

**LAWTON URBAN RENEWAL AUTHORITY**

**A Component-unit of  
The City of Lawton**

**Financial Statements  
For the Year Ended June 30, 2011**

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# ROBERT D. TURNER C.P.A.

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Lawton  
Urban Renewal Authority  
Lawton, Oklahoma

I have audited the accompanying Statements of Net Assets of the Lawton Urban Renewal Authority as of June 30, 2011, and the Related Statements of Activities and Changes in Net Assets, and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Lawton Urban Renewal Authority as of June 30, 2011, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Lawton Urban Renewal Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 2, 2012, on my consideration of Lawton Urban Renewal Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report

is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

*Robert D. Turner*

Robert D. Turner  
Certified Public Accountant  
November 2, 2012

**LAWTON URBAN RENEWAL AUTHORITY**

A Component-unit of City of Lawton  
(an Oklahoma Public Trust)

Statement of Net Assets  
June 30, 2011

**ASSETS**

**Current Assets:**

Cash	\$ 554,740
Accounts Receivable – LEDA (Note 5)	<u>128,872</u>

**Total current assets** \$ 683,612

**Noncurrent Assets**

Capital Assets:

Land & Buildings (Note 6)	11,318,338
Equipment	9,417
Less accumulated depreciation	<u>(9,417)</u>

**Total noncurrent assets** 11,318,338

**Total Assets** 12,001,950

**LIABILITIES**

**Current Liabilities:**

Accounts payable –LEDA (Note 5)	<u>6,400</u>
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Total current liabilities 6,400

Total Liabilities 6,400

**NET ASSETS**

Invested in capital assets net of debt	11,318,338
Unrestricted	<u>677,212</u>

Total Net Assets 11,995,550

Total Liabilities and Net Assets \$ 12,001,950

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**LAWTON URBAN RENEWAL AUTHORITY**

A Component-unit of City of Lawton

(an Oklahoma Public Trust)

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ending June 30, 2011

**Operating Revenues**

Capital grants and contributions - LEDA	\$ 1,362,655	
Rent Income	<u>23,997</u>	
Total Operating Revenues		\$ 1,386,652

**Operating Expenses**

Bank charges	754	
Filing Fees	2,025	
LEDA expense (Note 5)	122,090	
Legal fees	16,489	
Mowing	41,354	
Office Supplies	276	
Tetra Tech	<u>1,793</u>	
Total Operating Expenses		<u>184,781</u>

**Operating Income (Loss)** 1,201,871

**Nonoperating Revenues (Expenses)**

Interest Income	<u>924</u>
Total Nonoperating Revenues (Expenses)	<u>924</u>

**Change in Net Assets** 1,202,795

Net Assets beginning of year 10,792,755

**Net Assets end of year** \$ 11,995,550

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LAWTON URBAN RENEWAL AUTHORITY

A Component-unit of City of Lawton  
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Statement of Cash Flow  
For the Year Ending June 30, 2011

CASH FLOW FROM OPERATING ACTIVITIES:

Rent income collected	\$ 23,997
Cash received from LEDA	1,233,783
Cash received from BEDI grant	500,000
Cash paid for expenses	<u>(188,431)</u>

Net cash provided (used) by operating activities 1,569,349

CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:

Increase in land & building	<u>(1,194,246)</u>
Net cash provided (used) from capital financing activities	(1,194,246)

CASH FLOW FROM INVESTING ACTIVITIES:

Interest on investments	<u>924</u>
Net cash provided (used) from investing activities	<u>924</u>

Net increase (decrease) cash 376,027

Cash and cash equivalents, beginning	<u>178,713</u>
Cash and cash equivalents, ending	<u>\$ 554,740</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED  
(USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 1,201,871
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	(128,872)
(Increase) decrease in grant receivable	500,000
Increase (decrease) in accounts payable	<u>(3,650)</u>
Net Cash provided by operating activities	<u>\$ 1,569,349</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

# LAWTON URBAN RENEWAL AUTHORITY

A Component-unit of City of Lawton  
(an Oklahoma Public Trust)

Notes to Financial Statements  
For the Year Ending June 30, 2011

## **1. Organization**

The Lawton Urban Renewal Authority (LURA) was created by a vote of the qualified voters of the City of Lawton, in an election March 20, 1962. The purpose of the Lawton Urban Renewal Authority is rehabilitation, conservation, and redevelopment of blighted areas within the corporate limits of the City of Lawton. This Authority is required to have an annual audit in accordance with Oklahoma Statute title 60 section 80.2. It is considered a component-unit of the City of Lawton as defined by Government Accounting Standards.

