

Oklahoma City Urban Renewal Authority
Independent Auditor's Reports and Financial Statements
(Modified Cash Basis)
June 30, 2018



Oklahoma City Urban Renewal Authority
June 30, 2018

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements – modified cash basis of the governmental activities and each major fund of Oklahoma City Urban Renewal Authority (the Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in *Note 1*; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities and each major fund of the Oklahoma City Urban Renewal Authority as of June 30, 2018, and the respective changes in financial position – modified cash basis thereof for the year then ended in accordance with the basis of accounting described in *Note 1*.

Emphasis of Matter

We draw attention to *Note 1* of the financial statements, which describes the basis of accounting. The basic financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management’s discussion and analysis and budgetary comparison information 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority’s basic financial statements. The supplementary information consisting of combining general fund financial statements – modified cash basis and the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The combining general fund financial statements – modified cash basis have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Tulsa, Oklahoma
December 21, 2018

Oklahoma City Urban Renewal Authority
Statement of Net Position
(Modified Cash Basis)
June 30, 2018

Assets

Cash and cash equivalents	\$ 5,523,242
Investments	2,215,642
Due from other governmental entities	<u>247,601</u>
Total assets	<u><u>\$ 7,986,485</u></u>

Liabilities

Deposits	<u>900</u>
Total liabilities	<u>900</u>

Net Position

Restricted – economic development	5,728,950
Restricted – City of Oklahoma City	396,716
Unrestricted	<u>1,859,919</u>
Total net position	<u>7,985,585</u>
Total liabilities and net position	<u><u>\$ 7,986,485</u></u>

Oklahoma City Urban Renewal Authority

Statement of Activities (Modified Cash Basis) Year Ended June 30, 2018

	Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Net Revenues (Expenses)
Governmental Activities			
Economic development	\$ 5,862,741	\$ 651,275	\$ 2,748,788
Expenditures to the City	534,895	-	-
Total governmental activities	<u>\$ 6,397,636</u>	<u>\$ 651,275</u>	<u>\$ 2,748,788</u>
General Revenues			
Investment income			33,645
Real estate sales			354,960
Other			2,346
Total general revenues			<u>390,951</u>
Change in Net Position			(2,606,622)
Net Position, Beginning of Year			<u>10,592,207</u>
Net Position, End of Year			<u>\$ 7,985,585</u>

Oklahoma City Urban Renewal Authority
Balance Sheet – Governmental Funds
(Modified Cash Basis)
June 30, 2018

	General Fund	Oklahoma City Redevelopment Corporation	Bass Pro Shop Fund	Total
Assets				
Cash and cash equivalents	\$ 4,986,846	\$ 139,680	\$ 396,716	\$ 5,523,242
Investments	2,215,642	-	-	2,215,642
Due from other governmental entities	247,601	-	-	247,601
Total assets	<u>\$ 7,450,089</u>	<u>\$ 139,680</u>	<u>\$ 396,716</u>	<u>\$ 7,986,485</u>
Liabilities and Fund Balances				
Liabilities				
Deposits	\$ 900	\$ -	\$ -	\$ 900
Total liabilities	<u>900</u>	<u>-</u>	<u>-</u>	<u>900</u>
Fund Balances				
Restricted – economic development	5,728,950	-	-	5,728,950
Restricted – City of Oklahoma City	-	-	396,716	396,716
Committed	-	139,680	-	139,680
Unassigned	1,720,239	-	-	1,720,239
Total fund balances	<u>7,449,189</u>	<u>139,680</u>	<u>396,716</u>	<u>7,985,585</u>
Total liabilities and fund balances	<u>\$ 7,450,089</u>	<u>\$ 139,680</u>	<u>\$ 396,716</u>	<u>\$ 7,986,485</u>

Oklahoma City Urban Renewal Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
(Modified Cash Basis)
Year Ended June 30, 2018

