

Oklahoma City Urban Renewal Authority

Auditor's Reports and Financial Statements

(Prepared on the Modified Cash Basis)

June 30, 2014



Oklahoma City Urban Renewal Authority

June 30, 2014

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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 modified cash basis financial statements of the governmental activities and the major funds of Oklahoma City Urban Renewal Authority (the Authority) as of and for the year ended June 30, 2014, 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 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 auditors' 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 auditors consider 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 as of June 30, 2014, 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. Our opinions are not modified with respect to this matter.

Other Matter

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 combining general fund financial statements – modified cash basis, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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. Such information 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, 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 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 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

Oklahoma City, Oklahoma
December 29, 2014

Oklahoma City Urban Renewal Authority
Statement of Net Position – Modified Cash Basis
June 30, 2014

Assets

| | |
|--------------------------------------|----------------------------|
| Cash | \$ 4,239,500 |
| Investments | 4,165,000 |
| Due from other governmental entities | <u>488,018</u> |
| Total assets | <u><u>\$ 8,892,518</u></u> |

Liabilities

| | |
|-------------------|---------------|
| Withholdings | \$ 894 |
| Deposits | <u>30,000</u> |
| Total liabilities | <u>30,894</u> |

Net Position

| | |
|------------------------------------|----------------------------|
| Restricted - economic development | 6,807,144 |
| Restricted - City of Oklahoma City | 406,816 |
| Unrestricted | <u>1,647,664</u> |
| Total net position | <u>8,861,624</u> |
| Total liabilities and net position | <u><u>\$ 8,892,518</u></u> |

Oklahoma City Urban Renewal Authority
Statement of Activities – Modified Cash Basis
Year Ended June 30, 2014

| | | Revenues | | |
|--|-------------------------|--|-------------------------------|--------------|
| Expenses | Charges for Services | Operating Grants and Contributions | Net Revenues (Expenses) | |
| Governmental Activities | | | | |
| Economic development | \$ 3,417,011 | \$ 781,229 | \$ 3,330,288 | \$ 694,506 |
| Revenues from the City of Oklahoma City | - | - | 236,670 | 236,670 |
| Interest income note receivable | - | - | 4,752 | 4,752 |
| Expenditures to the City of Oklahoma City | 460,710 | - | - | (460,710) |
| Total governmental activities | \$ 3,877,721 | \$ 781,229 | \$ 3,571,710 | 475,218 |
| General Revenues | | | | |
| Investment income | | | | 26,403 |
| Real estate sales | | | | 5,570 |
| Total general revenues | | | | 31,973 |
| Change in Net Position | | | | 507,191 |
| Net Position, Beginning of Year | | | | 8,354,433 |
| Net Position, Ending of Year | | | | \$ 8,861,624 |

Oklahoma City Urban Renewal Authority
Balance Sheet – Governmental Funds – Modified Cash Basis
June 30, 2014

| | General Fund | Oklahoma City Redevelopment Corporation | Bass Pro Shop Fund | Total |
|---|-------------------------|--|-------------------------------|---------------------|
| Assets | | | | |
| Cash | \$ 3,611,076 | \$ 221,608 | \$ 406,816 | \$ 4,239,500 |
| Investments | 4,165,000 | - | - | 4,165,000 |
| Due from other governmental entities | 488,018 | - | - | 488,018 |
| Total assets | <u>\$ 8,264,094</u> | <u>\$ 221,608</u> | <u>\$ 406,816</u> | <u>\$ 8,892,518</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Withholdings | \$ 894 | \$ - | \$ - | \$ 894 |
| Deposits | 30,000 | - | - | 30,000 |
| Total liabilities | <u>30,894</u> | <u>-</u> | <u>-</u> | <u>30,894</u> |
| Fund Balances | | | | |
| Restricted - economic development | 6,807,144 | - | - | 6,807,144 |
| Restricted - City of Oklahoma City | - | - | 406,816 | 406,816 |
| Committed | - | 221,608 | - | 221,608 |
| Unassigned | 1,426,056 | - | - | 1,426,056 |
| Total fund balances | <u>8,233,200</u> | <u>221,608</u> | <u>406,816</u> | <u>8,861,624</u> |
| Total liabilities and fund balances | <u>\$ 8,264,094</u> | <u>\$ 221,608</u> | <u>\$ 406,816</u> | <u>\$ 8,892,518</u> |

