

# **Norman Tax Increment Finance Authority**

## **Financial Statement**

**FYE June 30, 2013**

**NORMAN TAX INCREMENT FINANCE AUTHORITY,**  
**A Component Unit of the City of Norman, Oklahoma**

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## Independent Auditor's Report

Honorable Mayor and NTIF Trustees  
Norman Tax Increment Finance Authority  
Norman, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Norman Tax Increment Finance Authority (the Authority), a blended component unit of the City of Norman, Oklahoma (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Norman Tax Increment Finance Authority as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Implementation of New Accounting Standards***

As discussed in *Note 1* to the financial statements, in 2013, the Authority adopted new accounting guidance with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB, 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. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**BKD, LLP**

Oklahoma City, Oklahoma  
December 5, 2013

**NORMAN TAX INCREMENT FINANCE AUTHORITY,**  
**A Component Unit of the City of Norman, Oklahoma**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

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	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 10,921,893
Taxes receivable	<u>564,412</u>
Total current assets	<u>11,486,305</u>
Non-current assets:	
Restricted cash and cash equivalents	6,155,726
Capital assets not subject to depreciation	1,291,644
Capital assets, net	<u>16,888,615</u>
Total non-current assets	<u>24,335,985</u>
Total assets	<u>35,822,290</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	432,156
Note payable	<u>450,000</u>
Total current liabilities	<u>882,156</u>
Non-current liabilities:	
Note payable	<u>13,285,000</u>
Total non-current liabilities	<u>13,285,000</u>
Total liabilities	<u>14,167,156</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,013,103
Restricted for:	
Debt service	6,155,726
Capital projects	11,455,281
Unrestricted	<u>31,024</u>
Total net position	<u>\$ 21,655,134</u>

See notes to financial statements.

**NORMAN TAX INCREMENT FINANCE AUTHORITY,  
A Component Unit of the City of Norman, Oklahoma**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Function/Programs	Expenses	Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Primary Government Governmental Activities
<b>Primary government</b>			
Governmental activities:			
City controller	\$ 10,516	\$ -	\$ (10,516)
Public works	476,529	991,000	514,471
Interest and fiscal charges on long-term debt	595,948	-	(595,948)
Total primary government	1,082,993	991,000	(91,993)
General revenues:			
Taxes:			
Sales taxes - restricted			\$ 2,697,986
Sales taxes - economic development - restricted			539,597
Property taxes - restricted			953,908
Investment earnings			10,280
Total general revenues			4,201,771
Change in net position			4,109,778
Net position - beginning			17,895,429
Cumulative effect of change in accounting principle			(350,073)
Net position - beginning (as restated)			17,545,356
Net position - ending			\$ 21,655,134

See notes to financial statements.

**NORMAN TAX INCREMENT FINANCE AUTHORITY,**  
**A Component Unit of the City of Norman, Oklahoma**

**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**JUNE 30, 2013**

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	<b>Capital Projects</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,921,893
Taxes receivable	564,412
Restricted Assets:	
Cash and cash equivalents	<u>6,155,726</u>
Total assets	<u><u>\$ 17,642,031</u></u>

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES</b>	
Accounts payable and other accrued liabilities	\$ <u>432,156</u>
Total liabilities	<u>432,156</u>

<b>FUND BALANCES</b>	
Restricted	17,178,851
Assigned	<u>31,024</u>
Total fund balances	<u>17,209,875</u>
Total liabilities and fund balances	<u><u>\$ 17,642,031</u></u>

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,180,259
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(13,735,000)</u>
Net position of governmental activities	<u><u>\$ 21,655,134</u></u>

See notes to financial statements.

**NORMAN TAX INCREMENT FINANCE AUTHORITY,**  
**A Component Unit of the City of Norman, Oklahoma**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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	<b>Capital Projects</b>
Revenues:	
Sales taxes	\$ 2,697,986
Sales taxes - economic development	539,597
Property taxes	953,908
Investment earnings	10,280
Total revenues	<u>4,201,771</u>
Expenditures:	
Current:	
City controller	10,516
Capital outlay	1,739,947
Debt service:	
Principal retirement	425,000
Interest and fiscal charges	<u>595,948</u>
Total expenditures	<u>2,771,411</u>
Excess of revenues over expenditures	<u>1,430,360</u>
Other financing sources:	
Issuance of debt	<u>7,984,847</u>
Net other financing sources (uses)	<u>7,984,847</u>
Net change in fund balances	9,415,207
Fund balances, July 1, 2012	<u>7,794,668</u>
Fund balances, June 30, 2013	<u>\$ 17,209,875</u>

See notes to financial statements.



