

# **Oklahoma City Urban Renewal Authority**

*Financial Statements*  
*(Prepared on the Modified Cash Basis)*

June 30, 2012  
(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, 2012, 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, 2012, and the respective changes in financial position—modified cash basis for the year then ended in conformity with the basis of accounting described in the accompanying notes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 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.

(Continued)

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

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.

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

Shawnee, Oklahoma  
December 31, 2012

**OKLAHOMA CITY URBAN RENEWAL AUTHORITY**

**STATEMENT OF NET ASSETS—MODIFIED CASH BASIS**

*June 30, 2012*

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<b>Assets</b>	
Current assets:	
Cash	\$ 1,803,076
Investments	5,175,000
Note receivable	87,809
Due from other governmental entities	<u>260,403</u>
Total assets	<u>\$ 7,326,288</u>
<b>Liabilities</b>	
Current liabilities:	
Withholdings	\$ (447)
Deposits	<u>55,000</u>
Total liabilities	<u>54,553</u>
<b>Net Assets</b>	
Restricted	569,343
Unrestricted	<u>6,702,392</u>
Total net assets	<u>7,271,735</u>
Total liabilities and net assets	<u>\$ 7,326,288</u>

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, 2012*

	<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	\$ (2,079,090)	-	1,645,092	(433,998)
Investment income	-	-	5,371	5,371
Payments to the City of Oklahoma City	<u>(774,397)</u>	<u>804,480</u>	<u>-</u>	<u>30,083</u>
Total governmental activities	<u>\$ (2,853,487)</u>	<u>804,480</u>	<u>1,650,463</u>	<u>(398,544)</u>
General revenues:				
Investment income				17,570
Real estate sales				<u>82,861</u>
Total general revenues				<u>100,431</u>
Change in net assets				(298,113)
Net assets, beginning of year				<u>7,569,848</u>
Net assets, end of year				<u>\$ 7,271,735</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, 2012*

	General <u>Fund</u>	Bass Pro Shop <u>Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 1,741,542	61,534	1,803,076
Investments	4,755,000	420,000	5,175,000
Note receivable	-	87,809	87,809
Due from other governmental entities	260,403	-	260,403
Due from other funds	<u>613,249</u>	<u>-</u>	<u>613,249</u>
 Total assets	 <u>\$ 7,370,194</u>	 <u>569,343</u>	 <u>7,939,537</u>
<b>Liabilities and Fund Balances</b>			
Due to other funds	\$ 613,249	-	613,249
Withholdings	(447)	-	(447)
Deposits	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Total liabilities	<u>667,802</u>	<u>-</u>	<u>667,802</u>
<b>Fund balances:</b>			
Restricted	-	569,343	569,343
Unassigned	<u>6,702,392</u>	<u>-</u>	<u>6,702,392</u>
Total fund balances	<u>6,702,392</u>	<u>569,343</u>	<u>7,271,735</u>
 Total liabilities and fund balances	 <u>\$ 7,370,194</u>	 <u>569,343</u>	 <u>7,939,537</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, 2012*

	General Fund	Bass Pro Shop Fund	Total
Revenues:			
Federal grant revenues	\$ 865,000	-	865,000
Rentals	175,276	629,204	804,480
Real estate sales	356,248	-	356,248
Interest	17,570	5,371	22,941
Core to Shore MAPS 3 project	506,526	-	506,526
Other	179	-	179
Total revenues	<u>1,920,799</u>	<u>634,575</u>	<u>2,555,374</u>
Expenditures:			
General and administrative	818,732	24,009	842,741
Real estate acquisition	12,613	-	12,613
Property disposition	13,978	-	13,978
Site clearance	229	-	229
Legal and professional expenses	638,178	2,500	640,678
Property management expense	266,715	142,879	409,594
Payments to the City of Oklahoma City	324,227	450,170	774,397
Other	122,784	36,473	159,257
Total expenditures	<u>2,197,456</u>	<u>656,031</u>	<u>2,853,487</u>
Excess of expenditures over revenues	(276,657)	(21,456)	(298,113)
Other financing sources (uses):			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(276,657)	(21,456)	(298,113)
Fund balances, beginning of year	<u>6,979,049</u>	<u>590,799</u>	<u>7,569,848</u>
Fund balances, end of year	<u>\$ 6,702,392</u>	<u>569,343</u>	<u>7,271,735</u>

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



# OKLAHOMA CITY URBAN RENEWAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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### (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**

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**(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 (GASB) Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

See Independent Auditors’ Report.