	General Fund	Oklahoma City Redevelopment Corporation	Bass Pro Shop Fund	Total
Revenues				
Federal grant revenues	\$ 2,025,639	\$ -	\$ -	\$ 2,025,639
Rentals	22,070	-	629,205	651,275
Real estate sales	354,960	-	-	354,960
Interest	33,297	348	-	33,645
Core to Shore MAPS 3 project (City of Oklahoma City)	123,149	-	-	123,149
Core to Shore Buffer project (Oklahoma City Economic Development Trust)	600,000	-	-	600,000
Other	2,346	-	-	2,346
	<u>3,161,461</u>	<u>348</u>	<u>629,205</u>	<u>3,791,014</u>
Total revenues				
Expenditures				
General and administrative	1,064,907	2,560	69,918	1,137,385
Real estate acquisition	2,361,015	-	-	2,361,015
Property disposition	892,020	-	-	892,020
Site improvements	-	-	7,298	7,298
Legal and professional	541,454	12	-	541,466
Property management	2,447	-	144,604	147,051
Business improvements	767,028	-	8,746	775,774
Expenditures to the City	164,005	-	370,890	534,895
Other	732	-	-	732
	<u>5,793,608</u>	<u>2,572</u>	<u>601,456</u>	<u>6,397,636</u>
Total expenditures				
Excess (Deficiency) of Revenues over Expenditures and Net Change in Fund Balances				
	(2,632,147)	(2,224)	27,749	(2,606,622)
Other Financing Sources (Uses)				
Transfers in (out)	-	-	-	-
	<u>(2,632,147)</u>	<u>(2,224)</u>	<u>27,749</u>	<u>(2,606,622)</u>
Net Changes in Fund Balances				
Fund Balances, Beginning of Year	<u>10,081,336</u>	<u>141,904</u>	<u>368,967</u>	<u>10,592,207</u>
Fund Balances, End of Year	<u>\$ 7,449,189</u>	<u>\$ 139,680</u>	<u>\$ 396,716</u>	<u>\$ 7,985,585</u>

Oklahoma City Urban Renewal Authority

Notes to Financial Statements

(Modified Cash Basis)

June 30, 2018

Note 1: Summary of Significant Accounting Policies

Organization

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

Reporting Entity

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

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

Basis of Accounting and Presentation

The Authority's financial statements are reported on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The modified cash basis of accounting is based on the recording of cash and changes therein and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in GAAP. These modifications include adjustments for the following balances arising from cash transactions:

- Cash-based interfund receivables and payables
- Other cash-based receivables and payables
- Investment securities recorded at market value

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and accrued revenues and receivables) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements. In addition, redevelopment property and other property and equipment are not recorded, depreciation is not recorded and debt is not reflected as a liability.

Oklahoma City Urban Renewal Authority

Notes to Financial Statements

(Modified Cash Basis)

June 30, 2018

Government-Wide Financial Statements

The accompanying statements of net position and activities – modified cash basis display information about the Authority as a whole. The Authority’s activities are all governmental in nature. The Authority has no business-type activities, as defined by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

Fund Financial Statements

Fund financial statements are normally organized into funds, each of which is considered to be a separate accounting entity. A fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balances, revenues and expenditures/expenses.

