceeds (1)	8,498	126,044
Retainages and capital related accounts payable	<u>(759,068)</u>	<u>(614,192)</u>
	<u>\$31,940,001</u>	<u>\$21,377,784</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>2016</u>	<u>2015</u>
Bond principal and interest accounts	\$2,239,152	\$2,262,361
Bond reserve account	9,775,156	9,775,156
Bond reserve funded with bond proceeds	(1,585,363)	(3,419,461)
Current bond interest payable	<u>(1,490,876)</u>	<u>(1,508,020)</u>
	<u>\$8,938,069</u>	<u>\$7,110,036</u>

Restricted for Public Services

	<u>2016</u>	<u>2015</u>
Restricted for TIF #2 projects	(\$9,520,341)	(\$5,775,754)
Restricted for TIF #4 projects	286,115	(3,056,349)
Restricted for TIF #8 projects	(72,520,950)	(42,760,424)
Restricted for GOLT bond economic development	28,820,431	19,313,129
Reallocation for negative restricted	<u>82,041,291</u>	<u>51,592,527</u>
	<u>\$29,106,546</u>	<u>\$19,313,129</u>

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Unrestricted

	<u>2016</u>	<u>2015</u>
Unrestricted	(\$6,610,914)	(\$34,114,048)
Restricted negative net position	<u>(82,041,291)</u>	<u>(51,592,527)</u>
	<u>(\$88,652,205)</u>	<u>(\$85,706,575)</u>

Deficit Net Position

Deficit net position of \$18,667,589 and \$37,905,626 was reported for fiscal years 2016 and 2015, respectively. The Trust has tax anticipation and bonded debt which is used to fund economic development including the construction or purchase of capital assets which will be subsequently transferred to others. This results in a deficit net position which will be reported for the life of the bonds. With repayment of debt, the deficit net position will eventually be eliminated.

V. INTERFUND TRANSACTIONS

V. A. INTERFUND BALANCES

Receivable From/Payable to the City

		<u>2016</u>			
		<u>Economic</u>			
<u>RECEIVABLE FROM</u>	<u>Purpose</u>	<u>Development</u>	<u>TIF</u>	<u>GOLT</u>	<u>Total</u>
City General Fund	Bank service fees	\$ -	\$48	\$ -	\$48
City General Fund	Softball Hall of Fame construction	-	-	6,000,000	6,000,000
City TIF Fund	TIF sales tax	-	2,366,692	-	2,366,692
City Capital Improvement Fund	Myriad Gardens Erosion Control	64,948	-	-	64,948
City Capital Improvement Fund	Festival of Arts Upgrades	-	6,738	-	6,738
City Capital Improvement Fund	Captial Hill Library Project	-	815,874	-	815,874
City Capital Improvement Fund	Quiet Zone Project	-	<u>1,026,006</u>	-	<u>1,026,006</u>
		<u>\$64,948</u>	<u>\$4,215,358</u>	<u>\$6,000,000</u>	<u>\$10,280,306</u>

		<u>2015</u>			
		<u>Economic</u>			
<u>PAYABLE TO</u>		<u>Development</u>	<u>TIF</u>	<u>GOLT</u>	<u>Total</u>
City General Fund	Overfunded administrative subsidies	\$676,620	\$ -	\$ -	\$676,620
City General Fund	Administrative fees	-	20,375	-	20,375
City General Fund	Public works charges	-	7,360	-	7,360
City General Fund	Bank charges	-	<u>77</u>	-	<u>77</u>
		<u>\$676,620</u>	<u>\$27,812</u>	<u>\$-</u>	<u>\$704,432</u>

		<u>2015</u>			
		<u>Economic</u>			
<u>RECEIVABLE FROM</u>	<u>Purpose</u>	<u>Development</u>	<u>TIF</u>	<u>GOLT</u>	<u>Total</u>
City General Fund	Bank service fees	\$ -	\$430	\$ -	\$430
City General Fund	Softball Hall of Fame construction	-	-	6,000,000	6,000,000
City TIF Fund	TIF sales tax	-	2,561,394	-	2,561,394
City Capital Improvement Fund	Quiet Zone Project	-	<u>1,314,905</u>	-	<u>1,314,905</u>
		<u>\$-</u>	<u>\$3,876,729</u>	<u>\$6,000,000</u>	<u>\$9,876,729</u>

		<u>2015</u>			
		<u>Economic</u>			
<u>PAYABLE TO</u>		<u>Development</u>	<u>TIF</u>	<u>GOLT</u>	<u>Total</u>
City General Fund	Overfunded administrative subsidies	\$628,766	\$ -	\$ -	\$628,766
City General Fund	Administrative Fees	-	<u>37,857</u>	-	<u>37,857</u>
		<u>\$628,766</u>	<u>\$37,857</u>	<u>\$-</u>	<u>\$666,623</u>

V. B. INTERFUND PAYMENTS

Interfund Payments To/From the City

		2016			
<u>PAYMENTS FROM</u>	<u>Purpose</u>	<u>Economic Development</u>	<u>TIF</u>	<u>GOLT</u>	<u>Total</u>
City General Fund	Administrative subsidies	\$3,517,646	\$ -	\$ -	\$3,517,646
City General Fund	GOLT Funding	-	-	11,902,620	11,902,620
City TIF Fund	TIF sales tax	-	1,267,345	-	1,267,345
		<u>\$3,517,646</u>	<u>\$1,267,345</u>	<u>\$11,902,620</u>	<u>\$16,687,611</u>

