

Oklahoma City Urban Renewal Authority

Financial Statements
(Prepared on the Modified Cash Basis)

June 30, 2011
(With Independent Auditors' Report Thereon)



OKLAHOMA CITY URBAN RENEWAL AUTHORITY

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Oklahoma City Urban Renewal Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Oklahoma City Urban Renewal Authority (the "Authority") as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in the accompanying notes, the Authority prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities and each major fund of the Authority as of June 30, 2011, and the respective changes in financial position—modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in the accompanying notes.

As more fully explained in Note 1 of the financial statements, the Authority adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), as of July 1, 2010. The adoption of GASB 54 required a change in fund balance presentation and redefined special revenue funds.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2012, on our consideration of the Authority'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The combining general fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining general fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States 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 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. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
March 22, 2012

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

STATEMENT OF NET ASSETS—MODIFIED CASH BASIS

June 30, 2011

Assets

Current assets:

Cash	\$ 2,642,656
Investments	4,820,000
Note receivable	93,063
Due from other governmental entities	<u>75,425</u>

Total assets \$ 7,631,144

Liabilities

Current liabilities:

Withholdings	\$ 6,296
Deposits	<u>55,000</u>
Total liabilities	<u>61,296</u>

Net Assets

Restricted	590,799
Unrestricted	<u>6,979,049</u>
Total net assets	<u>7,569,848</u>

Total liabilities and net assets \$ 7,631,144

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

STATEMENT OF ACTIVITIES—MODIFIED CASH BASIS

Year Ended June 30, 2011

		<u>PROGRAM REVENUE</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Governmental activities:				
Economic development	\$ (2,192,300)	-	1,670,444	(521,856)
Investment income	-	-	8,052	8,052
Payments to the City of Oklahoma City	<u>(331,218)</u>	<u>752,318</u>	<u>-</u>	<u>421,100</u>
 Total governmental activities	 <u>\$ (2,523,518)</u>	 <u>752,318</u>	 <u>1,678,496</u>	 <u>(92,704)</u>
 General revenues:				
Investment income				22,092
Real estate sales				<u>529,166</u>
Total general revenues				<u>551,258</u>
 Change in net assets				458,554
Net assets, beginning of year				<u>7,111,294</u>
 Net assets, end of year				 <u>\$ 7,569,848</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

**BALANCE SHEET—GOVERNMENTAL FUNDS—
MODIFIED CASH BASIS**

June 30, 2011

	General <u>Fund</u>	Bass Pro Shop <u>Fund</u>	<u>Total</u>
Assets			
Cash	\$ 2,564,920	77,736	2,642,656
Investments	4,400,000	420,000	4,820,000
Note receivable	-	93,063	93,063
Due from other governmental entities	75,425	-	75,425
Due from other funds	<u>1,179,195</u>	<u>-</u>	<u>1,179,195</u>
 Total assets	 <u>\$ 8,219,540</u>	 <u>590,799</u>	 <u>8,810,339</u>
Liabilities and Fund Balances			
Due to other funds	\$ 1,179,195	-	1,179,195
Withholdings	6,296	-	6,296
Deposits	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Total liabilities	<u>1,240,491</u>	<u>-</u>	<u>1,240,491</u>
Fund balances:			
Restricted	-	590,799	590,799
Unassigned	<u>6,979,049</u>	<u>-</u>	<u>6,979,049</u>
Total fund balances	<u>6,979,049</u>	<u>590,799</u>	<u>7,569,848</u>
 Total liabilities and fund balances	 <u>\$ 8,219,540</u>	 <u>590,799</u>	 <u>8,810,339</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS—
MODIFIED CASH BASIS**

Year Ended June 30, 2011

	<u>General Fund</u>	<u>Bass Pro Shop Fund</u>	<u>Total</u>
Revenues:			
Federal grant revenues	\$ 868,500	-	868,500
Rentals	175,547	576,771	752,318
Real estate sales	529,166	-	529,166
Interest	22,092	8,052	30,144
Downtown TIF 8 project	152,182	-	152,182
Core to Shore Project	649,298	-	649,298
Other	464	-	464
Total revenues	<u>2,397,249</u>	<u>584,823</u>	<u>2,982,072</u>
Expenditures:			
General and administrative	693,533	22,736	716,269
Real estate acquisition	70,520	-	70,520
Property disposition	104,678	-	104,678
Site clearance	100,577	153,634	254,211
Legal and professional expenses	647,411	-	647,411
Property management expense	253,636	-	253,636
Payments to the City of Oklahoma City	47,961	283,257	331,218
Other	50,530	95,045	145,575
Total expenditures	<u>1,968,846</u>	<u>554,672</u>	<u>2,523,518</u>
Excess of revenues over expenditures	428,403	30,151	458,554
Other financing sources (uses):			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	428,403	30,151	458,554
Fund balances, beginning of year	<u>6,550,646</u>	<u>560,648</u>	<u>7,111,294</u>
Fund balances, end of year	<u>\$ 6,979,049</u>	<u>590,799</u>	<u>7,569,848</u>

