

LAWTON URBAN RENEWAL AUTHORITY

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

**Financial Statements
For the Year Ended June 30, 2014**

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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

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, 2014, 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, 2014, 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 January 30, 2015, 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

Robert D. Turner, CPA
January 30, 2015

LAWTON URBAN RENEWAL AUTHORITY

A Component Unit of the City of Lawton
(an Oklahoma Public Trust)
Statement of Net Position
As of June 30, 2014

ASSETS

Current Assets

Cash	\$ 129,960	
Total Current Assets		\$ 129,960

Longterm Assets

Receivable from LEDA	542,471	
		542,471

Fixed Assets

Land	314,604	314,604
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TOTAL ASSETS	\$ 987,035
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LIABILITIES AND NET POSITION

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

Payable to City of Lawton	\$ 96,079	
Total Current Liabilities		96,079

Net Position

Investment in Capital Assets	314,604	
Unrestricted Net Position	576,352	
Total Net Position		890,956

TOTAL LIABILITIES AND NET POSITION	\$ 987,035
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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, 2014

Operating Revenues

Reimbursement from LEDA	\$ 2,455	
Loss on Sale of Land	<u>(22,806)</u>	
 Total Operating Revenues		 \$ (20,351)

Operating Expenses

Bank Charges	226	
Filing Fees	105	
Insurance	494	
Legal Publications	218	
Mowing Expense	6,108	
Office Supplies	472	
Professional Fees	<u>10,482</u>	
 Total Operating Expenses		 <u>18,105</u>
 Operating Income (Loss)		 (38,456)

Non - Operating Revenues

Interest Income	<u>74</u>	
Total Non - Operating Revenues		<u>74</u>

Change in Net Position (38,382)

Net Position Beginning of Year 929,338

Net Position End of Year \$ 890,956

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, 2014

Cash Flows from Operating Activities

Sales From Land	\$ 13,833	
Received From LETA	1,304	
Payments to Suppliers	(18,105)	
	<u>(7,470)</u>	
Net Cash Provided by Operating Activities		\$ (10,438)

Cash Flows from Investing Activities

Equipment retired	9,417	
Accumulated Depreciation on Equipment Retired	(9,417)	
Interest Income	74	
	<u>74</u>	
Net Cash Provided (Used) by Investing Activities		<u>74</u>

Net Increase (Decrease) in Cash and Cash Equivalents (10,364)

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

Cash and Cash Equivalents - June 30, 2014 \$ 129,960

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income (Loss)	\$ (38,456)	
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities		
Increase in Accounts Receivable	(1,151)	
Net Decrease in Land	<u>29,169</u>	
Net Cash Provided by Operating Activities		<u>\$ (10,438)</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, 2014

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 GAAP and the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – 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 Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Basis of Accounting - The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the accounting period in which the liability is incurred.

Operating revenues for the Trust result from providing adult detention services in connection with its principal ongoing operations. Operating expenses include personnel cost, facility cost, supplies, general administrative, and depreciation on capital assets. Revenues and expenses not meeting those definitions are reported as nonoperating revenues and expenses.

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 Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These include all financial activity of the Authority.

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, 2014

The financial statements are presented using the “business-type activities” approach. Business-type activities are those that provide specific, divisible services to residents or businesses and are funded primarily by user charges.

GASB Statement No. 34 requires that the Statement of Net Position classify net position into three components: investment in capital assets, restricted, and unrestricted. These classifications are defined as follows.

Investment in Capital Assets - 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 net investment in capital assets. 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 position 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 the net position that does not meet the definition of “restricted” or “net investment in capital assets.”

During the year ended June 30, 2014, the Authority adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (“GASB 70”). The purpose of GASB 70 is to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The Trust’s management has concluded that adoption of GASB 70 has no significant impact on the Authority’s financial reporting process.

Deferred Outflows of Resources - In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Trust had no deferred outflows as of June 30, 2014.