Oklahoma City Urban Renewal Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds – Modified Cash Basis
Year Ended June 30, 2014

| | General Fund | Oklahoma City Redevelopment Corporation | Bass Pro Shop Fund | Total |
|--|---------------------|--|-------------------------------|---------------------|
| Revenues | | | | |
| Federal grant revenues | \$ 1,330,288 | \$ - | \$ - | \$ 1,330,288 |
| Rentals | 152,024 | - | 629,205 | 781,229 |
| Real estate sales | 5,570 | - | - | 5,570 |
| Interest | 25,341 | 204 | 5,610 | 31,155 |
| Core to Shore MAPS 3 project (City of Oklahoma City) | 236,670 | - | - | 236,670 |
| Repayment of loan (City of Oklahoma City) | 2,000,000 | - | - | 2,000,000 |
| Total revenues | 3,749,893 | 204 | 634,815 | 4,384,912 |
| Expenditures | | | | |
| General and administrative | 1,071,975 | - | 78,690 | 1,150,665 |
| Real estate acquisition | 676,934 | - | - | 676,934 |
| Property disposition | 32,430 | - | - | 32,430 |
| Site improvements | 562,396 | - | 38,065 | 600,461 |
| Legal and professional expenses | 479,997 | 41,888 | 2,500 | 524,385 |
| Property management expense | 285,531 | - | 146,605 | 432,136 |
| Expenditures to the City of Oklahoma City | - | - | 460,710 | 460,710 |
| Total expenditures | 3,109,263 | 41,888 | 726,570 | 3,877,721 |
| Excess (Deficiency) of Revenues over Expenditures | 640,630 | (41,684) | (91,755) | 507,191 |
| Other Financing Sources (Uses) | | | | |
| Transfers in (out) | (263,292) | 263,292 | - | - |
| Net Changes in Fund Balances | 377,338 | 221,608 | (91,755) | 507,191 |
| Fund Balances, Beginning of Year | 7,855,862 | - | 498,571 | 8,354,433 |
| Fund Balances, End of Year | \$ 8,233,200 | \$ 221,608 | \$ 406,816 | \$ 8,861,624 |

Oklahoma City Urban Renewal Authority

Notes to Financial Statements

June 30, 2014

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 and 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 cost

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 and 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

June 30, 2014

Government-Wide Financial Statements

The accompanying statement of net position and statement of activities 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.

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 which 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-20CD University Medical Center reflects all ongoing activities in the Health Sciences Center area which are financed by federal funds pursuant to a September 19, 1978, closeout agreement with HUD.
 - Oklahoma R-30CD Central Business District reflects all ongoing activities in the Central Business District which are financed by federal funds pursuant to an October 16, 1979, closeout agreement with HUD.
 - Oklahoma R-35CD John F. Kennedy reflects all ongoing activities in the John F. Kennedy area which 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 suffered decline and will also include a downtown public park, convention center and train station.

Oklahoma City Urban Renewal Authority

Notes to Financial Statements

June 30, 2014

- *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. The project is funded primarily by Closeout Project funds.
- *Harrison-Walnut Other Fund* – depicts various activities in the Harrison-Walnut neighborhood which 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** – used to separately account for the following specific funds or activities:
 - *Oklahoma City Redevelopment Corporation* – a nonprofit Oklahoma corporation which 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 of Oklahoma City.

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2014, cash equivalents consisted primarily of money market accounts with brokers.

Investments

Investments are stated at cost, which approximates market. Investments are comprised of certificates of deposit acquired through cash transactions and do not include real estate held for resale or held for development.

Net Position Classifications

Government-Wide Statements

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

- **Restricted** – Represents net position which 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.

Oklahoma City Urban Renewal Authority

Notes to Financial Statements

June 30, 2014

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 Oklahoma City Redevelopment Corporation is committed.
- **Unrestricted** – The fund balances for several of the funds included in the General Fund are unassigned.

