

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

FINANCIAL STATEMENTS
(Modified Cash Basis)

JUNE 30, 2023

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

HSPG
&
ASSOCIATES

ACCOUNTING | TAX | ADVISORY

OKLAHOMA CITY URBAN RENEWAL AUTHORITY

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June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Oklahoma City Urban Renewal Authority
Oklahoma City, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying modified cash basis financial statements of the governmental activities of Oklahoma City Urban Renewal Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of the governmental activities and each major fund of the Oklahoma City Urban Renewal Authority as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The basic 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 of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

HSPG & ASSOCIATES, PC

opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information consisting of combining general fund financial statements - modified cash basis, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.

HSPG & Associates, P.C.

December 19, 2023

OKLAHOMA CITY URBAN RENEWAL AUTHORITY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2023

ASSETS

Cash and cash equivalents	\$ 2,398,838
Investments	2,459,368
Due from related parties	<u>321,933</u>

TOTAL ASSETS \$ 5,180,139

LIABILITIES

Deposits	<u>\$ 56,000</u>
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TOTAL LIABILITIES 56,000

NET POSITION

Restricted - economic development	3,310,165
Restricted - City of Oklahoma City	684,785
Unrestricted	<u>1,129,189</u>

TOTAL NET POSITION 5,124,139

TOTAL LIABILITIES AND NET POSITION \$ 5,180,139

The accompanying notes are an integral part of these financial statements.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	Expenses	Program Revenues		Net Revenues (Expenses)
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Economic development	\$ 7,197,244	\$ 669,150	\$ 5,836,486	\$ (691,608)
Expenditures to the City	<u>1,063,496</u>	<u>-</u>	<u>-</u>	<u>(1,063,496)</u>
Total governmental activities	<u>\$ 8,260,740</u>	<u>\$ 669,150</u>	<u>\$ 5,836,486</u>	<u>(1,755,104)</u>
GENERAL REVENUES				
Investment income				92,684
Real estate sales				974,479
Other				<u>60,439</u>
Total general revenues				<u>1,127,602</u>
CHANGE IN NET POSITION				(627,502)
NET POSITION, BEGINNING OF YEAR				<u>5,751,641</u>
NET POSITION, END OF YEAR				<u>\$ 5,124,139</u>

The accompanying notes are an integral part of these financial statements.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
JUNE 30, 2023

	<u>General Fund</u>	<u>Oklahoma City Redevelopment Corporation</u>	<u>Bass Pro Shop Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,531,294	\$ 182,759	\$ 684,785	\$ 2,398,838
Investments	2,459,368	-	-	2,459,368
Due from related parties	321,933	-	-	321,933
	<u>\$ 4,312,595</u>	<u>\$ 182,759</u>	<u>\$ 684,785</u>	<u>\$ 5,180,139</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Deposits	\$ 56,000	\$ -	\$ -	\$ 56,000
	<u>56,000</u>	<u>-</u>	<u>-</u>	<u>56,000</u>
Fund Balances				
Restricted - economic development	3,269,992	40,173	-	3,310,165
Restricted - City of Oklahoma City	-	-	684,785	684,785
Committed	-	142,586	-	142,586
Unassigned	986,603	-	-	986,603
	<u>4,256,595</u>	<u>182,759</u>	<u>684,785</u>	<u>5,124,139</u>
Total fund balances	<u>4,256,595</u>	<u>182,759</u>	<u>684,785</u>	<u>5,124,139</u>
Total liabilities and fund balances	<u>\$ 4,312,595</u>	<u>\$ 182,759</u>	<u>\$ 684,785</u>	<u>\$ 5,180,139</u>

The accompanying notes are an integral part of these financial statements.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Oklahoma City Redevelopment Corporation	Bass Pro Shop Fund	Total
REVENUES				
Federal grant revenues	\$ 836,486	\$ -	\$ -	\$ 836,486
Rentals	39,945	-	629,205	669,150
Real estate sales	974,479	-	-	974,479
Funds from the City	5,000,000	-	-	5,000,000
Interest	82,477	1,458	8,749	92,684
Other	60,429	10	-	60,439
Total revenues	6,993,816	1,468	637,954	7,633,238
EXPENDITURES				
General and administrative	810,466	-	86,180	896,646
Real estate acquisition	5,153,622	-	-	5,153,622
Property disposition	21,932	-	-	21,932
Site improvement	67,195	-	-	67,195
Legal and professional	529,711	-	6,548	536,259
Property management	335,671	-	151,676	487,347
Business improvements	28,230	-	6,013	34,243
Expenditures to the City	734,499	-	328,997	1,063,496
Total expenditures	7,681,326	-	579,414	8,260,740
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCES	(687,510)	1,468	58,540	(627,502)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	-	-
NET CHANGES IN FUND BALANCES	(687,510)	1,468	58,540	(627,502)
FUND BALANCES, BEGINNING OF YEAR	4,944,105	181,291	626,245	5,751,641
FUND BALANCES, END OF YEAR	\$ 4,256,595	\$ 182,759	\$ 684,785	\$ 5,124,139

