

Oklahoma City Urban Renewal Authority

Financial Statements

(Prepared on the Modified Cash Basis)

June 30, 2013

(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

Report on the Financial Statements

We have audited the accompanying modified cash basis 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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

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 as of June 30, 2013, and the respective changes in financial position—modified cash basis thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Emphasis of Matters

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinions are not modified with respect to that matter.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2013 the Authority adopted new accounting guidance, Statement No. 63 of the Governmental Accounting Standards Board (GASB), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinions are not modified with respect to this matter.

Other Matters

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Authority's basic financial statements as a whole. The combining general fund financial statements—modified cash basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

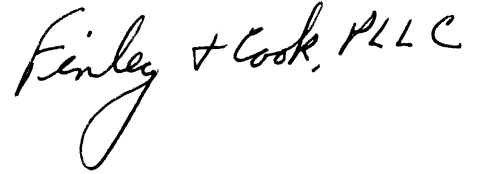
The combining general fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2014, 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* in considering the Authority's internal control over financial reporting and compliance.

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

Shawnee, Oklahoma
January 28, 2014

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

STATEMENT OF NET POSITION—MODIFIED CASH BASIS

June 30, 2013

Assets	
Cash	\$ 4,859,273
Investments	4,410,000
Note receivable	82,292
Due from other governmental entities	<u>89,275</u>
Total assets	<u>\$ 9,440,840</u>
Liabilities	
Due to other governmental entities	\$ 1,020,000
Withholdings	11,407
Deposits	<u>55,000</u>
Total liabilities	<u>1,086,407</u>
Net Position	
Restricted	498,571
Unrestricted	<u>7,855,862</u>
Total net position	<u>8,354,433</u>
Total liabilities and net position	<u>\$ 9,440,840</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, 2013

	<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	\$ (2,821,104)	797,370	2,141,166	117,432
Revenues from the City of Oklahoma City	-	-	2,502,245	2,502,245
Investment income	-	-	5,985	5,985
Expenditures to the City of Oklahoma City	<u>(1,725,516)</u>	<u>-</u>	<u>-</u>	<u>(1,725,516)</u>
 Total governmental activities	 <u>\$ (4,546,620)</u>	 <u>797,370</u>	 <u>4,649,396</u>	 <u>900,146</u>
 General revenues:				
Investment income				16,214
Real estate sales				<u>166,338</u>
Total general revenues				<u>182,552</u>
 Change in net position				1,082,698
Net position, beginning of year				<u>7,271,735</u>
 Net position, end of year				 <u>\$ 8,354,433</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, 2013

	<u>General Fund</u>	<u>Bass Pro Shop Fund</u>	<u>Total</u>
Assets			
Cash	\$ 4,687,994	171,279	4,859,273
Investments	4,165,000	245,000	4,410,000
Note receivable	-	82,292	82,292
Due from other governmental entities	89,275	-	89,275
Due from other funds	<u>92,671</u>	<u>-</u>	<u>92,671</u>
 Total assets	 <u>\$ 9,034,940</u>	 <u>498,571</u>	 <u>9,533,511</u>
Liabilities and Fund Balances			
Due to other funds	\$ 92,671	-	92,671
Due to other governmental entities	1,020,000	-	1,020,000
Withholdings	11,407	-	11,407
Deposits	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Total liabilities	<u>1,179,078</u>	<u>-</u>	<u>1,179,078</u>
Fund balances:			
Restricted	-	498,571	498,571
Unassigned	<u>7,855,862</u>	<u>-</u>	<u>7,855,862</u>
Total fund balances	<u>7,855,862</u>	<u>498,571</u>	<u>8,354,433</u>
 Total liabilities and fund balances	 <u>\$ 9,034,940</u>	 <u>498,571</u>	 <u>9,533,511</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, 2013