Interfund Payments To/From the City

		2015			
<u>PAYMENTS TO</u>	<u>Purpose</u>	<u>Economic Development</u>	<u>TIF</u>	<u>GOLT</u>	<u>Total</u>
City General Fund	Administrative subsidies	\$11,872	\$ -	\$ -	\$11,872
City General Fund	Capital improvement	212,567	-	-	212,567
City Capital Improvement Fund	Capital improvement	-	2,276,286	-	2,276,286
City TIF Fund	Trust administration	-	224,424	168,882	393,306
		<u>\$224,439</u>	<u>\$2,500,710</u>	<u>\$168,882</u>	<u>\$2,894,031</u>

		2015			
<u>PAYMENTS FROM</u>	<u>Purpose</u>	<u>Economic Development</u>	<u>TIF</u>	<u>GOLT</u>	<u>Total</u>
City General Fund	Administrative subsidies	\$3,684,414	\$ -	\$ -	\$3,684,414
City General Fund	GOLT Funding	-	-	26,800,000	26,800,000
City TIF Fund	TIF sales tax	-	1,338,344	-	1,338,344
		<u>\$3,684,414</u>	<u>\$1,338,344</u>	<u>\$26,800,000</u>	<u>\$31,822,758</u>

		2015			
<u>PAYMENTS TO</u>	<u>Purpose</u>	<u>Economic Development</u>	<u>TIF</u>	<u>GOLT</u>	<u>Total</u>
City General Fund	Administrative subsidies	\$18,322	\$ -	\$ -	\$18,322
City General Fund	Capital improvement	18,853	358,086	-	376,939
City Capital Improvement Fund	Capital improvement	-	300,000	-	300,000
City Special Purpose Fund	Art allocation for projects	-	10,196	-	10,196
City TIF Fund	Trust administration	-	217,646	162,341	379,987
		<u>\$37,175</u>	<u>\$885,928</u>	<u>\$162,341</u>	<u>\$1,085,444</u>

Interfund Payments To/From Component Units of the City

In 2016 the Trust paid \$950,000 to the Central Oklahoma Transportation Authority (COTPA) for improvements to the office and commercial space on the ground floor of the Arts District parking garage and \$162,000 to COTPA for landscaping on the north side of the parking garage. In 2015 the Trust paid \$1,000,000 to the COTPA for renovation of owned parking garages and \$103,000 to OCPPA for maintenance of landscaping and irrigation systems throughout the Downtown Business Improvement District.

VII. REVENUES AND EXPENSES/EXPENDITURES

VII. 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 2016 and 2015, the Trust recognized \$4,298,217 and \$5,206,893, respectively, in excess ad valorem property taxes from Devon.

Lease Revenues

On August 25, 2009, the Trust purchased property for economic development. The property was occupied at the time of purchase. The occupants of the property have a month to month arrangement to pay the trust \$1,250 per month. The Trust received \$26,074 and \$15,000 in rent payments during 2016 and 2015, respectively.

VIII. B. EXPENSES/EXPENDITURES

Administrative Chargebacks

For fiscal years ending June 30, 2016 and 2015, the Trust reported payments to the City to reimburse for the cost of providing administrative and operational services of \$392,931 and \$379,989, respectively.

Management Fees

For fiscal years ending June 30, 2016 and 2015, the Trust reported payments to the related parties for economic development services of \$3,282,500 and \$2,747,200, respectively.

	<u>2016</u>	<u>2015</u>
OCMGF	\$1,985,500	\$1,547,200
OCEDF	957,000	900,000
AEDOC	<u>340,000</u>	<u>300,000</u>
	<u>\$3,282,500</u>	<u>\$2,747,200</u>

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, 2016 and 2015, the Trust reimbursed \$482,001 and \$626,742, respectively.

TIF Funded Commitments

On April 23, 2014, the Trust approved the allocation of \$1,500,000 to Oklahoma City Public Schools District I-89 for the relocation and renovation of the administrative offices and Emerson School. As of June 30, 2016, the funds have not been requested by the school district.

As of June 30, 2016 and 2015, the Trust has approved TIF funded projects with outstanding commitments of \$7,262,406 and \$11,279,106, respectively.

As of June 30, 2016 and 2015, the Trust has approved TIF funds for assistance in development financing of \$19,070,323 and \$14,560,000, respectively.

GOLT Bond Funded Commitments

The first series of the authorized bond issue was in March 2008. The proceeds less the issuance cost were transferred to the Trust in the amount of \$35,912,844 since the authorization of the bonds. An incentive funding program has been established and is used to negotiate with prospective companies and is generally awarded based on the company's performance. An annual review of those companies is performed to satisfy the requirements of their contracts. During 2016 the Trust has approved allocation of the GOLT bond proceeds of \$600,000 and paid \$2,491,003. During 2015 the Trust has approved allocation of the GOLT bond proceeds of \$32,850,000 and paid \$29,629,582

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

	<u>2016</u>	<u>2015</u>
	<u>Outstanding Award</u>	<u>Outstanding Award</u>
Paycom #1, #2, & #3	\$2,366,000	\$2,325,000
ARINC	335,000	335,000
The Boeing Company #1, #2, & #3	8,463,100	8,463,100
Continental Resources	285,050	2,187,225
Centek LTD	-	30,000
Cameron International	343,000	343,000
Grocery Supply Acquisition Group	66,200	35,600
General Electric	699,000	1,619,000
FMC Technologies	192,500	236,000
Baker Hughes	850,000	850,000
Tapstone	1,330,000	1,330,000
Sutherland Global Service	225,000	235,000
Enable Midstream Services LLC	388,900	450,000
Progexion	<u>600,000</u>	<u>-</u>
	<u>\$16,143,750</u>	<u>\$18,438,925</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 Oklahoma City Economic Development Trust (Trust) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 18, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

November 18, 2016
Wichita, Kansas