The accompanying notes are an integral part of these financial statements.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – The Oklahoma City Urban Renewal Authority (the Authority) was established by state-enabling legislation in 1959 and the appointment of the Authority's Board of Commissioners by the City Council of the City of Oklahoma City (the "City") in November 1961. The Authority's purpose is to eliminate blight and redevelop blighted areas. Activities are primarily funded by Community Development Block Grants (CDBG) from the U.S. Department of Housing and Urban Development (HUD) awarded to the City and passed through to the Authority as well as funds from other governmental and private organizations.

Reporting Entity – The Authority itself is not a component unit of the City. The City considers the Authority as a related organization in its annual financial report.

The Authority has one component unit, Oklahoma City Redevelopment Corporation (the Corporation), which is a 501(c)(3) tax-exempt nonprofit Oklahoma corporation governed by a board of trustees. Most, if not all, trustees of the Corporation are also commissioners of the Authority. The operations of the Corporation are blended with the financial data of the Authority. It is represented as a special revenue fund on the accompanying financial statements because the sole purpose of the Corporation is to support the redevelopment activities of the Authority, and the governance of the Corporation and the Authority are, in essence, the same.

Basis of Accounting and Presentation – The Authority's financial statements 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 of America (GAAP). 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 GAAP. 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, which approximates market value

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, expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements. In addition, redevelopment property and other property and equipment are not recorded, depreciation is not recorded, and debt is not reflected as a liability.

Government-Wide Financial Statements – The accompanying statements of net position and activities - modified cash basis display information about the Authority as a whole. The Authority's activities are all governmental in nature. 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*.

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 that constitute its assets, liabilities, fund balances, revenues and expenditures/expenses.

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

- ***General Fund***-The operating fund of the Authority. It includes and is used to account for all of the following activities:
 - ***Closeout Project Fund*** - Reflects the activity of three projects, which have been combined into one fund for financial statement purposes. A description of each project is as follows:
 - Oklahoma R-20 University Medical Center reflects all ongoing activities in the Health Sciences Center area that are financed by federal funds pursuant to a September 19, 1978, closeout agreement with HUD.
 - Oklahoma R-30 Central Business District reflects all ongoing activities in the Central Business District that are financed by federal funds pursuant to an October 16, 1979, closeout agreement with HUD.
 - Oklahoma R-35 John F. Kennedy Urban Renewal Area reflects all ongoing activities in the John F. Kennedy area that are financed by federal funds pursuant to an October 16, 1979, closeout agreement with HUD.
 - ***Revolving Fund*** - 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 for which the underlying disbursements were made. The Revolving Fund records the reimbursement from other funds as a reduction of the expense and, therefore, reports no revenues or expenses.
 - ***Core to Shore Buffer Fund*** – Depicts improvement activities for an area designated by the City which has suffered decline and also includes a downtown public park, convention center and train station. Funding is provided through other sources, including allocation of Increment District No. 2, The City of Oklahoma City (TIF 2) tax revenue.
 - ***Sports Entertainment Parking II (SEP II) Improvements Fund*** - Depicts activities related to the creation of a mixed-use development with a focus on entertainment, parking and supporting development for the MAPS initiative, including hotel and residential initiatives. The project is funded primarily by Closeout Project funds.
 - ***Harrison-Walnut Other Fund*** - Depicts various activities in the Harrison-Walnut neighborhood, NE Renaissance, and Midtown, that are funded primarily by the Closeout Project funds.
 - ***Nonfederal Fund*** - 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.

- **Special Revenue Funds** - Designated as major funds by the Authority. It is used to separately account for the following specific funds or activities:
 - **Oklahoma City Redevelopment Corporation** - A nonprofit Oklahoma corporation that was created as a mechanism to dispose of downtown development property to independent developers and to provide a supportive role for the Authority's redevelopment 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, expires in November 2028. Rental income paid to the Authority pursuant to the lease, less certain amounts retained by the Authority for related expenses, are remitted to the City and reported as an expenditure to the City.