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

Oklahoma City Urban Renewal Authority
Notes to Financial Statements
June 30, 2014

Payments Received from Other Governmental Entities

During the year ended June 30, 2014, the Authority received \$2,236,670 from the City. Such amounts have been reflected as a contribution in the accompanying statement of activities – modified cash basis. The following is a summary of the payments received:

| | |
|---|----------------------------|
| Closeout Project Fund | |
| City of Oklahoma City | \$ 2,000,000 |
| | |
| Core to Shore MAPS 3 Fund | |
| City of Oklahoma City | <u>236,670</u> |
| | |
| Total received from other governmental entities | <u><u>\$ 2,236,670</u></u> |

The Closeout Project Fund received \$2,000,000 from the City for repayment of a loan related to the Devon Building project, and the Core to Shore MAPS 3 Fund received \$236,670 from the City for funding of this project.

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 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 investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. 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.

Oklahoma City Urban Renewal Authority
Notes to Financial Statements
June 30, 2014

The policy of the Authority is to require all deposits to be maintained in accounts which are fully insured or collateralized. As of June 30, 2014, the Authority had no uninsured or uncollateralized deposits. The Authority requires that investment collateral be held by a third-party custodian with whom the Authority has a current custodial agreement in the Authority's name.

Deposits, as considered for custodial credit risk under GASB Statement No. 40, include non-negotiable certificates of deposit. Deposits of the Authority at June 30, 2014 are \$8,404,500, which include the cash balances of \$4,239,500 and the investment balances of \$4,165,000 as shown on the Authority's financial statements.

Investments

The Authority's investments at June 30, 2014, consist entirely of certificates of deposit. All certificates of deposit held at year-end were in separate financial institutions and were fully covered by Federal Deposit Insurance Corporation insurance.

The Authority adopted an investment policy during the year ended June 30, 2014, which 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 date of one year or less, up to 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.

At June 30, 2014, investments consisted of the following non-negotiable certificate of deposit:

| | Maturity Date | Interest Rate | Cost | Fair Value |
|-------------------------------|----------------------|----------------------|---------------------|---------------------|
| Ally Bank UT | 1/26/15 | 0.55% | \$ 245,000 | \$ 245,000 |
| American Express Centurion UT | 7/27/15 | 0.70% | 245,000 | 245,000 |
| Bank of Baroda NY | 8/13/14 | 0.30% | 245,000 | 245,000 |
| Beal Bank SSB Plano TX | 9/10/14 | 0.20% | 245,000 | 245,000 |
| Cathay Bank CA | 6/22/15 | 0.60% | 245,000 | 245,000 |
| Compass Bank AL | 9/11/15 | 0.65% | 245,000 | 245,000 |
| Discover Bank CD Greenwood DE | 4/11/16 | 0.50% | 245,000 | 245,000 |
| FirstBank PR | 12/15/14 | 0.65% | 245,000 | 245,000 |
| GE Capital Retail UT | 3/13/15 | 0.60% | 245,000 | 245,000 |
| GE Capital UT | 7/13/15 | 0.70% | 245,000 | 245,000 |
| Goldman Sachs Bank USA NY | 4/24/15 | 0.50% | 245,000 | 245,000 |
| Key Bank NA OH | 10/24/14 | 0.25% | 245,000 | 245,000 |
| Putnam 1st Mercantile TN | 12/10/14 | 0.30% | 245,000 | 245,000 |
| Sallie Mae Bank UT | 10/17/15 | 0.75% | 245,000 | 245,000 |
| Smartbank CD Pigeon Forge TN | 4/22/16 | 0.50% | 245,000 | 245,000 |
| State Bank of India NY | 10/19/15 | 0.85% | 245,000 | 245,000 |
| Wells River Savings Bank VT | 10/27/14 | 0.30% | 245,000 | 245,000 |
| | | | <u>\$ 4,165,000</u> | <u>\$ 4,165,000</u> |

Oklahoma City Urban Renewal Authority
Notes to Financial Statements
June 30, 2014

The weighted-average maturity for the certificates of deposit was 9.4 months at June 30, 2014.

Note 3: Notes Receivable

During the year ended June 30, 2014, the Authority loaned Bricktown Parking Investors, L.L.C., \$123,466 from the Bass Pro Shop Fund. The loan is unsecured and bears interest at the rate of 5%, with principal and interest being paid annually beginning January 1, 2015. The Authority received \$82,292 in principal payments and \$4,752 in interest payments during the year ended June 30, 2014, paying off the loan in full.