**OKLAHOMA CITY URBAN RENEWAL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(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

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(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 3 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

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(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.

*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**

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**(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 2012. A combining schedule of the components of the general fund is provided for 2012.

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.

See Independent Auditors' Report.

**OKLAHOMA CITY URBAN RENEWAL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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

**Payments Received From Other Governmental Entities**

During the year ended June 30, 2012, the Authority received \$506,526 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	\$ 54,574
 <u>Nonfederal Fund:</u>	
City of Oklahoma City	<u>451,952</u>
 Total received from other governmental entities	 <u>\$ 506,526</u>

For the year ended June 30, 2012, the Closeout Fund received \$54,574 from the City for reimbursement of project funding for the Core to Shore MAPS 3 project.

For the year ended June 30, 2012, the Nonfederal Fund received \$451,952 from the City for reimbursement of implementation costs for the Core to Shore MAPS 3 project.

**Income Taxes**

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

**Advertising Costs**

All costs associated with advertising are expensed as paid.

See Independent Auditors' Report.

**OKLAHOMA CITY URBAN RENEWAL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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

**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.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources; and recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

See Independent Auditors' Report.



**OKLAHOMA CITY URBAN RENEWAL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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

**Date of Management’s Review of Subsequent Events**

Management has evaluated subsequent events through December 31, 2012, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

**(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, 2012.

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, 2012, cash consisted of the following:

Cash in bank	<u>\$ 1,803,076</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, 2012, consisted of the following:

<u>Certificates of Deposit*</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Fair Value</u>
Standard B&T Company	7/13/2012	\$ 245,000	245,000
Enerbank	7/16/2012	245,000	245,000
Bank of China	7/20/2012	245,000	245,000
Bank of Baroda	8/2/2012	245,000	245,000
Discover Bank	8/17/2012	100,000	100,000
Compass Bank	8/17/2012	180,000	180,000
Goldman Sachs	9/7/2012	240,000	240,000
BMW Bank North America	9/21/2012	245,000	245,000
Bank of Baroda	10/22/2012	245,000	245,000
Doral Bank	11/2/2012	245,000	245,000
Safra National Bank	11/2/2012	245,000	245,000
Key Bank NA	11/9/2012	245,000	245,000
Sallie Mae Bank/Murray	11/16/2012	245,000	245,000
GE Capital Retail Bank	1/4/2013	245,000	245,000
CIT Bank	1/9/2013	245,000	245,000
Bank of India	4/3/2013	245,000	245,000
Amboy Bank	4/9/2013	245,000	245,000
Merrick Bank	4/12/2013	245,000	245,000
Mizuho Corporate Bank	4/12/2013	245,000	245,000
Firstbank Puerto Rico	4/19/2013	245,000	245,000
Sovereign Bank	4/25/2013	245,000	245,000
PrivateBank & Trust	4/25/2013	245,000	245,000
		<u>\$ 5,175,000</u>	<u>5,175,000</u>

\* All of the certificates of deposit are covered by FDIC insurance. The weighted average maturity for the certificates of deposit was 5.25 months at June 30, 2012.

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**

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**(3) NOTE RECEIVABLE**

Note receivable as of June 30, 2012, consisted of:

Note receivable from Bricktown Parking Investors, L.L.C.	\$ <u>87,809</u>
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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, 2012.

**(4) DUE FROM OTHER GOVERNMENTAL ENTITIES**

The amount due from other governmental entities consisted of the following as of June 30, 2012:

Amount of federal grant monies due from the City of Oklahoma City to reimburse the Authority for monies expended	\$ 225,111
Amounts due from the City of Oklahoma City to reimburse the Authority for money expended for Core to Shore MAPS 3 projects	25,766
Amounts due from the Oklahoma City Redevelopment Authority for reimbursement of expenditures	<u>9,526</u>
Total received from other governmental entities	<u>\$ 260,403</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**

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**(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, 2012, nine employees were participating in the Plan. Covered and total payroll was \$580,642. In 2012, the employees contributed \$14,394, representing 2.48% of covered payroll; and the Authority contributed \$48,498, representing 8.35% of covered payroll. Assets of the Plan are not recorded in the Authority’s financial statements.