	<u>General Fund</u>	<u>Bass Pro Shop Fund</u>	<u>Total</u>
Revenues:			
Federal grant revenues	\$ 787,945	-	787,945
Rentals	115,732	681,638	797,370
Real estate sales	1,519,056	-	1,519,056
Interest	16,214	5,985	22,199
Core to Shore MAPS 3 project (City of Oklahoma City)	162,245	-	162,245
Core to Shore Buffer project (City of Oklahoma City)	2,340,000	-	2,340,000
Other	503	-	503
Total revenues	<u>4,941,695</u>	<u>687,623</u>	<u>5,629,318</u>
Expenditures:			
General and administrative	876,867	24,572	901,439
Real estate acquisition	438,549	-	438,549
Property disposition	50,072	-	50,072
Site improvements	-	172,509	172,509
Legal and professional expenses	739,394	-	739,394
Property management expense	267,303	156,996	424,299
Expenditures to the City of Oklahoma City	1,360,764	364,752	1,725,516
Other	55,276	39,566	94,842
Total expenditures	<u>3,788,225</u>	<u>758,395</u>	<u>4,546,620</u>
Excess (deficiency) of revenues over expenditures	1,153,470	(70,772)	1,082,698
Other financing sources (uses):			
Transfers in (out)	-	-	-
Net changes in fund balances	1,153,470	(70,772)	1,082,698
Fund balances, beginning of year	<u>6,702,392</u>	<u>569,343</u>	<u>7,271,735</u>
Fund balances, end of year	<u>\$ 7,855,862</u>	<u>498,571</u>	<u>8,354,433</u>

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

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

(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. Authority 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 position 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

(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. Primarily 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 and 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 ongoing 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 including allocation of Increment District No. 2, The City of Oklahoma City (TIF 2) tax revenue. 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, convention center, and train station. 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.

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 of 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 2013. A combining schedule of the components of the general fund is provided for 2013.

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Payments Received From Other Governmental Entities

During the year ended June 30, 2013, the Authority received \$2,502,245 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 Fund:</u>	
City of Oklahoma City	\$ 39,655
<u>Nonfederal Fund:</u>	
City of Oklahoma City	83,699
<u>Core to Shore MAPS 3 Fund:</u>	
City of Oklahoma City	38,891
<u>Core to Shore—Buffer Fund:</u>	
City of Oklahoma City	<u>2,340,000</u>
Total received from other governmental entities	<u>\$ 2,502,245</u>

For the year ended June 30, 2013, the Closeout Project Fund received \$39,655 from the City for reimbursement of project funding for the Core to Shore MAPS 3 project.

For the year ended June 30, 2013, the Nonfederal Fund received \$83,699 from the City for reimbursement of implementation costs for the Core to Shore MAPS 3 project.

For the year ended June 30, 2013, the Core to Shore MAPS 3 Fund received \$38,891 from the City for project funding for the Core to Shore MAPS 3 project.

For the year ended June 30, 2013, the Core to Shore—Buffer Fund received \$2,340,000 from the City for project funding for the Core to Shore—Buffer 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

(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. The provisions of GASB 62 were adopted by the Authority as of July 1, 2012. The adoption had no material impact on the Authority's basic financial statements.

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. The Authority adopted GASB 63 effective July 1, 2012. The adoption of the statement required the Authority to adopt the term "net position" as required. In addition, as required by GASB 63, the Authority determined that as of June 30, 2013, there were no items of deferred outflows or deferred inflows of resources, as presently defined, to be reported.

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 or 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.

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Date of Management’s Review of Subsequent Events

Management has evaluated subsequent events through January 28, 2014, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred which 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 Authority 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, 2013.

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, 2013, cash consisted of the following:

Cash in bank	<u>\$ 4,859,273</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, 2013, consisted of the following:

<u>Certificates of Deposit*</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Fair Value</u>
Ally Bank	7/18/2013	\$ 245,000	245,000
BMW Bank of North America	11/14/2013	245,000	245,000
Bank of Baroda	8/7/2013	245,000	245,000
Bank of India NY	10/2/2013	245,000	245,000
Bank of China NY	7/25/2013	245,000	245,000
Beal Bank USA	7/17/2013	245,000	245,000
Discover Bank	11/14/2013	245,000	245,000
Everbank/Jacksonville FL	1/16/2014	245,000	245,000
Fifth Third Bank	4/10/2014	245,000	245,000
GE Capital Bank	7/5/2013	245,000	245,000
Goldman Sachs Bank USA	4/24/2015	245,000	245,000
Key Bank NA	10/24/2014	245,000	245,000
Safra National Bank	11/14/2013	245,000	245,000
State Bank of India	10/11/2013	245,000	245,000
Bank of Baroda	10/25/2013	245,000	245,000
Mizuho Corporate Bank	5/1/2014	245,000	245,000
Pacific Continental Bank	4/30/2014	245,000	245,000
Goldman Sachs Bank	9/12/2013	245,000	245,000
		<u>\$ 4,410,000</u>	<u>4,410,000</u>

* All of the certificates of deposit are covered by FDIC insurance. The weighted average maturity for the certificates of deposit was 5.8 months at June 30, 2013.