Note 4: Due from Other Governmental Entities

The amount due from other governmental entities consisted of the following as of June 30, 2014:

| | |
|--|--------------------------|
| Amounts due from the City of Oklahoma City to reimburse the Authority for money expended for Core to Shore MAPS 3 projects | \$ 97,432 |
| Amounts due from the City of Oklahoma City to reimburse the Authority for money expended for CDBG projects | 382,956 |
| Amounts due from the Alliance for Economic Development for reimbursement of expenditures | 5,711 |
| Amounts due from the Oklahoma City Redevelopment Authority for reimbursement of expenditures | <u>1,919</u> |
| Total received from other governmental entities | <u><u>\$ 488,018</u></u> |

Note 5: 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, are expected to be renewed; however, there are no assurances the leases will be renewed.

Oklahoma City Urban Renewal Authority
Notes to Financial Statements
June 30, 2014

There are two multi-year leases, one for a billboard and one for the Bass Pro Shop building. The billboard lease ends August 30, 2017, 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 |
|-----------|--------------------------|-------------------------------|---------------------|
| 2015 | \$ 10,000 | \$ 629,205 | \$ 639,205 |
| 2016 | 10,000 | 629,205 | 639,205 |
| 2017 | 833 | 629,205 | 630,038 |
| 2018 | - | 629,205 | 629,205 |
| 2019 | - | 629,205 | 629,205 |
| 2020–2023 | - | 2,516,820 | 2,516,820 |
| Total | <u>\$ 20,833</u> | <u>\$ 5,662,845</u> | <u>\$ 5,683,678</u> |

Note 6: Retirement Plan

The Authority participates in a Section 457 single-employer deferred compensation plan (the Plan) covering all permanent employees. As of June 30, 2014, seven employees were participating in the Plan. Covered and total payroll was \$465,706 and \$520,310, respectively. In 2014, the employees contributed \$11,624, representing 2.50% of covered payroll; and the Authority contributed \$35,960, representing 7.72% of covered payroll. Assets of the Plan are not recorded in the Authority's financial statements.

Note 7: Expenditures to the City

During 2014, the Authority also paid \$460,710 to the City for its portion of the rental income from the Bass Pro Shop.

Note 8: Related-Party Transactions

Oklahoma City Redevelopment Authority (OCRA)

During the year ended June 30, 2014, the Authority received approximately \$26,041 of TIF 1 funds from OCRA for administrative costs.

The Alliance for Economic Development of Oklahoma City (the Alliance)

The Authority has an agreement with the Alliance for professional services. During 2014, expenses under the agreement totaled approximately \$517,197.

Oklahoma City Urban Renewal Authority
Notes to Financial Statements
June 30, 2014

Note 9: Commitments and Contingencies

Contracts

The Authority has certain contracts payable to independent contractors for clearance, demolition and other activities in approved project areas. At June 30, 2014, the remaining commitments under such contracts aggregated \$310,000.

The Authority leases office space from Hightower Properties, LLC under an operating lease agreement that expires December 31, 2014. For the year ended June 30, 2014, the expenses under the lease totaled \$52,178. The remaining obligation under this lease at June 30, 2014, is \$27,055.

Grants

In the normal course of operations, the Authority is a subrecipient of Community Development Block Grant 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 which 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 which 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, 2014

| | 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 | Oklahoma City Redevelopment Corporation | General Fund Total |
|--|----------------------------------|---------------------------|--|--|---|--|----------------------------|--|-------------------------------|
| Assets | | | | | | | | | |
| Cash | \$ 1,180,696 | \$ 70,513 | \$ 107,724 | \$ 1,373,693 | \$ - | \$ 35,588 | \$ 842,862 | \$ - | \$ 3,611,076 |
| Investments | 4,165,000 | - | - | - | - | - | - | - | 4,165,000 |
| Due from other governmental entities | 382,956 | 7,630 | 97,432 | - | - | - | - | - | 488,018 |
| Due from (to) other funds | 133,132 | (77,249) | (123,991) | (50,965) | - | - | 119,073 | - | - |
| Total assets | \$ 5,861,784 | \$ 894 | \$ 81,165 | \$ 1,322,728 | \$ - | \$ 35,588 | \$ 961,935 | \$ - | \$ 8,264,094 |
| Liabilities and Fund Balances | | | | | | | | | |
| entities | - | - | - | - | - | - | - | - | - |
| Liabilities | | | | | | | | | |
| Withholdings | \$ - | \$ 894 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 894 |
| Deposits | - | - | - | - | - | 30,000 | - | - | 30,000 |
| Total liabilities | - | 894 | - | - | - | 30,000 | - | - | 30,894 |
| Fund Balances | | | | | | | | | |
| Restricted - economic development | 5,478,828 | - | - | 1,322,728 | - | 5,588 | - | - | 6,807,144 |
| Unassigned | 382,956 | - | 81,165 | - | - | - | 961,935 | - | 1,426,056 |
| Total fund balances | 5,861,784 | - | 81,165 | 1,322,728 | - | 5,588 | 961,935 | - | 8,233,200 |
| Total liabilities and fund balances | \$ 5,861,784 | \$ 894 | \$ 81,165 | \$ 1,322,728 | \$ - | \$ 35,588 | \$ 961,935 | \$ - | \$ 8,264,094 |

