

LAWTON URBAN RENEWAL AUTHORITY

**A Component Unit of the City of Lawton
(an Oklahoma Public Trust)**

**Financial Statements
For the Year Ended June 30, 2012**

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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, 2012, and the Related Statements of Activities, Changes in Net Assets, and 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, 2012, 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 January 15, 2014, 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 control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

Robert D. Turner

Robert D. Turner
Certified Public Accountant
January 15, 2014

Lawton Urban Renewal Authority

A Component Unit of the City of Lawton
(an Oklahoma Public Trust)
Statement of Net Assets
As of June 30, 2012

ASSETS

Current Assets

Cash	\$	160,161	
Accounts Receivable		<u>355,968</u>	
Total Current Assets			\$ 516,129

Fixed Assets

Land and Building		11,638,226	
Equipment		9,417	
Less Accumulated Depreciation		<u>(9,417)</u>	
Total Net Fixed Assets			<u>11,638,226</u>

TOTAL ASSETS

\$ 12,154,355

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts Payable	\$	<u>3,150</u>	
Total Current Liabilities			\$ 3,150

Net Assets

Invested in Capital Assets net of related debt		11,638,226	
Unrestricted Net Assets		<u>512,979</u>	
Total Net Assets			<u>12,151,205</u>

TOTAL LIABILITIES AND FUND BALANCE

\$ 12,154,355

Please see accompanying notes to the financial statements.

Lawton Urban Renewal Authority
A Component Unit of the City of Lawton
(an Oklahoma Public Trust)
Statement of Activities and Changes in Net Assets
For the Year Ending June 30, 2012

<u>Operating Revenues</u>		
Contributions from LEDA	\$	227,096
Rent Income		<u>19,450</u>
Total Operating Revenues	\$	246,546
 <u>Operating Expenses</u>		
Tetra Tech		28,716
LEDA Expense		19,350
Financials		15,300
Mowing Expense		26,316
Insurance		695
Legal Fees		400
Bank Charges		367
Filing Fees		<u>31</u>
Total Operating Expenses		<u>91,175</u>
Operating Income (Loss)		155,371
 <u>Non - Operating Revenues</u>		
Interest Income		<u>284</u>
Total Non - Operating Revenues		<u>284</u>
Change in Net Assets		155,655
<u>Net Assets Beginning of Year</u>		<u>11,995,550</u>
<u>Net Assets End of Year</u>	\$	<u><u>12,151,205</u></u>

Please see accompanying notes to the financial statements.

Lawton Urban Renewal Authority
A Component Unit of the City of Lawton
(an Oklahoma Public Trust)
Statement of Cash Flow
For the Year Ending June 30, 2012

<u>Cash Flows from Operating Activities</u>		
Rent Income Collected	\$ 19,450	
Cash Paid for Expenses	<u>(94,425)</u>	
Net Cash Provided by Operating Activities		\$ (74,975)
<u>Cash Flows from Financing Activities</u>		
Increase in Land and Buildings	<u>(319,888)</u>	
Net Cash Provided (Used) by Investing Activities		(319,888)
<u>Cash Flows from Investing Activities</u>		
Interest Income	<u>284</u>	
Net Cash Provided (Used) by Investing Activities		<u>284</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>		(394,579)
<u>Cash and Cash Equivalents - June 30, 2011</u>		<u>554,740</u>
<u>Cash and Cash Equivalents - June 30, 2012</u>		<u><u>\$ 160,161</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>		
Operating Income (Loss)		\$ 155,371
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities		
Increase in Accounts Receivable		(227,096)
Decrease in Accounts Payable		<u>(3,250)</u>
Net Cash Provided by Operating Activities		<u><u>\$ (74,975)</u></u>

Please see accompanying notes to the 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, 2012

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
(an Oklahoma Public Trust)

Notes to Financial Statements
For the Year Ending June 30, 2012

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."

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, 2012

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 2nd 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, 2012 and reported at fair value, are as follows:

<u>Type</u>	<u>Carrying Value</u>
Demand deposits	\$ 160,161
Time deposits	0
	<u>160,161</u>
Investments	0
Total deposits & Investments	<u>\$ 160,161</u>

LAWTON URBAN RENEWAL AUTHORITY

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

Notes to Financial Statements
For the Year Ending June 30, 2012

3. Deposits and Deposit Risk

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash and cash equivalents at June 30, 2012 were \$ 160,161, which is below the FDIC limit.

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
(an Oklahoma Public Trust)**

**Notes to Financial Statements
For the Year Ending June 30, 2012**

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 27th, 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 1st, 2014.

LURA collected \$19,450 in rent income during the year ending June 30, 2012. This rent income was generated from the rental of property which has been purchased but not developed. LURA remitted \$19,350 to LEDA during the year ending June 30, 2012.

There is also an accounts receivable from LEDA in the amount of \$355,968. 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

A Component-unit of the City of Lawton
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Notes to Financial Statements
For the Year Ending June 30, 2012

6. Capital Assets

During the year ended June 30, 2012, the following changes in capital assets occurred:

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/12</u>
Business type activities:				
Capital assets, not being depreciated:				
Land and Building	\$ 11,318,038	\$ 319,888	\$ 0	\$ 11,638,226
Total capital assets, not being depreciated	<u>11,318,038</u>	<u>319,888</u>	<u>0</u>	<u>11,638,226</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>\$ 11,318,038</u>	<u>\$ 319,888</u>	<u>\$ 0</u>	<u>\$ 11,638,226</u>

7. Commitments & Contingencies

Pursuant to a pledge agreement dated April 27th, 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 \$11,483,217 is collateral on the loan reflected on LEDA's balance sheet.

8. Subsequent Events

Subsequently to the financial statement date of June 30, 2012, the property pledged as collateral on the LEDA note referred to in note 7 was transferred to LEDA. The Authority did not have any additional subsequent events through January 15, 2014, which is the date of the financial statements for the year ending June 30, 2012.

ROBERT D. TURNER C.P.A.

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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 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, 2012 and have issued my report thereon dated January 15, 2014. 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.

Robert D. Turner

Robert D. Turner
Certified Public Accountant
January 15, 2014