## **2. Summary of Significant Accounting Policies**

This report is prepared in conformity with U.S. Generally accepted Accounting Principles (GAAP) and the provisions of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements for State and Local Governments*. GASB Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities which include a Statement of Net Assets, a Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows.

Basis of Accounting – The Authority is considered a proprietary component-unit of the City of Lawton. The financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred. The Statement of Activities and Changes in Net Assets is a statement of financial activities related to the current reporting period.

Government –wide Financial Statements -- The adopted GASB Statements require that the overall financial condition of the Authority be displayed in three entity-wide financial statements. These are the Statement of Net Assets; the Statement of Activities and Changes in Net Assets; and the Statement of Cash Flows. These include all financial activity of the Authority.

GASB Statement No. 20 Election -- Pursuant to the election option made available by GASB Statement No 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, pronouncements of the Financial Accounting Services Board (FASB) issued after November 30, 1989, are not applied in the preparation of the business-type activities and the enterprise fund financial statements.



LAWTON URBAN RENEWAL AUTHORITY

A Component-unit of City of Lawton  
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Notes to Financial Statements  
For the Year Ending June 30, 2011

GASB Statement No. 34 requires that the Statement of Net Assets classify net assets into three components: invested in capital assets, net of related debt; restricted, and unrestricted. These classifications are defined as follows.

Invested in Capital Assets, Net of Related Debt -- This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of investment in capital assets, net of related debt. Rather, that portion of the debt is included in the net assets component as the unspent proceeds.

Restricted Net Assets -- This component of net assets consists of constraints placed on net asset use through external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

Unrestricted Net Assets -- This component of net assets consists of those net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Inventories -- Costs of supplies and materials are recorded as expenses at the time individual items are purchased.

Use of Estimates -- Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities and net assets, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents -- the Authority considers cash on hand, demand deposits, and interest bearing accounts, as cash equivalents.

Investments -- All investments are recorded at fair value.

LAWTON URBAN RENEWAL AUTHORITY

A Component-unit of City of Lawton  
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Notes to Financial Statements  
For the Year Ending June 30, 2011

Capital Assets -- Acquisitions of property and equipment with a useful life of more than one year are recorded as additions to fixed assets. Depreciation of property and equipment has been calculated on the estimated useful lives using the straight-line method and a five year life.

The Authority intends to hold the property acquired on 2<sup>nd</sup> Street until it is sold to a developer. Since this holding period and the useful life of the property cannot be determined, no depreciation is necessary.

Operating and Nonoperating Revenue and Expenses -- The proprietary fund financial statements distinguish operating revenues from nonoperating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the respective fund. Nonoperating revenues and expenses are all those that do not meet the criteria described previously.

Statements of Cash Flows -- In accordance with FASB Statement No. 95, *Statement of Cash Flows*, as amended by FASB Statement No. 117, the accompanying financial statements include a Statement of Cash Flows which is presented using the direct method.

Income Tax Status -- the Authority qualifies as an organization exempt from income taxes. As a government instrumentality, no provision has been made for federal or state income taxes.

### **3. Deposits and Deposit Risk**

The Lawton Urban Renewal Authority is governed by the deposit and investment limitations of state law. The Authority held the following deposits at June 30, 2011 and reported at fair value, are as follows:

<u>Type</u>	<u>Carrying Value</u>
Demand deposits	\$ 554,740
Time deposits	<u>0</u>
	<u>554,740</u>
Investments	<u>0</u>
Total deposits & Investments	<u><u>\$ 554,740</u></u>

LAWTON URBAN RENEWAL AUTHORITY

A Component-unit of the City of Lawton  
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Notes to Financial Statements  
For the Year Ending June 30, 2011

**3. Deposits and Deposit Risk**

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash and cash equivalents at June 30, 2011 were \$ 659,853. These funds were insured by the FDIC or secured with collateral held by the Authority's agent in the Authority's name.

Investment Interest Rate Risk – The Authority has no normal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk – The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Concentration of Investment Credit Risk – The Authority places no limit on the amount it may invest in any one issuer.