Oklahoma City Urban Renewal Authority
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
General Fund – Modified Cash Basis
June 30, 2014

| | 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 | Oklahoma City Redevelopment Corporation | General Fund Total |
|--|--------------------------|-------------------|---------------------------------|---------------------------------|--------------------------------|-----------------------------------|--------------------|--|-----------------------|
| Revenues | | | | | | | | | |
| Federal grant revenues | \$ 780,288 | \$ - | \$ - | \$ - | \$ 550,000 | \$ - | \$ - | \$ - | \$ 1,330,288 |
| Rentals | 152,024 | - | - | - | - | - | - | - | 152,024 |
| Real estate sales | 5,570 | - | - | - | - | - | - | - | 5,570 |
| Interest | 24,067 | - | - | 171 | - | - | 1,103 | - | 25,341 |
| Core to Shore MAPS 3 project | - | - | 236,670 | - | - | - | - | - | 236,670 |
| Repayment of loan | 2,000,000 | - | - | - | - | - | - | - | 2,000,000 |
| Total revenues | 2,961,949 | - | 236,670 | 171 | 550,000 | - | 1,103 | - | 3,749,893 |
| Expenditures | | | | | | | | | |
| General and administrative | 893,569 | - | 79,756 | 40,092 | 2,584 | 30,730 | 25,245 | - | 1,071,976 |
| Real estate acquisition | 174,153 | - | 109,576 | 393,205 | - | - | - | - | 676,934 |
| Property disposition | 23,108 | - | - | 2,788 | 1,324 | 5,210 | - | - | 32,430 |
| Site improvements | - | - | - | - | 550,000 | 12,396 | - | - | 562,396 |
| Legal and professional expenses | 262,858 | - | 97,697 | 47,156 | 42,488 | 29,797 | - | - | 479,996 |
| Property management expense | 284,966 | - | - | - | - | 565 | - | - | 285,531 |
| Total expenditures | 1,638,654 | - | 287,029 | 483,241 | 596,396 | 78,698 | 25,245 | - | 3,109,263 |
| Excess (Deficiency) of Revenues over Expenditures | 1,323,295 | - | (50,359) | (483,070) | (46,396) | (78,698) | (24,142) | - | 640,630 |
| Other Financing Sources (Uses) | | | | | | | | | |
| Transfers in (out) | (158,671) | - | 131,524 | (50,965) | 46,396 | 78,698 | (46,982) | (263,292) | (263,292) |
| Net Changes in Fund Balances | 1,164,624 | - | 81,165 | (534,035) | - | - | (71,124) | (263,292) | 377,338 |
| Fund Balances, Beginning of Year | 4,697,160 | - | - | 1,856,763 | - | 5,588 | 1,033,059 | 263,292 | 7,855,862 |
| Fund Balances, End of Year | \$ 5,861,784 | \$ - | \$ 81,165 | \$ 1,322,728 | \$ - | \$ 5,588 | \$ 961,935 | \$ - | \$ 8,233,200 |

Oklahoma City Urban Renewal Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

| Cluster/Program | Federal Agency/ Pass-Through Entity | CFDA Number | Amount |
|---|--|----------------|----------------------------|
| U.S. Department of Housing and Urban Development | | | |
| Community Development Block Grant | U.S. Department of Housing and Urban Development/ City of Oklahoma City | 14.218 | <u>\$ 780,288</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>780,288</u> |
| U.S. Environmental Protection Agency | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | U.S. Environmental Protection Agency/ passed through City of Oklahoma City | 66.818 | 200,000 |
| Brownfields Assessment and Cleanup Cooperative Agreements (ARRA) | U.S. Environmental Protection Agency/ passed through Oklahoma Department of Enviromental Quality | 66.818 | <u>350,000</u> |
| Total U.S. Environmental Protection Agency | | | <u>550,000</u> |
| Total expenditures of federal awards | | | <u><u>\$ 1,330,288</u></u> |

Oklahoma City Urban Renewal Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Notes to Schedule

1. This schedule includes the federal awards activity of the Authority, and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, the Authority provided no federal awards to subrecipients.