**NORMAN TAX INCREMENT FINANCE AUTHORITY,  
A Component Unit of the City of Norman, Oklahoma**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 9,415,207
Contributed capital assets (land and infrastructure) and other miscellaneous capital asset transactions recorded in government-wide financial statements but not recorded in fund level financial statements	991,000
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,263,418
The issuance of long-term debt provides current financial resources to governmental funds	(7,984,847)
Debt service principal retirement expensed in fund level financial statements but treated as reduction in outstanding debt in government-wide financial statements	<u>425,000</u>
Change in net position of governmental activities	<u>\$ 4,109,778</u>

See notes to financial statements

**NORMAN TAX INCREMENT FINANCE AUTHORITY,  
A Component Unit of the City of Norman, Oklahoma**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Norman Tax Increment Finance Authority (the "NTIF"), a component unit of the City of Norman, Oklahoma, conform to accounting principles generally accepted in the United States of America for state and local governments. Generally accepted accounting principles for municipalities are defined as those principles promulgated by the Governmental Accounting Standards Board ("GASB"). The following represent the more significant accounting and reporting policies and practices of the NTIF:

***Adoption of Accounting Principles***

Effective July 1, 2012, the NTIF implemented the following financial accounting and reporting standards issued by GASB:

Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. This statement provides guidance on information presented about the financial reporting entity and its component units and amends the criteria for blending in certain circumstances. The adoption of GASB Statement No. 61 did not have a material effect on the financial statements in the current year and had no effect on previously issued financial statements.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates Financial Accounting Standard Board (FASB) pronouncements, Accounting Principles Board Opinions, and AICPA Accounting Research Bulletins (ARB) that do not conflict with GASB pronouncements, and issued on or before November 30, 1989, into the GASB authoritative literature. It also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement. The adoption of GASB Statement No. 62 did not have a material effect on the financial statements in the current year and had no effect on previously issued financial statements.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The adoption of GASB Statement No. 63 did not have a material effect on the financial statements in the current year and had no effect on previously issued financial statements.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes,

as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The adoption of GASB Statement No. 65 required debt issuance costs that were previously reported as assets to be shown as an expense. The effects of this statement were applied retroactively by reporting the cumulative effect of the application as a restatement of beginning net position or fund balance, as appropriate. The change resulted in the restatement of the government-wide governmental net position of \$350,073. The adoption had no effect on the governmental fund financial statements.

**Reporting Entity** - The Norman Tax Increment Finance Authority (“NTIF”) was established July 11, 2006. Activities of the NTIF include financing Tax Increment Financing District #2 – University North Park. The governing body of the NTIF is the same as the City of Norman’s (the “City”) governing body. The City is the sole beneficiary of the NTIF and receives all trust properties upon termination. The City maintains all accounting records. The NTIF is presented as a governmental fund and is a blended component unit of the City of Norman, Oklahoma.

**Basis of presentation** –The NTIF follows Governmental Accounting Standards Board (“GASB”) pronouncements in the preparation of its financial statements.

**Government-wide and fund financial statements** – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation** – The government-wide financial statements are reported 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All revenue items are considered to be measurable and available only when cash is received by the NTIF.

The NTIF reports the following major governmental fund:

*Capital Projects Fund* - The Capital Projects Fund is used to account for all major capital improvements which have been financed by designated resources, except those accounted for in proprietary funds.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**Accounting Policies** – The NTIF’s significant accounting policies related to the following financial statement categories are summarized below:

***Assets, Liabilities, and Fund Equity***

- a. *Cash and Cash Equivalents* - The NTIF considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.
- b. *Pooled Cash and Investments* - The City Charter requires all cash belonging to the NTIF to be placed in the custody of the Financial Services Department of the City. A “Pooled Cash” concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amounts. Investments are allocated to the individual participating funds based upon a percentage determined by the Financial Services Department of the City. An interfund receivable/payable is recognized if the allocation of investments to a particular fund exceeds the fund’s pooled cash amount before the allocation of the pooled investments.

Purchases and maturities of the pooled investments, as reported in the fund’s statement of cash flows, are allocated to the participating proprietary funds based on their portion of total pooled investments.

- c. *Receivables and payables* – In the government-wide financial statements, receivables consist of tax receivable. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the governmental fund financial statements, receivables are recorded when they are both measurable and available.