LAWTON URBAN RENEWAL AUTHORITY

A Component-unit of Comanche County  
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Notes to Financial Statements  
For the Year Ending June 30, 2011

**4. Leases**

LURA has entered into lease agreements for property which has been purchased but not developed. It is LURA's intent to renew these leases on a month to month basis until the property is sold to a developer

**5. Related Party Transactions**

LURA is a public trust of which the City of Lawton is the beneficiary, as is the Lawton Economic Development Authority (LEDA). Pursuant to a pledge agreement dated April 27<sup>th</sup>, 2007, LURA is to acquire land and other property identified in the downtown revitalization project Phase IA and other downtown Lawton TIF projects. The funds used to acquire this property were obtained from LEDA which sold a capital improvement note not to exceed \$12,000,000 at any one time to BancFirst. As a condition of this note, the lender required an agreement from LURA that upon the sale or lease of any acquired assets the proceeds of such sale or lease shall be used to reduce the principal and accrued interest on the note until such time as the note has been paid in full. The note has a maturity date of December 5, 2011, and can be extended, on one or more occasions for a term or terms extending until October 1<sup>st</sup>, 2014.

LURA collected \$23,997 in rent income during the year ending June 30, 2011. This rent income was generated from the rental of property which has been purchased but not developed. LURA remitted \$17,597 to LEDA during the year ending June 30, 2011. As a result, there is an accounts payable to LEDA on the Statement of Net Assets of \$6,400.

There is also an accounts receivable from LEDA in the amount of \$128,872. This amount represents property acquisition costs which have been paid by LURA, which pursuant to the agreement with LEDA are to be reimbursed by LEDA.

LAWTON URBAN RENEWAL AUTHORITY

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Notes to Financial Statements  
For the Year Ending June 30, 2011

**6. Capital Assets**

During the year ended June 30, 2011, the following changes in capital assets occurred:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/11</u>
<b>Business type activities:</b>				
Capital assets, not being depreciated:				
Land and Building	\$ 10,124,092	\$ 1,193,946	\$ 0	\$ 11,318,038
Total capital assets, not being depreciated	<u>10,124,092</u>	<u>1,193,946</u>	<u>0</u>	<u>11,318,038</u>
Capital assets, being depreciated				
Equipment	9,417	0	0	9,417
Total capital assets, being depreciated	<u>9,417</u>	<u>0</u>	<u>0</u>	<u>9,417</u>
Less accum depreciation for				
Equipment	<u>(9,417)</u>	<u>0</u>	<u>0</u>	<u>(9,417)</u>
Total accum depreciation	<u>(9,417)</u>	<u>0</u>	<u>0</u>	<u>(9,417)</u>
Total capital assets being depreciated, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Business-type activities capital Assets, net	<u>\$ 10,124,092</u>	<u>\$ 1,193,946</u>	<u>\$ 0</u>	<u>\$ 11,318,038</u>

**7. Commitments & Contingencies**

Pursuant to a pledge agreement dated April 27<sup>th</sup>, 2007, LURA is to acquire land and other property identified in the downtown revitalization project Phase IA and other downtown Lawton TIF projects. As a result of this pledge agreement, the property acquired by LURA reflected on the balance sheet of \$11,318,338, is collateral on the loan reflected on LEDA's balance sheet of \$11,999,747 plus accrued interest on June 30, 2011 of \$99,760.

**8. Subsequent Events**

The Authority did not have any subsequent events through November 2, 2012, which is the date of the financial statements for the year ending June 30, 2011.

# ROBERT D. TURNER C.P.A.

808 WEST GORE BLVD. • LAWTON, OK 73501 • (580) 248-7738 • fax (877) 366-0330

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## 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 Members of  
Lawton Urban Renewal Authority

I have audited the financial statements of the Lawton Urban Renewal Authority as of and for the year ended June 30, 2011 and have issued my report thereon dated November 2, 2012. I conducted my audit in accordance with 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.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lawton Urban Renewal Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lawton Urban Renewal Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Lawton Urban Renewal Authority's internal control over financial reporting.

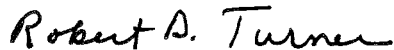
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawton Urban Renewal Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the members, management, City Council, and State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Robert D. Turner". The signature is written in a cursive style with a large, stylized 'R' and 'T'.

Robert D. Turner  
Certified Public Accountant  
November 2, 2012