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

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 basic financial statements of the governmental activities and major funds of the Oklahoma City Urban Renewal Authority (the Authority), as of and for the year ended June 30, 2014, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 29, 2014, which included an *Emphasis of Matter* paragraph regarding the Authority's use of the modified cash basis of accounting.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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 Authority'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 as defined above. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 14-01 and 14-02 that we consider to be significant deficiencies in internal control.

Board of Commissioners
Oklahoma City Urban Renewal Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of 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*.

Authority's Responses to the Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
December 29, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

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

Report on Compliance for Each 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 U.S. Office of Management and Budget (OMB), *Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The Authority's major federal programs are 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 each major federal program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2014.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
December 29, 2014

Oklahoma City Urban Renewal Authority
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Findings Required to be Reported by *Governmental Auditing Standards*

| Reference Number | Finding | Questioned Costs |
|-----------------------------|---|-----------------------------|
| 14-01 | <p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – During the year under audit, certain reviews were not being completed or formally documented of reconciliations, cash logs and journal entries.</p> <p>Context – Adequate and timely reviews are critical to enhancing the control environment, especially in organizations with limited staff, to maintain effective internal controls over financial reporting.</p> <p>Effect – Potential misstatements in the financial statements due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – During the year, the Authority and certain related trusts and authorities went through an accounting system conversion, causing a strain on the limited resources of the Authority.</p> <p>Recommendation – We recommend the reviews be completed timely and documented in order to enhance the control environment and mitigate any potential control failures.</p> <p>Views of Responsible Official and Planned Corrective Actions – The accounting conversions are completed and review procedures have been implemented per auditor suggestions. Beginning in FY 2014, monthly and year-to-date financial statements are presented to the Board at each meeting.</p> | None |

Oklahoma City Urban Renewal Authority
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

| Reference Number | Finding | Questioned Costs |
|---------------------|---|---------------------|
| 14-02 | <p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – During the 2014 audit, it was identified that certain net position and fund balance presentations were improperly presented within the financial statements. It was noted that the balances were not following the source of funds for legal or other restrictions. In addition, it was noted the Oklahoma City Redevelopment Corporation, a blended component unit, was improperly reported as a sub-fund of the General Fund rather than a stand-alone governmental fund. Finally, certain sub-funds of the General Fund improperly recognized revenues and expenditures of other sub-funds.</p> <p>Context – Adequate reviews of financial statements and reviews of underlying information are critical to maintaining effective internal control over financial reporting.</p> <p>Effect – Financial statements previously presented improperly reflected net position and fund balances of individual funds.</p> <p>Cause – Previously, the Authority did not have staff with the skill sets and understanding of generally accepted accounting principles (GAAP) requirements to understand the financial reporting requirements.</p> <p>Recommendation – Management has already hired a chief financial officer who has an understanding of the GAAP requirements and has the skill sets and knowledge to ensure the financial reporting is adequate and in accordance with GAAP.</p> <p>Views of Responsible Official and Planned Corrective Actions – Items identified above have been reclassified and corrected for current and previous years. Revenues and expenditures are recorded in the appropriate sub-funds.</p> | None |

Oklahoma City Urban Renewal Authority
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Findings Required to be Reported by OMB Circular A-133

| Reference Number | Finding | Questioned Costs |
|-----------------------------|----------------|-----------------------------|
|-----------------------------|----------------|-----------------------------|

No matters are reportable.

Oklahoma City Urban Renewal Authority
Schedule of Prior Audit Findings
Year Ended June 30, 2014

| Reference Number | Summary of Finding | Status |
|-----------------------------|---------------------------|---------------|
|-----------------------------|---------------------------|---------------|

No matters are reportable.