

LAWTON URBAN RENEWAL AUTHORITY

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

**Financial Statements
For the Year Ended June 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statement

I have audited the accompanying statement of net position of the Lawton Urban Renewal Authority (a component unit of the City of Lawton and an Oklahoma public trust) as of June 30, 2013, and the related statements of revenues, expenses and changes in net position, cash flows and the related notes to the financial statements for the year then ended comprising the basic financial statements of the component unit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

My responsibility is to express an opinion 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

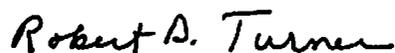
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lawton Urban Renewal Authority, as of June 30, 2013, and the changes in financial position and cash flows thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The Lawton Urban Renewal Authority has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 21, 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, and 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* in considering Lawton Urban Renewal Authority's internal control over financial reporting and compliance.



Robert D. Turner, CPA
May 21, 2014

Lawton Urban Renewal Authority

A Component Unit of the City of Lawton

(an Oklahoma Public Trust)

Statement of Net Position

As of June 30, 2013

ASSETS

Current Assets

Cash	\$	140,324
Accounts Receivable, Current, LEDA		1,304

Total Current Assets		<hr/>	\$	141,628
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Longterm Assets

Receivable from LEDA		<hr/>	540,016
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540,016

Fixed Assets

Land		343,773	
Equipment		9,417	
Less Accumulated Depreciation		<hr/>	(9,417)

Total Net Fixed Assets		<hr/>	<hr/>	343,773
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TOTAL ASSETS			\$	<hr/> <hr/>	1,025,417
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LIABILITIES AND NET POSITION

<u>Current Liabilities</u>			\$	-
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Longterm Liabilities

Payable to City of Lawton	\$	<hr/>	96,079
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Total Current Liabilities				96,079
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Net Position

Invested in Capital Assets net of related debt		343,773
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Unrestricted Net Position		<hr/>	585,565
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Total Net Position		<hr/>	<hr/>	929,338
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TOTAL LIABILITIES AND NET POSITION			\$	<hr/> <hr/>	1,025,417
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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 Position
For the Year Ending June 30, 2013

<u>Operating Revenues</u>		
Contributions from LEDA	\$ 195,460	
Rent Income	3,150	
Other Income	<u>15</u>	
Total Operating Revenues		\$ 198,625
<u>Operating Expenses</u>		
Tetra Tech	8,719	
Professional Fees	4,333	
LEDA Expense	3,150	
Financials	6,700	
Mowing Expense	4,360	
Insurance	694	
Legal Fees	448	
Bank Charges	137	
Filing Fees	<u>184</u>	
Total Operating Expenses		<u>28,725</u>
Operating Income (Loss)		169,900
<u>Non - Operating Revenues</u>		
Interest Income	<u>89</u>	
Total Non - Operating Revenues		<u>89</u>
Change in Net Position Before Adjustment and Property Transfer		169,989
Transfer of Phase 1 Property to LEDA		(11,602,270)
Prior Period Adjustment (note 7)		<u>210,414</u>
Change in Net Position After Adjustment and Property Transfer		(11,221,867)
<u>Net Position Beginning of Year</u>		<u>12,151,205</u>
<u>Net Position End of Year</u>		<u><u>\$ 929,338</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, 2013

Cash Flows from Operating Activities

Contributions from LEDA	\$	106,187
Rent Income Collected		3,150
Other Income		15
Cash Paid for Expenses		<u>(31,875)</u>

Net Cash Provided by Operating Activities \$ 77,477

Cash Flows from Financing Activities

Land Improvements		(307,817)
Prior Period Adjustment to Land (note 7)		<u>210,414</u>

Net Cash Provided (Used) by Investing Activities (97,403)

Cash Flows from Investing Activities

Interest Income		<u>89</u>
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Net Cash Provided (Used) by Investing Activities 89

Net Increase (Decrease) in Cash and Cash Equivalents (19,837)