Cash and Cash Equivalents – The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023, cash equivalents consisted primarily of money market accounts with brokers.

Investments – Investments are stated at cost, which approximates fair value. Investments are comprised of negotiable certificates of deposit and government-backed securities acquired through cash transactions. They do not include real estate held for resale or held for development.

Net Position Classifications

Government-Wide Financial Statements

Equity is classified as net position and displayed in two components:

- **Restricted** - Represents net position that has been restricted by outside sources, including the City and relevant State of Oklahoma statutes. The net position has been restricted for economic development and reimbursement to the City.
- **Unrestricted** - Represents the remaining net position, if any.

Fund Financial Statements

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

- **Nonspendable** - Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash.
- **Restricted** - Consists of fund balance amounts 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 nor committed forms of constraint.
- **Unassigned**- Represents fund balance amounts that have not been assigned to other funds and have not been restricted, committed or assigned to specific purposes.

Based on the above definitions, the components of the Authority's fund balances are as follows:

- **Restricted** - The fund balances for several of the funds included in the General Fund as well as the Bass Pro Shop Fund are restricted.
- **Committed** - The fund balance for the Corporation is committed.
- **Unassigned** - The fund balances for several of the funds included in the General Fund are unassigned.

It is the Authority's policy to first use the restricted net position/fund balance prior to the use of the unrestricted net position/fund balance when an expenditure/expense is incurred for purposes for which both restricted and unrestricted net position/fund balances are available. The Authority's policy for the use of the unrestricted fund balance amounts requires 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.

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.

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

2. DEPOSITS AND INVESTMENTS

Custodial credit risk – Exposure to custodial credit risk related to deposits exists when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Authority holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

At June 30, 2023, the Authority was not exposed to custodial credit risk as defined above.

Investment Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy stipulates that no more than 75% of the total funds available for investment may be placed in any one authorized institution. The Authority believes its exposure to credit risk is appropriately limited at June 30, 2023.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Of the funds invested, up to 100% may be invested with a maturity of one year or less, up to 30% may be invested with a maturity of one to three years, up to 10% may be invested with a maturity of three to five years and up to 5% may be invested with a maturity of 5 to 25 years.

Fair Value – Various inputs may be used to determine the value of the Authority’s investments. These inputs are summarized in three broad levels for financial statement purposes. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2023, the Authority had the following investments:

	Fair Value (Level 2)	Fiscal Maturity Date	
		2024	2025
US. Treasury Bills	\$ 499,368	\$ 499,368	\$ -
Certificates of deposit	1,960,000	1,225,000	735,000
	<u>\$2,459,368</u>	<u>\$1,724,368</u>	<u>\$ 735,000</u>

3. RELATED PARTY TRANSACTIONS

City of Oklahoma City – During 2023, the Authority paid \$328,997 to the City for its portion of the rental income from the Bass Pro Shop. Additionally, the City awards a portion of its federal grants to the Authority as a pass-through entity. Funding awarded to the Authority under these pass-through grants totaled \$836,486 for the year. As of June 30, 2023, amounts due from the City for reimbursement of expenditures under these grants totaled \$245,986.

In July 2022, the City transferred \$5.0 million of MAPS 4 Program funds to the Authority for the acquisition, remediation and redevelopment of property located at the intersection of Northeast 23rd Street and Martin Luther King Avenue. The property was acquired in February 2023 for \$4,966,000. The Authority is exploring redevelopment priorities for the site. Pursuant to a public selection process, the Authority will convey the property to a developer or developers for redevelopment in the future.

The Alliance for Economic Development of Oklahoma City – The Authority has a ten-year agreement (the Agreement) with the Alliance for Economic Development of Oklahoma City (the Alliance) for professional services, which will terminate on June 30, 2031. Pursuant to the Agreement, scheduled payments totaled \$900,000 for the year. The Authority expensed approximately \$693,900 and allocated \$206,100 to the Oklahoma City Redevelopment Authority (“OCRA”), an independent entity also managed by the Alliance, for its activities. Annual service fees must be approved by the Board of Commissioners. At June 30, 2023, amounts due from the Alliance for reimbursement of expenditures made on their behalf totaled \$15,866.

Oklahoma City Redevelopment Authority – The Authority shares certain administrative costs under the Agreement described above with OCRA. At June 30, 2023, the Authority reports a receivable from OCRA totaling \$60,081 for unreimbursed expenditures.