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Oklahoma City Urban Renewal Authority (the "Authority") was established by State-enabling legislation enacted in 1959 and the appointment of the Authority's Board of Commissioners by the City of Oklahoma City Council in November 1961. Its purpose is the elimination of blight and the redevelopment of such areas. Its activities include acquisition, relocation, clearance, and redevelopment. These activities are primarily funded by Community Development Block Grants (CDBG) awarded to the City of Oklahoma City (the "City") by the U.S. Department of Housing and Urban Development (HUD). The Authority is a subrecipient of CDBG funds from the City and receives no federal funds directly. Activities may also be funded by other governmental and private organizations.

Reporting Entity

There are no entities which are component units of the Authority. The Authority is not a component unit of the City. The City considers the Authority as a related organization in its annual financial report.

Investments

Investments are stated at cost, which approximates market. Investments are composed of securities acquired through cash transactions, and do not include real estate held for resale or held for development.

General and Administrative Expenses

General and administrative expenses not incurred for a specific fund are allocated to the various funds based on staff hours incurred for each fund.

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting and Presentation

Government-Wide Financial Statements:

As further noted below, the statement of net assets and the statement of activities are reported on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. The modified cash basis of accounting is based on the recording of cash and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions adjusted for modifications that have substantial support in accounting principles generally accepted in the United States. These modifications include adjustments for the following balances arising from cash transactions:

- Cash-based interfund receivables and payables
- Other cash-based receivables and payables
- Investment securities recorded at cost

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and accrued revenues and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, property and equipment are not recorded, depreciation is not recorded, and debt is not reflected as a liability.

The Authority has no business-type activities as defined by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments* (GASB 34).

See Independent Auditors’ Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting and Presentation, Continued

Fund Financial Statements:

Fund financial statements are normally organized into funds, each of which is considered to be a separate accounting entity. A fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund balances, revenues, and expenditures.

The fund financial statements, governmental funds, are reported on a modified cash basis of accounting and a current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheet. The operating statement presents sources and uses of available spendable financial resources at the end of the period.

The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in accounting principles generally accepted in the United States.

These modifications include adjustments for the following balances arising from cash transactions:

- Cash-based interfund receivables and payables
- Other cash-based receivables/payables
- Investment securities recorded at cost

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting and Presentation, Continued

Fund Financial Statements, Continued:

For the financial statement presentation, the Authority presently has the following funds:

General Fund is the operating fund of the Authority. It includes and is used to account for all the following activities:

Closeout Project Account reflects the activity of three projects which have been combined into one account for financial statement purposes. A description of each project is as follows:

Oklahoma R-20CD University Medical Center reflects all activities in the Health Sciences Center area which are financed by federal funds pursuant to a September 19, 1978, closeout agreement with HUD.

Oklahoma R-30CD Central Business District reflects all ongoing activities in the Central Business District which are financed by federal funds pursuant to an October 16, 1979, closeout agreement with HUD.

Oklahoma R-35CD John F. Kennedy reflects all ongoing activities in the John F. Kennedy area which are financed by federal funds pursuant to an October 16, 1979, closeout agreement with HUD.

Revolving Account is an account used to pay general and administrative costs. A cost allocation process is utilized to determine the amounts transferred from the various other funds. The amount of transfer to the revolving account is recorded as a disbursement for general and administrative costs for each of the various funds. All revolving account disbursements have been included in the appropriate fund in which the underlying disbursements were made.

Core to Shore consists of two funds, one of which is to be funded by the Maps III initiative and the other which is to be funded through other sources. The project is for the stated purpose of improving an area designated by the City Council which has suffered decline and will also include a downtown public park. Core to Shore is reflected as part of the general fund.