Cash and Cash Equivalents - June 30, 2012 160,161

Cash and Cash Equivalents - June 30, 2013 \$ 140,324

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income (Loss)	\$	169,900
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities		
Increase in Accounts Receivable		(89,273)
Decrease in Accounts Payable		<u>(3,150)</u>

Net Cash Provided by Operating Activities \$ 77,477

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, 2013

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 Position, a Statement of Activities and Changes in Net Position, 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 Position 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 Position; the Statement of Activities and Changes in Net Position; 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, 2013**

GASB Statement No. 34 requires that the Statement of Net Position classify Net Position 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 Position 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 Position component as the unspent proceeds.

Restricted Net Position -- This component of Net Position 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 Position -- This component of Net Position consists of those Net Position 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 Position, 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
(an Oklahoma Public Trust)

Notes to Financial Statements
For the Year Ending June 30, 2013

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.

Receivable from LEDA -- The accounts receivable from LEDA which management has determined will not be collected within the year following the reporting period have been reclassified to "Receivable from LEDA Long Term". It is anticipated by management that these receivables will be collected as TIF funds are available.

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, 2013 and reported at fair value, are as follows:

<u>Type</u>	<u>Carrying Value</u>
Demand deposits	\$ 140,324
Time deposits	0
	<u>140,324</u>
Investments	0
Total deposits & Investments	<u>\$ 140,324</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, 2013

3. Deposits and Deposit Risk

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash and cash equivalents at June 30, 2013 were \$ 141,200, 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.

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.

LAWTON URBAN RENEWAL AUTHORITY
A Component-unit of Comanche County
(an Oklahoma Public Trust)

Notes to Financial Statements
For the Year Ending June 30, 2013

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.

On September 12, 2012 the Trustee approved the transfer to Lawton Economic Development Authority the land described as Lots 1 through 6, Block 1, Lawton Downtown Center. This property was transferred on the same date in the amount of \$ 11,602,270.

LURA collected \$ 3,150 in rent income during the year ending June 30, 2013. This rent income was generated from the rental of property which has been purchased but not developed. LURA remitted \$ 3,150 to LEDA during the year ending June 30, 2013.

There is also an accounts receivable from LEDA in the amount of \$ 1,304 and receivable from LEDA long term \$540,016. 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
(an Oklahoma Public Trust)

Notes to Financial Statements
For the Year Ending June 30, 2013

6. Capital Assets

During the year ended June 30, 2013, the following changes in capital assets occurred:

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/13</u>
Business type activities:				
Capital assets, not being depreciated:				
Land	\$ 11,638,226	\$ 307,817	\$ 11,602,270	\$ 343,773
Total capital assets, not being depreciated	<u>11,638,226</u>	<u>307,817</u>	<u>11,602,270</u>	<u>343,773</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>\$ 11,638,226</u>	<u>\$ 307,817</u>	<u>\$ 11,602,270</u>	<u>\$ 343,773</u>

7. Prior Period Adjustment

The prior period adjustments were for interest paid on LEDA's bank note (\$ 98,093) an amount owed to the City for landfill expense (\$ 96,079), and mowing expense (\$ 16,242) associated with Phase I property for a total of \$ 210,414.

8. Subsequent Events

The Authority did not have any additional subsequent events through May 21, 2014, which is the date of the financial statements for the year ending June 30, 2013.

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, 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 statement of net position and the related statements of revenues, expenses and changes in net position and cash flows of Lawton Urban Renewal Authority as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Lawton Urban Renewal Authority's basic financial statement and issued my report thereon dated May 21, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lawton Urban Renewal Authority's control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion 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. 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to material weaknesses. However, material weaknesses may exist that have not been identified.

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, and other matters 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 test 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 my 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.

This report is intended solely for the information and use of the finance committee, management, Board of Trustees, and Oklahoma State Auditor and Inspector'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, C.P.A.
May 21, 2014