4. RENTAL INCOME

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

The Authority is party to four multi-year leases:

- The Bass Pro Shop lease was extended through November 2028 and the rental income is \$629,205 per year.
- Parking lot ground lease ends November 30, 2027 with annual rent of \$18,000.
- Land lease for construction staging purposes ends December 31, 2024 with an annual rent of \$2,700.
- Parking lot ground lease ends May 31, 2025 with annual rent of \$600.

The future minimum lease revenue related to these four leases is as follows:

	Closeout Fund	Harrison Walnut Other Fund	Bass Pro Shop Fund	Total
2024	\$ 3,300	\$ 18,000	\$ 629,205	\$ 650,505
2025	1,900	18,000	629,205	649,105
2026	-	18,000	629,205	647,205
2027	-	18,000	629,205	647,205
2028 and after	-	-	891,374	891,374
Total	\$ 5,200	\$ 72,000	\$ 3,408,194	\$ 3,485,394

5. RETIREMENT PLAN

The Authority participates in a Section 457 single-employer deferred compensation plan (the Plan) covering all permanent employees. Covered payroll equaled total payroll of \$178,851. In 2023, the Authority contributed \$14,934, representing 8.35% of covered payroll. No employee contributions were made in 2023. Assets of the Plan are not recorded in the Authority's financial statements.

6. COMMITMENTS AND CONTINGENCIES

Leases – The Authority leases office space under a lease agreement through July 31, 2031. For the year ended June 30, 2023, the expense under this lease totaled \$127,223. The remaining obligation under this lease as of June 30, 2023, is as follows:

2024	\$ 124,476
2025	124,476
2026	124,476
2027	124,476
2028 and after	<u>508,277</u>
Total	\$ 1,006,181

Non-cash related party debt – At June 30, 2023, the Authority owes OCRA approximately \$4.4 million relating to the acquisition of land that was purchased and paid for by OCRA and subsequently transferred to the Authority.

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 that 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 that normally occur in governmental operations and other claims associated with property and enterprise operations. Other than the item noted below, legal proceedings and other claims are not likely to have a material adverse impact on the funds of the Authority.

The Authority was named as defendant in a legal petition for breach of contract and other causes of action filed December 16, 2022, by the Hill at Bricktown, LLC, a redeveloper whose contract was terminated by the Authority for failure to perform. The petition seeks damages of “at least” \$3,183,815 for the redeveloper’s expenditures. As of December 19, 2023, the Authority has responded to all requests served upon it on August 12, 2023. The Court has not yet held or set any hearings in the action. Because the Authority terminated the contract in accordance with its terms and otherwise acted properly, management and legal counsel do not have reason to believe that there is a high degree of probability of an unfavorable outcome. However, given the uncertainty and risk associated with litigation, it is not possible at this time to rule out the possibility of a loss that would have a material adverse effect on the Authority’s financial position.

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OKLAHOMA CITY URBAN RENEWAL AUTHORITY
COMBINING BALANCE SHEET - GENERAL FUND - MODIFIED CASH BASIS
JUNE 30, 2023

	Closeout Project Fund	Revolving Fund	Core to Shore Buffer Fund	SEP II Improvements Fund	Harrison- Walnut Other Fund	Nonfederal Fund	General Fund Total
ASSETS							
Cash and cash equivalents	\$ 1,214,821	\$ 14,365	\$ 51,491	\$ -	\$ -	\$ 250,617	\$ 1,531,294
Investments	1,969,368	-	-	-	-	490,000	2,459,368
Due from related parties	245,986	75,947	-	-	-	-	321,933
Due from (to) other funds	84,312	(90,312)	(24,000)	-	30,000	-	-
Total assets	<u>\$ 3,514,487</u>	<u>\$ -</u>	<u>\$ 27,491</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 740,617</u>	<u>\$ 4,312,595</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Deposits	\$ 1,000	\$ -	\$ 25,000	\$ -	\$ 30,000	\$ -	\$ 56,000
Total liabilities	1,000	-	25,000	-	30,000	-	56,000
Fund Balances							
Restricted - economic development	3,267,501	-	2,491	-	-	-	3,269,992
Unassigned	245,986	-	-	-	-	740,617	986,603
Total fund balances	<u>3,513,487</u>	<u>-</u>	<u>2,491</u>	<u>-</u>	<u>-</u>	<u>740,617</u>	<u>4,256,595</u>
Total liabilities and fund balances	<u>\$ 3,514,487</u>	<u>\$ -</u>	<u>\$ 27,491</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 740,617</u>	<u>\$ 4,312,595</u>