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Basis of Accounting and Presentation, Continued

Fund Financial Statements, Continued:

General Fund, Continued

Sports Entertainment Parking II (SEP II) Improvements Fund depicts activities related to creation of a mixed-use development with a focus on entertainment, parking, and supporting development for the MAPS initiative, including hotel and residential. The project is funded primarily by Closeout Project Account funds.

Harrison-Walnut Other Fund depicts various activities in the Harrison-Walnut neighborhood which are funded primarily by the Closeout Project Account funds. No federal monies are used on any activities for the fund.

Nonfederal Fund is a fund originally financed by the City in 1970 for carrying out activities deemed necessary or worthwhile by the Authority's Board of Commissioners. It is not financed by federal or state funds.

Oklahoma City Redevelopment Corporation is a nonprofit Oklahoma corporation which was created as a mechanism to dispose of downtown development property to independent developers and to provide a supportive role for the redevelopment program.

Special Revenue Funds are used to separately account for the following specific fund or activities:

Bass Pro Shop Fund reflects activities related to the construction and subsequent lease of a facility in the Bricktown Entertainment District to be utilized by Bass Pro, Inc. Monies for the construction of the facility were provided by the City. The original lease, which commenced in November 2003, is for a period of 20 years, and rentals paid to the Authority pursuant to the lease, less certain amounts retained by the Authority for related expenses, are remitted to the City.

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting and Presentation, Continued

Fund Financial Statements, Continued:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), defines fund balances for presentation as follows:

- Nonspendable—Includes amounts that cannot be spent because they are either (i) not in spendable form or (ii) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash.
- Restricted—Consists of fund balance with constraints placed on the use of the resources either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation.
- Committed—Reflects specific purposes pursuant to constraints imposed by formal action of the Authority's highest level of decision-making authority (the Board of Commissioners). Also, such constraints can only be removed or changed by the same form or formal action.
- Assigned—Reflects fund balance amounts that are constrained by the Authority's intent to be used for specific purposes, but meet neither the restricted or committed forms of constraint.
- Unassigned—Represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

The fund balance for the general fund is unassigned. The fund balance for the Bass Pro Shop Fund is restricted.

GASB 54 also redefined the special revenue funds. As a result, several funds which were shown as special revenue funds in prior years are reflected as a component of the general fund for 2011. A combining schedule of the components of the general fund is provided for 2011.

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting and Presentation, Continued

Fund Financial Statements, Continued:

It is the Authority's policy to first use the restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Authority's policy for the use of the unrestricted fund balance amounts require that committed amounts be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Payments Received From Other Governmental Entities

During the year ended June 30, 2011, the Authority received \$801,480 from the City. Such amounts have been reflected as a contribution in the statement of activities. The following is a summary of the payments received:

<u>Closeout Project:</u>	
City of Oklahoma City	\$ 418,792
 <u>Nonfederal Fund:</u>	
City of Oklahoma City	<u>382,688</u>
 Total received from other governmental entities	 <u>\$ 801,480</u>

For the year ended June 30, 2011, the Closeout Fund received \$418,792 from the City for reimbursement of project funding for Downtown TIF8 and Core to Shore Maps III projects.

For the year ended June 30, 2011, the Nonfederal Fund received \$382,688 from the City for reimbursement of implementation costs for the Core to Shore Maps III project.

Income Taxes

The Authority is exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code.

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Advertising Costs

All costs associated with advertising are expensed as paid.

Recent Accounting Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62). The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures

The requirements in GASB 62 will improve financial reporting by contributing GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. GASB 62 is effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The provisions of GASB 62 are required to be applied retroactively for all periods presented.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through March 22, 2012, the date which the financial statements were available to be issued.

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS

Custodial risk is the risk that in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority, and are held by a counterparty or the counterparty's trust department but are not in the name of the Authority.

The policy of the Authority is to require all deposits to be maintained in accounts which are fully insured or collateralized. The Authority requires that investment collateral be held by a third-party custodian with whom the Authority has a current custodial agreement in the Authority's name. There were no uncollateralized balances at June 30, 2011.

All investments are insured or registered and held by the Authority's depository institution in the name of the Authority. The Authority is authorized by Oklahoma statutes to invest in government-backed securities and certificates of deposit.