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

- **General Fund** – The operating fund of the Authority. It includes and is used to account for all of the following activities:
 - **Closeout Project Fund** – Reflects the activity of three projects, which have been combined into one fund for financial statement purposes. A description of each project is as follows:
 - Oklahoma R-20 University Medical Center reflects all ongoing activities in the Health Sciences Center area that are financed by federal funds pursuant to a September 19, 1978, closeout agreement with HUD.
 - Oklahoma R-30 Central Business District reflects all ongoing activities in the Central Business District that are financed by federal funds pursuant to an October 16, 1979, closeout agreement with HUD.
 - Oklahoma R-35 John F. Kennedy Urban Renewal Area reflects all ongoing activities in the John F. Kennedy area that are financed by federal funds pursuant to an October 16, 1979, closeout agreement with HUD.
 - **Revolving Fund** – Used to pay general and administrative costs. A cost allocation process is utilized to determine the amounts transferred from the various other funds. The amount of transfer to the revolving account is recorded as a disbursement for general and administrative costs for each of the various funds. All revolving account disbursements have been included in the appropriate fund for which the underlying disbursements were made. The Revolving Fund records the reimbursement from other funds as a reduction of the expense and, therefore, reports no revenues or expenses.
 - **Core to Shore** – Consists of two funds, one of which is to be funded by the MAPS 3 initiative and the other which is to be funded through other sources, including allocation of Increment District No. 2, The City of Oklahoma City (TIF 2) tax revenue. The project is for the stated purpose of improving an area designated by the City Council, which has

Oklahoma City Urban Renewal Authority

Notes to Financial Statements

(Modified Cash Basis)

June 30, 2018

suffered decline and will also include a downtown public park, convention center and train station.

- ***Sports Entertainment Parking II (SEP II) Improvements Fund*** – Depicts activities related to the creation of a mixed-use development with a focus on entertainment, parking and supporting development for the MAPS initiative, including hotel and residential initiatives. The project is funded primarily by Closeout Project funds.
- ***Harrison-Walnut Other Fund*** – Depicts various activities in the Harrison-Walnut neighborhood that are funded primarily by the Closeout Project funds.
- ***Nonfederal Fund*** – A fund originally financed by the City in 1970 for carrying out activities deemed necessary or worthwhile by the Authority’s Board of Commissioners. It is not financed by federal or state funds.
- **Special Revenue Funds** – Designated as major funds by the Authority. It is used to separately account for the following specific funds or activities:
 - ***Oklahoma City Redevelopment Corporation*** – A nonprofit Oklahoma corporation that was created as a mechanism to dispose of downtown development property to independent developers and to provide a supportive role for the Authority’s redevelopment activities.
 - ***Bass Pro Shop Fund*** – Reflects activities related to the construction and subsequent lease of a facility in the Bricktown Entertainment District to be utilized by Bass Pro, Inc. Monies for the construction of the facility were provided by the City. The original lease, which commenced in November 2003, is for a period of 20 years, and rental income paid to the Authority pursuant to the lease, less certain amounts retained by the Authority for related expenses, are remitted to the City and reported as an expenditure to the City.

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018, cash equivalents consisted primarily of money market accounts with brokers.

Investments

Investments are stated at market value. Investments are comprised of certificates of deposit and a medium-term note issued by the Federal Home Loan Mortgage Corporation (FHLMC) acquired through cash transactions. They do not include real estate held for resale or held for development.

Oklahoma City Urban Renewal Authority

Notes to Financial Statements

(Modified Cash Basis)

June 30, 2018

Net Position Classifications

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

- **Nonspendable** – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash.
- **Restricted** – Consists of fund balance amounts with constraints placed on the use of the resources either by (a) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
- **Committed** – Reflects specific purposes pursuant to constraints imposed by formal action of the Authority's highest level of decision-making authority (the Board of Commissioners). Also, such constraints can only be removed or changed by the same form or formal action.
- **Assigned** – Reflects fund balance amounts that are constrained by the Authority's intent to be used for specific purposes but meet neither the restricted nor committed forms of constraint.
- **Unassigned** – Represents fund balance amounts that have not been assigned to other funds and have not been restricted, committed or assigned to specific purposes.

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

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

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

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Notes to Financial Statements

(Modified Cash Basis)

June 30, 2018

policy for the use of the unrestricted fund balance amounts requires committed amounts be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

General and Administrative Expenses

General and administrative expenses not incurred for a specific fund are allocated to the various funds based on staff hours incurred for each fund.