**(7) PAYMENTS TO THE CITY OF OKLAHOMA CITY**

During 2012, the Authority paid \$50,685 to the City for rental income received, net of operating expenses, of land that was purchased with CDBG funding.

During 2012, the Authority paid \$273,542 to the City for proceeds from the sale of CDBG properties.

During 2012, the Authority also paid \$450,170 to the City for its portion of the rental income from the Bass Pro Shop.

The payments, totaling \$774,397 for 2012, have been reflected separately in the statement of activities.

**(8) RELATED-PARTY TRANSACTIONS**

**Oklahoma City Redevelopment Authority (OCRA)**

During the year ended June 30, 2012, the Authority received approximately \$26,000 of TIF 1 funds from OCRA for project costs. A summary of the amount received is as follows:

Project costs:	
Administrative expenditures	\$ <u>26,000</u>

**The Alliance for Economic Development of Oklahoma City (“The Alliance”)**

The Authority has an agreement with The Alliance for professional services. During 2012, expenses under the agreement totaled approximately \$170,000.

See Independent Auditors’ Report.

**OKLAHOMA CITY URBAN RENEWAL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(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, 2012, the remaining commitments under such contracts aggregated \$93,453.

The Authority leases office space under an operating lease agreement that expires December 31, 2014. The Authority leases its office space from Hightower Properties, L.L.C. For the year ended June 30, 2012, the expenses under the lease totaled \$23,190. The remaining obligation under this lease at June 30, 2012, is as follows:

<u>Years Ending June 30</u>	
2013	\$ 48,312
2014	52,178
2015	<u>27,055</u>
	<u>\$ 127,545</u>

**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, 2012, was \$207,661. 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, 2012

	Closeout Project Fund	Revolving Fund	Core to Shore MAPS 3 Fund	Core to Shore Other Fund	SEP II Improvements Fund	Harrison- Walnut Other Fund	Nonfederal Fund	Oklahoma City Redevelopment Corporation	General Fund Total
<b>Assets</b>									
Cash	\$ 987,884	20,687	-	-	-	60,588	397,539	274,844	1,741,542
Investments	3,920,000	-	-	-	-	-	835,000	-	4,755,000
Due (to) revolving/from closeout	(249,675)	249,675	-	-	-	-	-	-	-
Due from other governmental entities	233,536	9,526	-	-	-	3,512	13,829	-	260,403
Due from other funds	446,792	166,457	-	-	-	-	-	-	613,249
<b>Total assets</b>	<b>\$ 5,338,537</b>	<b>446,345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,100</b>	<b>1,246,368</b>	<b>274,844</b>	<b>7,370,194</b>
<b>Liabilities and Fund Balances</b>									
Due to other funds	\$ -	446,792	166,457	-	-	-	-	-	613,249
Withholdings	-	(447)	-	-	-	-	-	-	(447)
Deposits	-	-	-	-	-	55,000	-	-	55,000
<b>Total liabilities</b>	<b>-</b>	<b>446,345</b>	<b>166,457</b>	<b>-</b>	<b>-</b>	<b>55,000</b>	<b>-</b>	<b>-</b>	<b>667,802</b>
Fund balances (deficits):									
Restricted	-	-	-	-	-	-	-	-	-
Unassigned	5,338,537	-	(166,457)	-	-	9,100	1,246,368	274,844	6,702,392
<b>Total fund balances (deficits)</b>	<b>5,338,537</b>	<b>-</b>	<b>(166,457)</b>	<b>-</b>	<b>-</b>	<b>9,100</b>	<b>1,246,368</b>	<b>274,844</b>	<b>6,702,392</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,338,537</b>	<b>446,345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,100</b>	<b>1,246,368</b>	<b>274,844</b>	<b>7,370,194</b>