Cash

As of June 30, 2011, cash consisted of the following:

Cash in bank	\$ <u>2,642,656</u>
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See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Investments

Investments at June 30, 2011, consisted of the following:

<u>Certificates of Deposit*</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Fair Value</u>
Bank of America	07/01/11	\$ 200,000	200,000
Bankers Bank of Oklahoma	07/15/11	245,000	245,000
State bank of India CD	07/15/11	180,000	180,000
Florida Capital Bank CD	07/19/11	245,000	245,000
Wilmington Trust Company	07/21/11	245,000	245,000
Platinum Bank/Oakdale	08/05/11	100,000	100,000
Community State Bank ARK	08/10/11	180,000	180,000
Proficio Bank	09/02/11	240,000	240,000
GE Money Bank	09/22/11	245,000	245,000
Wright Express Finl Svcs	10/19/11	245,000	245,000
Transportation Alliance	10/20/11	245,000	245,000
Cole Taylor Bank	10/21/11	245,000	245,000
Merrick Bank	10/21/11	245,000	245,000
United Comm Bank Blairsville	10/27/11	245,000	245,000
Atlantic Cost Federal	10/28/11	245,000	245,000
Morrill & Janes Bank	12/20/11	245,000	245,000
Beal Bank Nevada	03/28/12	245,000	245,000
Beal Bank	04/04/12	245,000	245,000
Sovereign Bank	04/05/12	245,000	245,000
Orange Bank of Florida	04/20/12	245,000	245,000
Aurora Bank FSB	04/20/12	245,000	245,000
		<u>\$ 4,820,000</u>	<u>4,820,000</u>

* All of the certificates of deposit are covered by FDIC insurance. The weighted average maturity for the certificates of deposit was 4.30 months at June 30, 2011.

While the Authority does not have a formal investment policy, its standard of operations is to only invest in short-term (maturity of less than 1 year) U.S. government or U.S. government agency securities, or short-term (maturity of less than 1 year) certificates of deposit.

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) NOTE RECEIVABLE

Note receivable as of June 30, 2011, consisted of:

Note receivable from Bricktown Parking Investors, L.L.C.	\$ 93,063
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During the year ended June 30, 2004, the Authority loaned Bricktown Parking Investors, L.L.C. \$123,466 from the Bass Pro Shop Fund. The loan is unsecured and bears interest at the rate of 5%, with principal and interest being paid annually beginning January 1, 2005. The note has been paying as agreed and was current as of June 30, 2011.

(4) DUE FROM OTHER GOVERNMENTAL ENTITIES

The amount due from other governmental entities consisted of the following as of June 30, 2011:

Amount of federal grant monies due from the City of Oklahoma City to reimburse the Authority for monies expended	\$ 70,851
Amounts due from the Oklahoma City Redevelopment Authority for reimbursement of expenditures	<u>4,574</u>
Total received from other governmental entities	<u>\$ 75,425</u>

(5) RENTAL INCOME

Rental income includes leases of acquired property and parking lot revenue. Such leases, which are on a month-to-month, semiannual, or annual basis, are expected to be renewed; however, there are no assurances the leases will be renewed.

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(6) RETIREMENT PLAN

The Authority participates in a Section 457 single-employer deferred compensation plan (the “Plan”) covering all permanent employees. As of June 30, 2011, nine employees were participating in the Plan. Covered and total payroll was \$601,159. In 2011, the employees contributed \$14,385, representing 2.39% of covered payroll; and the Authority contributed \$50,215, representing 8.35% of covered payroll. Contributions to the Plan by the Authority amounted to \$49,320 and \$47,003 for the years ended June 30 2010 and 2009, respectively. Assets of the plan are not recorded in the Authority’s financial statements.

(7) PAYMENTS TO THE CITY OF OKLAHOMA CITY

During 2011, the Authority paid \$47,961 to the City for rental income received, net of operating expenses, of land that was purchased with CDBG funding.

During 2011, the Authority also paid \$283,257 to the City for its portion of the rental income from the Bass Pro Shop.

The payments, totaling \$331,218 for 2011, have been reflected separately in the statement of activities.

(8) RELATED-PARTY TRANSACTIONS

Oklahoma City Redevelopment Authority (OCRA)

During the year ended June 30, 2011, the Authority received approximately \$20,000 of TIF 1 funds from OCRA for project costs. A summary of the amount received is as follows:

Project costs:	
Administrative expenditures	<u>\$ 20,000</u>

See Independent Auditors’ Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(9) COMMITMENTS AND CONTINGENCIES

Commitments

Contracts

The Authority has certain contracts payable to independent contractors for clearance, demolition, and other activities in approved project areas. At June 30, 2011, the remaining commitments under such contracts aggregated \$138,581.