Payments Received from the City of Oklahoma City

During the year ended June 30, 2018, the Authority received \$723,149 from the City. Such amounts have been reflected as a contribution in the accompanying statement of activities – modified cash basis.

Income Taxes

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

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of the failure of a counterparty the Authority will not be able to recover the value of its deposits. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. The policy of the Authority is to require all deposits be maintained in accounts that are fully insured or collateralized.

As of June 30, 2018, the Authority had no uninsured or uncollateralized deposits. The Authority requires investment collateral be held by a third-party custodian with whom the Authority has a current custodial agreement in the Authority's name.

Deposits of the Authority at June 30, 2018, are \$5,523,242.

Investments

The Authority's investments at June 30, 2018, consist of negotiable certificates of deposit totaling approximately \$2,216,000.

- **Interest Rate Risk** – The Authority's investment policy stipulates that no more than 75% of the total funds available for investment may be placed in any one authorized institution. Of the funds invested, up to 100% may be invested with a maturity of one year or less, up to

Oklahoma City Urban Renewal Authority

Notes to Financial Statements

(Modified Cash Basis)

June 30, 2018

30% may be invested with a maturity of one to three years, up to 10% may be invested with a maturity of three to five years and up to 5% may be invested with a maturity of 5 to 25 years.

- **Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.
- **Custodial Credit Risk** – Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority or are held by a counterparty or the counterparty’s trust department, but not in the name of the Authority. All of the underlying securities for the Authority’s investments at June 30, 2018, are held by the counterparties in other than the Authority’s name. The Authority’s investment policy does not address limiting holding of securities by counterparties.

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority’s recurring fair value measurements as of June 30, 2018, are its certificates of deposit, which are valued using Level 2 inputs. At June 30, 2018, current maturities of the certificates of deposit were \$989,000 with \$732,642 and \$494,000 maturing in fiscal years 2020 and 2021, respectively. The fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced prepayments, defaults, cumulative loss projections and cash flows.

Note 3: Due from Other Governmental Entities

The amounts due from other governmental entities consisted of the following as of June 30, 2018:

Amounts due from the City for reimbursement of expenditures for CDBG projects	\$	173,248
Amounts due from the Alliance for reimbursement of expenditures		46,789
Amounts due from the Oklahoma City Redevelopment Authority for reimbursement of expenditures		<u>27,564</u>
Total receivable from other governmental entities	\$	<u><u>247,601</u></u>

Note 4: Rental Income

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

Oklahoma City Urban Renewal Authority
Notes to Financial Statements
(Modified Cash Basis)
June 30, 2018

There are two multi-year leases, one for a billboard and one for the Bass Pro Shop building. The billboard lease ends August 31, 2023, and the lease income is the greater of \$10,000 per year or 19% of the net income received. The Bass Pro Shop lease ends in 2023 and the rental income is \$629,205 per year. The future minimum lease revenue related to these two leases is as follows:

	Closeout Fund	Bass Pro Shop Fund	Total
2019	\$ 10,000	\$ 629,205	\$ 639,205
2020	10,000	629,205	639,205
2021	10,000	629,205	639,205
2022	10,000	629,205	639,205
2023	1,666	629,205	630,871
2024	-	629,205	629,205
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 41,666</u>	<u>\$ 3,775,230</u>	<u>\$ 3,816,896</u>

Note 5: Retirement Plan

The Authority participates in a Section 457 single-employer deferred compensation plan (the Plan) covering all permanent employees. As of June 30, 2018, four employees were participating in the Plan. Covered payroll equaled total payroll at \$200,028. In 2018, the employees contributed \$780, representing 0.39% of covered payroll, and the Authority contributed \$16,711, representing 8.35% of covered payroll. Assets of the Plan are not recorded in the Authority's financial statements.

Note 6: Expenditures to the City of Oklahoma City

During 2018, the Authority paid \$370,890 to the City for its portion of the rental income from the Bass Pro Shop. The Authority also paid the City \$164,005 for program income generated by property sales in the Oklahoma R-35 John F. Kennedy Urban Renewal Area.