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, 2012*

	Closeout Project Fund	Revolving Fund	Core to Shore MAPS 3 Fund	Core to Shore Other Fund	SEP II Improvements Fund	Harrison- Walnut Other Fund	Nonfederal Fund	Oklahoma City Redevelopment Corporation	General Fund Total
<b>Revenues:</b>									
Federal grant revenues	\$ 843,169	-	-	-	-	21,831	-	-	865,000
Rentals	175,276	-	-	-	-	-	-	-	175,276
Real estate sales	274,407	-	-	-	-	-	81,841	-	356,248
Interest	15,722	-	-	-	-	-	1,376	472	17,570
Core to Shore MAPS 3 project	54,574	-	-	-	-	-	451,952	-	506,526
Other	179	-	-	-	-	-	-	-	179
Total revenues	<u>1,363,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,831</u>	<u>535,169</u>	<u>472</u>	<u>1,920,799</u>
<b>Expenditures:</b>									
General and administrative	513,810	-	21,571	36,550	12,870	64,364	169,567	-	818,732
Real estate acquisition	11,485	-	-	-	-	1,128	-	-	12,613
Property disposition	9,978	-	-	-	-	4,000	-	-	13,978
Site clearance	229	-	-	-	-	-	-	-	229
Legal and professional expenses	225,085	-	-	-	15,540	33,408	364,145	-	638,178
Property management expense	258,548	-	-	-	-	8,167	-	-	266,715
Payments to the City of Oklahoma City	324,227	-	-	-	-	-	-	-	324,227
Other	79,384	-	-	-	-	22,570	20,777	53	122,784
Total expenditures	<u>1,422,746</u>	<u>-</u>	<u>21,571</u>	<u>36,550</u>	<u>28,410</u>	<u>133,637</u>	<u>554,489</u>	<u>53</u>	<u>2,197,456</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, 2012*

	Closeout Project Fund	Revolving Fund	Core to Shore MAPS 3 Fund	Core to Shore Other Fund	SEP II Improvements Fund	Harrison- Walnut Other Fund	Nonfederal Fund	Oklahoma City Redevelopment Corporation	General Fund Total
(Deficiency) excess of revenues over expenditures	(59,419)	-	(21,571)	(36,550)	(28,410)	(111,806)	(19,320)	419	(276,657)
Other financing (uses) sources: Transfers (out) in	<u>(228,066)</u>	<u>-</u>	<u>-</u>	<u>89,899</u>	<u>28,410</u>	<u>120,906</u>	<u>(11,149)</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(287,485)	-	(21,571)	53,349	-	9,100	(30,469)	419	(276,657)
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 5,338,537</u>	<u>-</u>	<u>(166,457)</u>	<u>-</u>	<u>-</u>	<u>9,100</u>	<u>1,246,368</u>	<u>274,844</u>	<u>6,702,392</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 and for the year ended June 30, 2012, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated December 31, 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. 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**

Management of the Authority is responsible for establishing and maintaining effective 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 December 31, 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.

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

Shawnee, Oklahoma  
December 31, 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, 2012. 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, 2012.

(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**

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.

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  
December 31, 2012

**OKLAHOMA CITY URBAN RENEWAL**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Year Ended June 30, 2012*

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<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>
<b>U.S. Department of Housing and Urban Development</b>			
Passed-through City of Oklahoma City Community Development Block Grant	14.218	\$ <u>865,000</u>	<u>865,000</u>

See Independent Auditors' Report.  
See accompanying notes to schedule of expenditures of federal awards.

**OKLAHOMA CITY URBAN RENEWAL AUTHORITY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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*Year Ended June 30, 2012*

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**(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, 2012. 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, 2012, 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.

**OKLAHOMA CITY URBAN RENEWAL AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*Year Ended June 30, 2012*

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**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>
<b>14.218</b>	<b>Passed-through City of Oklahoma City Community Development Block Grant</b>

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**

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*Year Ended June 30, 2012*

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**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**

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*Year Ended June 30, 2012*

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There were no findings or questioned costs noted in the audit report for the year ended June 30, 2011.