OKLAHOMA CITY URBAN RENEWAL AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPEDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Closeout Project Fund</u>	<u>Revolving Fund</u>	<u>Core to Shore Buffer Fund</u>	<u>SEP II Improvements Fund</u>	<u>Harrison- Walnut Other Fund</u>	<u>Nonfederal Fund</u>	<u>General Fund Total</u>
REVENUES							
Federal grant revenues	\$ 819,714	\$ -	\$ -	\$ -	\$ 16,772	\$ -	\$ 836,486
Rentals	3,758	-	7,000	11,087	18,100	-	39,945
Real estate sales	760,009	-	-	214,470	-	-	974,479
Funds from the City	-	-	-	-	5,000,000	-	5,000,000
Interest	72,034	-	-	-	-	10,443	82,477
Other	60,429	-	-	-	-	-	60,429
Total revenues	<u>1,715,944</u>	<u>-</u>	<u>7,000</u>	<u>225,557</u>	<u>5,034,872</u>	<u>10,443</u>	<u>6,993,816</u>
General and administrative	465,288	-	74,893	92,336	177,329	620	810,466
Real estate acquisition	174,527	-	-	-	4,979,095	-	5,153,622
Property disposition	17,621	-	224	305	3,782	-	21,932
Site improvement	52,130	-	15,065	-	-	-	67,195
Legal and professional	265,633	-	20,057	36,008	135,608	72,405	529,711
Property management	301,241	-	15,234	-	19,196	-	335,671
Business improvements	9,963	-	-	14,877	3,390	-	28,230
Expenditures to the City	520,037	-	-	214,462	-	-	734,499
Total expenditures	<u>1,806,440</u>	<u>-</u>	<u>125,473</u>	<u>357,988</u>	<u>5,318,400</u>	<u>73,025</u>	<u>7,681,326</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCES	(90,496)	-	(118,473)	(132,431)	(283,528)	(62,582)	(687,510)
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	(529,945)	-	113,986	132,431	283,528	-	-
NET CHANGES IN FUND BALANCES	(620,441)	-	(4,487)	-	-	(62,582)	(687,510)
FUND BALANCES, BEGINNING OF YEAR	<u>4,133,928</u>	<u>-</u>	<u>6,978</u>	<u>-</u>	<u>-</u>	<u>803,199</u>	<u>4,944,105</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,513,487</u>	<u>\$ -</u>	<u>\$ 2,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 740,617</u>	<u>\$ 4,256,595</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Oklahoma City Urban Renewal Authority
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Oklahoma City Urban Renewal Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 19, 2023. Our report included an *Emphasis of Matter* paragraph related to the Authority's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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

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effect on the financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HSPG & Associates, P.C.

December 19, 2023



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Oklahoma City Urban Renewal Authority
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Oklahoma City Urban Renewal Authority’s (the “Authority”) compliance with the types of compliance requirements identified as subject to audit in the OMB *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, 2023. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an

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opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of the Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 19, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 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 of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

HSPG & Associates, P.C.

December 19, 2023

**OKLAHOMA CITY URBAN RENEWAL AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Cluster/Program	Federal Agency/ Pass-Through Entity	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amount
U.S. Department of Housing and Urban Development Community Development Block Grant	U.S Department of Housing and Development / City of Oklahoma City	14.218	B-17-MC-40- 0003	\$ 836,486
				<u>\$ 836,486</u>

See notes to schedule of expenditures of federal awards.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (“SEFA”) includes the federal award activity of the Oklahoma City Urban Renewal Authority (the “Authority”) under programs of the federal government for the year ended June 30, 2023. The information in this SEFA is presented in accordance with the requirement of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA 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 position of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified cash basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. SUBRECIPIENTS

The Authority did not provide federal awards to subrecipients during the year ended June 30, 2023.

OKLAHOMA CITY URBAN RENEWAL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified
 Prepared in accordance with a special purpose framework - cash basis

Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:
 Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor’s report issued on noncompliance for major federal programs: _____ Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant

Dollar threshold used to distinguish Between Type A and Type B programs: _____ \$750,000

Auditee qualified as low-risk auditee? _____ yes x no

OKLAHOMA CITY URBAN RENEWAL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None

Internal Control Findings

None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None

OKLAHOMA CITY URBAN RENEWAL AUTHORITY
SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

No Prior Year Audit Findings