Compensated Absences

The Authority is liable to its employees for accumulated vacation time and a portion of accumulated sick leave for employees with 5 years or more of service upon employment separation. The liability for these items at June 30, 2011, was \$194,449. Because the financial statements have been prepared on the modified cash basis of accounting, the liability is not reflected on the statement of net assets or the balance sheet.

Contingencies

Grants

In the normal course of operations, the Authority is a subrecipient of CDBG funds awarded to the City by HUD. The grant programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Legal

In the normal course of operations, the Authority is party to legal proceedings which normally occur in governmental operations and other claims associated with property and enterprise operations. The legal proceedings and other claims are not likely to have a material adverse impact on the funds of the Authority.

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

COMBINING BALANCE SHEET—GENERAL FUND—MODIFIED CASH BASIS

June 30, 2011

	Closeout Project Fund	Revolving Fund	Core to Shore Maps III Fund	Core to Shore Other Fund	SEP II Improvements Fund	Harrison- Walnut Other Fund	Nonfederal Fund	Oklahoma City Redevelopment Corporation	General Fund Total
Assets									
Cash	\$ 1,352,840	16,968	-	-	-	-	920,687	274,425	2,564,920
Investments	4,055,000	-	-	-	-	-	345,000	-	4,400,000
Due (to) revolving/from closeout	(733,990)	733,990	-	-	-	-	-	-	-
Due from other governmental entities	70,852	4,573	-	-	-	-	-	-	75,425
Due from other funds	958,640	198,415	-	-	-	-	22,140	-	1,179,195
Total assets	<u>\$ 5,703,342</u>	<u>953,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,287,827</u>	<u>274,425</u>	<u>8,219,540</u>
Liabilities and Fund Balances									
Due to other funds	\$ 22,320	947,650	144,886	53,349	-	-	10,990	-	1,179,195
Withholdings	-	6,296	-	-	-	-	-	-	6,296
Deposits	55,000	-	-	-	-	-	-	-	55,000
Total liabilities	<u>77,320</u>	<u>953,946</u>	<u>144,886</u>	<u>53,349</u>	<u>-</u>	<u>-</u>	<u>10,990</u>	<u>-</u>	<u>1,240,491</u>
Fund balances (deficits):									
Restricted	-	-	-	-	-	-	-	-	-
Unassigned	5,626,022	-	(144,886)	(53,349)	-	-	1,276,837	274,425	6,979,049
Total fund balances (deficits)	<u>5,626,022</u>	<u>-</u>	<u>(144,886)</u>	<u>(53,349)</u>	<u>-</u>	<u>-</u>	<u>1,276,837</u>	<u>274,425</u>	<u>6,979,049</u>
Total liabilities and fund balances	<u>\$ 5,703,342</u>	<u>953,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,287,827</u>	<u>274,425</u>	<u>8,219,540</u>

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES—GENERAL FUND—MODIFIED CASH BASIS**

Year Ended June 30, 2011

	Closeout Project <u>Fund</u>	Revolving Fund <u>Fund</u>	Core to Shore Maps III <u>Fund</u>	Core to Shore Other <u>Fund</u>	SEP II Improvements <u>Fund</u>	Harrison- Walnut Other <u>Fund</u>	Nonfederal Fund <u>Fund</u>	Oklahoma City Redevelopment Corporation <u>Corporation</u>	General Fund <u>Total</u>
Revenues:									
Federal grant revenues	\$ 868,500	-	-	-	-	-	-	-	868,500
Rentals	175,547	-	-	-	-	-	-	-	175,547
Real estate sales	30,331	-	-	-	-	-	498,835	-	529,166
Interest	19,314	-	-	-	-	-	2,238	540	22,092
Downtown TIF 8 project	152,182	-	-	-	-	-	-	-	152,182
Core to Shore Project	266,610	-	-	-	-	-	382,688	-	649,298
Other	464	-	-	-	-	-	-	-	464
Total revenues	<u>1,512,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>883,761</u>	<u>540</u>	<u>2,397,249</u>
Expenditures:									
General and administrative	472,333	-	79,003	8,159	7,283	98,633	28,122	-	693,533
Real estate acquisition	70,520	-	-	-	-	-	-	-	70,520
Property disposition	104,177	-	-	-	-	501	-	-	104,678
Site clearance	100,577	-	-	-	-	-	-	-	100,577
Legal and professional expenses	306,044	-	-	-	6,595	30,469	304,303	-	647,411
Property management expense	247,765	-	-	-	543	5,328	-	-	253,636
Payments to the City of Oklahoma City	47,961	-	-	-	-	-	-	-	47,961
Other	26,395	-	-	-	10	22,008	2,017	100	50,530
Total expenditures	<u>1,375,772</u>	<u>-</u>	<u>79,003</u>	<u>8,159</u>	<u>14,431</u>	<u>156,939</u>	<u>334,442</u>	<u>100</u>	<u>1,968,846</u>