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 certificates of deposit with maturities of less than 3 years.

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(3) NOTE RECEIVABLE

Note receivable as of June 30, 2013, consisted of:

Note receivable from Bricktown Parking Investors, L.L.C.	\$ <u>82,292</u>
-------------------------------------------------------------	------------------

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, 2013.

(4) DUE FROM OTHER GOVERNMENTAL ENTITIES

The amount due from other governmental entities consisted of the following as of June 30, 2013:

Amounts due from the City of Oklahoma City to reimburse the Authority for money expended for Core to Shore MAPS 3 projects	\$ 64,251
Amounts due from the Oklahoma City Redevelopment Authority for reimbursement of expenditures	<u>25,024</u>
Total received from other governmental entities	<u>\$ 89,275</u>

(5) DUE TO OTHER GOVERNMENTAL ENTITIES

The amount due to other governmental entities consisted of the following as of June 30, 2013:

Amounts due to the City of Oklahoma City for proceeds from the sale of CDBG properties	<u>\$ 1,020,000</u>
-------------------------------------------------------------------------------------------	---------------------

(6) 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

(7) RETIREMENT PLAN

The Authority participates in a Section 457 single-employer deferred compensation plan (the “Plan”) covering all permanent employees. As of June 30, 2013, seven employees were participating in the Plan. Covered and total payroll was \$533,214. In 2013, the employees contributed \$12,673, representing 2.38% of covered payroll; and the Authority contributed \$44,523, representing 8.35% of covered payroll. Assets of the Plan are not recorded in the Authority’s financial statements.

(8) EXPENDITURES TO THE CITY OF OKLAHOMA CITY

During 2013, the Authority paid \$9,000 to the City for rental income received, net of operating expenses, for land that was purchased with CDBG funding.

During 2013, the Authority paid \$331,764 to the City for proceeds from the sale of CDBG properties.

During 2013, the Authority also paid \$364,752 to the City for its portion of the rental income from the Bass Pro Shop.

In addition during 2013, \$1,020,000 was received from the sale of CDBG properties. Such amount is reflected as a payable to the City as of June 30, 2013. Expenditures totaling \$1,725,516 for 2013 have been reflected separately in the statement of activities.

(9) RELATED-PARTY TRANSACTIONS

Oklahoma City Redevelopment Authority (OCRA)

During the year ended June 30, 2013, the Authority received approximately \$15,000 of TIF 1 funds from OCRA for project costs. A summary of the amount received is as follows:

Project costs:	
Administrative expenditures	\$ <u>15,000</u>

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

The Authority has an agreement with The Alliance for professional services. During 2013, expenses under the agreement totaled approximately \$204,000.

See Independent Auditors’ Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(10) 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, 2013, the remaining commitments under such contracts aggregated \$109,167.

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, 2013, the expenses under the lease totaled \$48,312. The remaining obligation under this lease at June 30, 2013, is as follows:

<u>Years Ending June 30</u>	
2014	\$ 52,178
2015	<u>27,055</u>
	<u>\$ 79,233</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, 2013, was \$164,530. 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.

**OTHER
SUPPLEMENTARY
INFORMATION**

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

COMBINING BALANCE SHEET—GENERAL FUND—MODIFIED CASH BASIS

June 30, 2013

	Closeout Project Fund	Revolving Fund	Core to Shore MAPS 3 Fund	Core to Shore Buffer Fund	SEP II Improvements Fund	Harrison- Walnut Other Fund	Nonfederal Fund	Oklahoma City Redevelopment Corporation	General Fund Total
Assets									
Cash	\$ 1,935,033	64,096	-	1,856,763	-	60,588	508,222	263,292	4,687,994
Investments	3,675,000	-	-	-	-	-	490,000	-	4,165,000
Due from other governmental entities	14,456	39,982	-	-	-	-	34,837	-	89,275
Due from other funds	92,671	-	-	-	-	-	-	-	92,671
Total assets	\$ 5,717,160	104,078	-	1,856,763	-	60,588	1,033,059	263,292	9,034,940
Liabilities and Fund Balances									
Due to other funds	\$ -	92,671	-	-	-	-	-	-	92,671
Due to other governmental entities	1,020,000	-	-	-	-	-	-	-	1,020,000
Withholdings	-	11,407	-	-	-	-	-	-	11,407
Deposits	-	-	-	-	-	55,000	-	-	55,000
Total liabilities	1,020,000	104,078	-	-	-	55,000	-	-	1,179,078
Fund balances (deficits):									
Restricted	-	-	-	-	-	-	-	-	-
Unassigned	4,697,160	-	-	1,856,763	-	5,588	1,033,059	263,292	7,855,862
Total fund balances (deficits)	4,697,160	-	-	1,856,763	-	5,588	1,033,059	263,292	7,855,862
Total liabilities and fund balances	\$ 5,717,160	104,078	-	1,856,763	-	60,588	1,033,059	263,292	9,034,940