Note 7: Related-Party Transactions

The Alliance for Economic Development of Oklahoma City

The Authority has a five-year agreement with the Alliance for Economic Development of Oklahoma City (the Alliance) for professional services, which will terminate on June 30, 2021. During 2018, expenses under the agreement totaled approximately \$654,000. Annual service fees must be approved by the Board of Trustees.

Oklahoma City Urban Renewal Authority
Notes to Financial Statements
(Modified Cash Basis)
June 30, 2018

The Oklahoma City Economic Development Trust

During 2018, the Oklahoma City Economic Development Trust approved the use of \$600,000 to support the Convention Center project, which was transferred from the Oklahoma City Economic Development Trust to the Authority’s Buffer Fund to cover expenditures related to the project.

Note 8: Commitments and Contingencies

Contracts

The Authority has two contracts with the Center for Economic Development Law for general counsel services and one with an independent contractor for information technology consulting. At June 30, 2018, the remaining commitments under such contracts aggregated \$318,000.

The Authority leases office space from Hightower Properties, LLC under an operating lease agreement, which will expire March 31, 2023. For the year ended June 30, 2018, the expenses under this lease totaled \$75,600. The remaining obligation under this lease at June 30, 2018, is as follows:

	Year Ending June 30,	
2019		\$ 69,570
2020		69,570
2021		69,570
2022		69,570
2023		52,178
		\$ 330,458

Grants

In the normal course of operations, the Authority is a subrecipient of CDBG funds awarded to the City by HUD. The grant programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as a result of these audits is not believed to be material.

Legal

In the normal course of operations, the Authority is party to legal proceedings that normally occur in governmental operations and other claims associated with property and enterprise operations. The legal proceedings and other claims are not likely to have a material adverse impact on the funds of the Authority.

Supplementary Information

Oklahoma City Urban Renewal Authority
Combining Balance Sheet – General Fund
(Modified Cash Basis)
June 30, 2018

	Closeout Project Fund	Revolving Fund	Core to Shore MAPS 3 Fund	Core to Shore Buffer Fund	SEP II Improvements Fund	Harrison- Walnut Other Fund	Nonfederal Fund	General Fund Total
Assets								
Cash and cash equivalents	\$ 1,367,188	\$ 105,151	\$ 52,502	\$ 2,461,516	\$ -	\$ -	\$ 1,000,489	\$ 4,986,846
Investments	1,721,642	-	-	-	-	-	494,000	2,215,642
Due from other governmental entities	173,248	74,353	-	-	-	-	-	247,601
Due from (to) other funds	349,731	(179,504)	-	(170,227)	-	-	-	-
Total assets	\$ 3,611,809	\$ -	\$ 52,502	\$ 2,291,289	\$ -	\$ -	\$ 1,494,489	\$ 7,450,089
Liabilities and Fund Balances								
Liabilities								
Deposits	\$ 900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900
Total liabilities	900	-	-	-	-	-	-	900
Fund Balances								
Restricted – economic development	3,437,661	-	-	2,291,289	-	-	-	5,728,950
Unassigned	173,248	-	52,502	-	-	-	1,494,489	1,720,239
Total fund balances	3,610,909	-	52,502	2,291,289	-	-	1,494,489	7,449,189
Total liabilities and fund balances	\$ 3,611,809	\$ -	\$ 52,502	\$ 2,291,289	\$ -	\$ -	\$ 1,494,489	\$ 7,450,089

Oklahoma City Urban Renewal Authority
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund
(Modified Cash Basis)
Year Ended June 30, 2018