(Continued)

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES—GENERAL FUND—MODIFIED CASH BASIS, CONTINUED**

Year Ended June 30, 2011

	Closeout Project <u>Fund</u>	Revolving <u>Fund</u>	Core to Shore Maps III <u>Fund</u>	Core to Shore Other <u>Fund</u>	SEP II Improvements <u>Fund</u>	Harrison- Walnut Other <u>Fund</u>	Nonfederal <u>Fund</u>	Oklahoma City Redevelopment Corporation	General Fund <u>Total</u>
Excess (deficiency) of revenues over expenditures	137,176	-	(79,003)	(8,159)	(14,431)	(156,939)	549,319	440	428,403
Other financing sources (uses): Transfers in (out)	<u>(415,899)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,960</u>	<u>156,939</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(278,723)	-	(79,003)	(8,159)	244,529	-	549,319	440	428,403
Fund balances, beginning of year	<u>5,904,745</u>	<u>-</u>	<u>(65,883)</u>	<u>(45,190)</u>	<u>(244,529)</u>	<u>-</u>	<u>727,518</u>	<u>273,985</u>	<u>6,550,646</u>
Fund balances, end of year	<u>\$ 5,626,022</u>	<u>-</u>	<u>(144,886)</u>	<u>(53,349)</u>	<u>-</u>	<u>-</u>	<u>1,276,837</u>	<u>274,425</u>	<u>6,979,049</u>

See Independent Auditors' Report.

**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**

Board of Commissioners
Oklahoma City Urban Renewal Authority

We have audited the financial statements of the governmental activities and each major fund of the Oklahoma City Urban Renewal Authority (the "Authority") as of June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 22, 2012. Our report includes an explanatory paragraph noting that the Authority prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Our report also includes an explanatory paragraph noting that management's discussion and analysis and budgetary comparison information were not included in the report. In addition, our report includes an explanatory paragraph which notes the Authority's implementation of GASB 54. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

(Continued)

**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, CONTINUED**

Compliance and Other Matters

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*.

We noted certain other matters that have been reported to management in a separate letter dated March 22, 2012.

This report is intended solely for the information and use of the Board of Commissioners, the Executive Director, others within the entity, the City of Oklahoma City, the Oklahoma State Auditor and Inspector, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Finley + Cook, PLLC

Shawnee, Oklahoma
March 22, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Oklahoma City Urban Renewal Authority

Compliance

We have audited the Oklahoma City Urban Renewal Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED**

Internal Control Over Compliance, Continued

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, the Executive Director, others within the entity, the City of Oklahoma City, the Oklahoma State Auditor and Inspector, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Finley + Cook, PLLC

Shawnee, Oklahoma
March 22, 2012

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Current Year Grant Revenues</u>	<u>Current Year Grant Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed-through City of Oklahoma City Community Development Block Grant	14.218	\$ <u>868,500</u>	<u>868,500</u>

See Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

See accompanying notes to Schedule of Expenditures of Federal Awards.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

(1) BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes all federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position or changes in net assets of the Authority.

CDBG monies are usually expended prior to receipt. As such, there are normally no unexpended funds. As of June 30, 2011, there were no unexpended funds.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule is presented using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States, and is consistent with the Authority’s accounting method of financial reporting.

See Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified? Yes None Noted

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

Noncompliance material to financial statements noted? Yes None Noted

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes None Noted

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

Type of auditors’ report issued on compliance for the major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

<u>Federal CFDA#</u>	<u>Name of Federal Program</u>
14.218	Passed-through City of Oklahoma City Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**

Auditee qualified as low-risk auditee? Yes No

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2011

SECTION II—FINDINGS—FINANCIAL STATEMENTS AUDIT

None noted.

**SECTION III—FINDINGS AND QUESTIONED COSTS—
MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None noted.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2011

There were no findings or questioned costs noted in the audit report for the year ended June 30, 2010.