- d. *Interfund Receivables and Payables* – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to / due from other funds” (i.e., the current portion of interfund loans) or “advances to / from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

- e. *Capital Assets* – Capital assets include property and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, the majority of which generally consist of donated land and infrastructure are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 – 65 years
Infrastructure	25 – 50 years
Improvements other than buildings	10 – 20 years

- f. *Long-term Debt* – In the government-wide financial statements, long-term debt is reported as liability. Bond premiums and discounts, and losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred losses on refunding. Bond issuance costs are expensed during the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- i. *Fund Equity* – In the government-wide financial statements, equity is classified as net position and displayed in three components:

1. *Invested in capital assets, net of related debt* – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
2. *Restricted net position* – Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. At June 30, 2013, NTIF had \$6,155,726 in restricted net position which represented funds held by a trustee for loan related purposes.
3. *Unrestricted net position* – All other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted net position are available for use, generally it is the NTIF’s policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a) *Nonspendable* – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- b) *Restricted* – Includes fund balance 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.
- c) *Committed* – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the NTIF through formal action of the highest level of decision making authority. To commit these funds, formal action is required by the NTIF Council either by resolution or ordinance that identifies the specific circumstances under which the resources may be expended. Once adopted, the limitation imposed by the ordinance remains in place until a similar action by the NTIF Council is taken to remove or revise the limitation.
- d) *Assigned* – Includes fund balance amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated by the City Council. For capital project funds, this is the residual positive fund balance.
- e) *Unassigned* – Includes the residual balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

When both restricted and unrestricted sources (the total of committed, assigned, and unassigned fund balance) are available for use, generally it is the City's policy to use restricted resources first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### ***Revenues, Expenditures and Expenses***

- a. *Property Tax Revenue* - Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The Tax Assessor's office bills and collects the property taxes and remits to the City its portion. Property taxes not paid prior to April are considered delinquent. Such delinquent tax payments have not historically been material. Delinquent tax payments are received throughout the year and are recognized as revenue in the year received, except for those received within 60 days of year end, which are recognized as revenues as of June 30, 2013 in both the government-wide and fund financial statements.
- b. *Sales Taxes* - Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20th of the month following collection. The tax is then paid to the City by the 10th of the next month. A two month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.
- c. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the NTIF's funds based on the percentage of each fund's average month-end pooled cash balance.

***Use of Estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets

and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

***Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets*** – The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$13,735,000 difference are as follows:

Notes payable	\$ 13,735,000
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 13,735,000</u>

***Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities*** – The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net *changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,263,418 difference are as follows:

Capital outlay	\$ 1,739,947
Depreciation expense	<u>(476,529)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,263,418</u>

Another element of that reconciliation states that “Contributed capital assets (land, buildings, and infrastructure) and other miscellaneous capital asset transactions recorded in government-wide financial statements but not recorded in fund level financial statements.” The details of this \$991,000 difference are as follows:

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources	\$ 991,000
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## 3. DETAIL NOTES ON ALL FUNDS

### ***Deposits and Investments***

***Custodial Credit Risk - Deposits*** – Custodial credit risk is the risk that in the event of a bank failure, the NTIF’s deposits may not be returned to it. The NTIF does not have a deposit policy for custodial credit risk. As of June 30, 2013, none of the NTIF’s bank balance of \$12,386,206 was exposed to custodial credit risk. As of June 30, 2013, the NTIF carrying balance of these deposits was \$11,330,957.

***Interest Rate Risk*** – As of June 30, 2013, the NTIF had \$6,155,726 in money market funds with a weighted average maturity of .15 years subject to interest rate risk.

*Credit Risk* – As of June 30, 2013, the NTIF had \$6,155,726 in unrated money market funds subject to credit risk.

*Concentration of Credit Risk* – As of June 30, 2013, the NTIF was invested in one money market fund subject to concentration of credit risk.

*Custodial Credit Risk – Investments* – As of June 30, 2013, the NTIF had no investments subject to custodial credit risk.