	Closeout Project Fund	Revolving Fund	Core to Shore MAPS 3 Fund	Core to Shore Buffer Fund	SEP II Improvements Fund	Harrison- Walnut Other Fund	Nonfederal Fund	General Fund Total
Revenues								
Federal grant revenues	\$ 1,190,940	\$ -	\$ -	\$ -	\$ -	\$ 834,699	\$ -	\$ 2,025,639
Rentals	1,300	-	-	1,350	19,420	-	-	22,070
Real estate sales	354,960	-	-	-	-	-	-	354,960
Interest	33,006	-	-	291	-	-	-	33,297
Core to Shore MAPS 3 project	-	-	123,149	-	-	-	-	123,149
Core to Shore Buffer project	-	-	-	600,000	-	-	-	600,000
Other	2,346	-	-	-	-	-	-	2,346
Total revenues	1,582,552	-	123,149	601,641	19,420	834,699	-	3,161,461
Expenditures								
General and administrative	522,715	-	65,749	182,531	(8,403)	301,302	1,013	1,064,907
Real estate acquisition	97,877	-	125,219	1,424,528	-	707,241	6,150	2,361,015
Property disposition	571,617	-	-	311,803	3,800	4,800	-	892,020
Legal and professional	127,809	-	2,098	370,507	8,844	8,306	23,890	541,454
Property management	-	-	-	2,378	-	69	-	2,447
Business improvements	711,278	-	-	15,200	6,656	33,894	-	767,028
Expenditures to the City	164,005	-	-	-	-	-	-	164,005
Other	-	-	-	-	-	-	732	732
Total expenditures	2,195,301	-	193,066	2,306,947	10,897	1,055,612	31,785	5,793,608
Excess (Deficiency) of Revenues over Expenditures	(612,749)	-	(69,917)	(1,705,306)	8,523	(220,913)	(31,785)	(2,632,147)
Other Financing Sources (Uses)								
Transfers in (out)	(292,200)	-	65,700	14,110	(8,523)	220,913	-	-
Net Changes in Fund Balances	(904,949)	-	(4,217)	(1,691,196)	-	-	(31,785)	(2,632,147)
Fund Balances, Beginning of Year	4,515,858	-	56,719	3,982,485	-	-	1,526,274	10,081,336
Fund Balances, End of Year	\$ 3,610,909	\$ -	\$ 52,502	\$ 2,291,289	\$ -	\$ -	\$ 1,494,489	\$ 7,449,189

Oklahoma City Urban Renewal Authority
Schedule of Expenditures of Federal Awards
(Modified Cash Basis)
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Passed-through from the City of Oklahoma City</i>			
Community Development Block Grant	14.218	B-17-MC-40-0003	\$ 1,623,939
HOME Investment Partnership	14.238	M-17-MC-40-0203	<u>413,132</u>
Total U.S. Department of Housing and Urban Development			<u>2,037,071</u>
Total expenditures of federal awards			<u><u>\$ 2,037,071</u></u>

Oklahoma City Urban Renewal Authority
Notes to Schedule of Expenditures of Federal Awards
(Modified Cash Basis)
Year Ended June 30, 2018

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.
2. Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Of the federal expenditures presented in the Schedule, the Authority provided no federal awards to subrecipients.

**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**

Independent Auditor's Report

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

We have audited, 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, the financial statements of the governmental activities and each major fund of the Oklahoma City Urban Renewal Authority (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 21, 2018, which included an *Emphasis of Matter* paragraph regarding the Authority's use of the modified cash basis of accounting and an *Other Matters* paragraph regarding omission of required supplementary information.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Commissioners
Oklahoma City Urban Renewal Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Tulsa, Oklahoma
December 21, 2018

Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited the compliance of the Oklahoma City Urban Renewal Authority (the Authority) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2018. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Tulsa, Oklahoma
December 21, 2018

Oklahoma City Urban Renewal Authority
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2018

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
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No matters are reportable.

Oklahoma City Urban Renewal Authority
Schedule of Prior Audit Findings
Year Ended June 30, 2018

Reference Number	Summary of Finding	Status
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No matters are reportable.