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, 2014

Deferred Inflows of Resources - In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Trust had no deferred outflows as of June 30, 2014.

Long Lived Assets - Management reviews the recoverability of its long-lived assets in accordance with the provisions of GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. GASB 42 requires recognition of impairment of long-lived assets in the event the assets service utility has declined significantly and unexpectedly. Accordingly, management evaluates assets' recoverability annually or when an event occurs that may impair recoverability of the asset.

Adoption of Recent Accounting Standards - During the year ended June 30, 2014, the Trust adopted GASB Statement No. 66, *Technical Corrections - 2012* ("GASB 66"). The purpose of GASB 66 is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("GASB 62"). The Trust's management has concluded that adoption of GASB 66 has no significant impact on the Authority's financial reporting process.

New Accounting Pronouncements - The GASB has issued several new account pronouncements, which will be effective for the Authority in subsequent years. A description of the new accounting pronouncements and the fiscal year in which they are effective are described below:

Fiscal Year Ended June 30, 2015:

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). The purpose of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of GASB 68 are effective for periods beginning after June 15, 2014. Earlier application is encouraged.

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, 2014

In January of 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB 69"). The purpose of GASB 69 is to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. The provisions of GASB 69 are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

In November of 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). The purpose of GASB 71 is to improve accounting and financial reporting by addressing an issue regarding application of an issue in GASB Statement No. 68 ("GASB 68"), *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of GASB 68 by employers and nonemployer contributing entities. The provisions of GASB 71 should be applied simultaneously with the provisions of GASB 68.

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, interest bearing accounts, and investments with a maturity of 90 days or less to be cash and cash equivalents except for cash and investments restricted for the bond program.

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, 2014

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, 2014 and reported at fair value, are as follows:

<u>Type</u>	<u>Carrying Value</u>
Demand deposits	\$ 137,430
Time deposits	<u>0</u>
	<u>137,430</u>
Investments	<u>0</u>
Total deposits & Investments	<u>\$ 137,430</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, 2014**

3. Deposits and Deposit Risk

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash and cash equivalents at June 30, 2014 were \$ 137,430, 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, 2014

6. Capital Assets

During the year ended June 30, 2014, the following changes in capital assets occurred:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/14</u>
Business type activities:				
Capital assets, not being depreciated:				
Land	\$ 343,773	\$ 7,470	\$ 36,639	\$ 314,604
Total capital assets, not being depreciated	<u>343,773</u>	<u>7,470</u>	<u>36,639</u>	<u>314,604</u>
Capital assets, being depreciated				
Equipment	9,417	0	9,417	
Total capital assets, being depreciated	<u>9,417</u>	<u>0</u>	<u>9,417</u>	
Less accum. depreciation for				
Equipment	<u>(9,417)</u>	<u>0</u>	<u>0</u>	
Total accum. depreciation	<u>(9,417)</u>	<u>0</u>	<u>0</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>\$ 314,604</u>

4. Related Party Transactions

LURA is a public authority 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.

LAWTON URBAN RENEWAL AUTHORITY

A Component-unit of Comanche County
(an Oklahoma Public Trust)

Notes to Financial Statements
For the Year Ending June 30, 2014

The accounts receivable from LEDA are the results of expenses paid for acquisition of properties described in the previous paragraph for which LURA has not been reimbursed. The amount of these receivables at June 30, 2014 is \$542,471. 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.

7. Subsequent Events

Management has evaluated subsequent events through January 30, 2015, which is the date of the financial statements for the year ending June 30, 2014.

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*

Board of Trustees
Lawton Urban Renewal Authority
Lawton, Oklahoma

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 financial statements of Lawton Urban Renewal Authority, and as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lawton Urban Renewal Authority's basic financial statements, and have issued my report thereon date January 30, 2015.

Internal Control over Financial Reporting

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

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 be 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 from 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*.

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.

Robert D. Turner

Robert D. Turner, CPA
January 30, 2015