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, 2013

	Closeout Project Fund	Revolving Fund	Core to Shore MAPS 3 Fund	Core to Shore Buffer Fund	SEP II Improvements Fund	Harrison- Walnut Other Fund	Nonfederal Fund	Oklahoma City Redevelopment Corporation	General Fund Total
Revenues:									
Federal grant revenues	\$ 768,503	-	-	-	-	19,442	-	-	787,945
Rentals	115,732	-	-	-	-	-	-	-	115,732
Real estate sales	1,258,970	-	-	-	-	132,834	127,252	-	1,519,056
Interest	13,582	-	-	-	-	-	2,258	374	16,214
Core to Shore MAPS 3 project	39,655	-	38,891	-	-	-	83,699	-	162,245
Core to Shore Buffer project	-	-	-	2,340,000	-	-	-	-	2,340,000
Other	319	-	-	184	-	-	-	-	503
Total revenues	2,196,761	-	38,891	2,340,184	-	152,276	213,209	374	4,941,695
Expenditures:									
General and administrative	551,209	-	44,508	26,334	11,442	39,856	203,518	-	876,867
Real estate acquisition	9,416	-	-	428,183	-	950	-	-	438,549
Property disposition	42,624	-	-	-	7,350	98	-	-	50,072
Legal and professional expenses	360,500	-	-	26,589	90,000	47,472	202,907	11,926	739,394
Property management expense	259,452	-	755	-	-	7,096	-	-	267,303
Expenditures to the City of Oklahoma City	1,227,950	-	-	-	-	132,814	-	-	1,360,764
Other	28,101	-	-	-	2,763	4,319	20,093	-	55,276
Total expenditures	2,479,252	-	45,263	481,106	111,555	232,605	426,518	11,926	3,788,225

(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, 2013

	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	(282,491)	-	(6,372)	1,859,078	(111,555)	(80,329)	(213,309)	(11,552)	1,153,470
Other financing (uses) sources:									
Transfers (out) in	<u>(358,886)</u>	<u>-</u>	<u>172,829</u>	<u>(2,315)</u>	<u>111,555</u>	<u>76,817</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(641,377)	-	166,457	1,856,763	-	(3,512)	(213,309)	(11,552)	1,153,470
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 4,697,160</u>	<u>-</u>	<u>-</u>	<u>1,856,763</u>	<u>-</u>	<u>5,588</u>	<u>1,033,059</u>	<u>263,292</u>	<u>7,855,862</u>

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ <u>Program or Cluster Title</u>	Federal CFDA <u>Number</u>	Current Year Grant <u>Revenues</u>	Current Year Grant <u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed-through City of Oklahoma City Community Development Block Grant	14.218	\$ <u>787,945</u>	<u>787,945</u>

See Independent Auditors' Report.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

(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, 2013. 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, 2013, 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.

(3) SUBGRANTEES

The Authority has no subgrantees as all grant monies are expended directly by the Authority.

See Independent Auditors’ Report.



**INDEPENDENT AUDITORS' 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 in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 28, 2014. Our report also 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. In addition, our report includes an explanatory paragraph to emphasize the adoption of GASB Statement 63 by the Authority.

Internal Control Over Financial Reporting

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

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

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

(Continued)

**INDEPENDENT AUDITORS' 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*.

Purpose of This Report

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

Finley + Cook, PLLC

Shawnee, Oklahoma
January 28, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners
Oklahoma City Urban Renewal Authority

Report on Compliance for Each Major Federal Program

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, 2013. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED**

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
January 28, 2014

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

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, 2013

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, 2013

There were no findings or questioned costs noted in the audit report for the year ended June 30, 2012.