**Capital Assets** – Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,848,908	\$ 1,739,947	\$ (3,297,211)	\$ 1,291,644
Capital assets, being depreciated:				
Infrastructure	<u>13,291,336</u>	<u>4,288,211</u>	<u>-</u>	<u>17,579,547</u>
Totals at historical cost	<u>16,140,244</u>	<u>6,028,158</u>	<u>(3,297,211)</u>	<u>18,871,191</u>
Less accumulated depreciation				
Infrastructure	<u>(214,403)</u>	<u>(476,529)</u>	<u>-</u>	<u>(690,932)</u>
Total accumulated depreciation	<u>(214,403)</u>	<u>(476,529)</u>	<u>-</u>	<u>(690,932)</u>
Governmental activities capital assets, net	<u>\$ 15,925,841</u>	<u>\$ 5,551,629</u>	<u>\$ (3,297,211)</u>	<u>\$ 18,180,259</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

Public works \$476,529

**Long-Term Debt**

*Notes Payable* - Notes payable as of June 30, 2013 are as follows:

\$14,560,000 Norman Tax Increment Finance Authority Tax Increment Revenue Note, Taxable Series 2009, due in annual payments ranging from \$400,000 to \$2,820,000 beginning September 1, 2011 through September 1, 2028. The loan has a variable interest rate.	13,735,000
\$8,250,000 Norman Tax Increment Finance Authority Tax Increment Revenue Note, Taxable Series 2011, due in annual payments beginning July 1, 2012 through June 30, 2031. The loan has a variable interest rate. The note is authorized but not issued.	<u>-</u>
Total notes payable	<u>\$ 13,735,000</u>

Annual debt service requirements to maturity for notes payable are as follows:



Fiscal Year	Principal	Interest	Total
2014	\$ 836,982	\$ 638,738	\$ 1,475,720
2015	839,562	716,670	1,556,232
2016	867,159	819,923	1,687,082
2017	894,774	912,409	1,807,183
2018	947,406	874,777	1,822,183
2019 – 2023	5,527,123	3,686,288	9,213,411
2024 – 2028	7,085,601	2,221,661	9,307,262
2029 - 2031	4,986,393	240,920	5,227,313
Less unfund note	<u>(8,250,000)</u>	<u>-</u>	<u>(8,250,000)</u>
Total	<u>\$ 13,735,000</u>	<u>\$ 10,111,386</u>	<u>\$ 23,846,386</u>

- f. *Applicability of Federal Arbitrage Regulations* – Debt issuances of the NTIF issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from the investment of gross proceeds of a bond issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. The NTIF's management believes the City is in compliance with these rules and regulations.

***Changes in Long-term Liabilities*** – Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Notes payable	\$ 6,175,153	\$ 7,984,847	\$ (425,000)	\$ 13,735,000	\$ 450,000
Government activity long-term liabilities	<u>\$ 6,175,153</u>	<u>\$ 7,984,847</u>	<u>\$ (425,000)</u>	<u>\$ 13,735,000</u>	<u>\$ 450,000</u>

#### 4. FUND BALANCE

The following table shows the fund balance classifications as shown on the governmental fund balance sheet as of June 30, 2013:

##### FUND BALANCES

Restricted:

Other capital projects \$ 17,178,851

Assigned:

Other capital projects 31,024

Total fund balances \$ 17,209,875

## 5. COMMITMENTS AND CONTINGENCIES

**Construction In Progress** - Construction in progress is authorized by actions of the City Council (governing body). A summary of construction in progress as of June 30, 2013 is as follows:

	<b>Total Construction In Progress</b>	<b>Total Project</b>	<b>Remaining To Complete</b>
General Government	\$ 1,291,644	\$ 17,264,950	\$ 15,973,306
	<u>\$ 1,291,644</u>	<u>\$ 17,264,950</u>	<u>\$ 15,973,306</u>

The NTIF also contributes to certain State and Federal aid projects which are administered by the State of Oklahoma Department of Highway. The NTIF is billed by the Highway Department for these projects at various stages of completion, subject to Federal audits of the project costs.

## 6. SUBSEQUENT EVENTS

**Norman Tax Increment Finance Authority Tax Increment Revenue Note, Taxable Series 2013** – In August 2013, the NTIF secured a \$14,215,000 note. The note is due in varying amounts from 2014 to 2023. The proceeds were used to refinance the Norman Tax Increment Finance Authority Tax Increment Revenue Note, Series 2009.

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Honorable Mayor and NTIF Trustees  
Norman Tax Increment Finance Authority  
Norman, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Norman Tax Increment Finance Authority (the Authority), a component unit of the City of Norman, Oklahoma (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 5, 2013, which contained an emphasis of matter paragraph regarding the implementation of new accounting standards.

***Internal Control over Financial Reporting***

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

### ***Compliance***

As part of obtaining reasonable assurance about whether the Authority'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*.

### ***Other Matter***

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

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

**BKD, LLP**  
Oklahoma City, Oklahoma  
December 5, 2013