

OUR FUTURE IS BRIGHT



Oklahoma City Municipal Facilities Authority

A blended component unit of the City of Oklahoma City, Oklahoma

Annual Financial Report | for the Fiscal Year ended June 30, 2013

THE OKLAHOMA CITY MUNICIPAL FACILITIES AUTHORITY

A Blended Component Unit of
Oklahoma City, Oklahoma

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Annual Financial Report for the Fiscal Year Ended June 30, 2013

Prepared by The Oklahoma City Finance Department, Accounting Services Division
Glen D. Earley, Controller

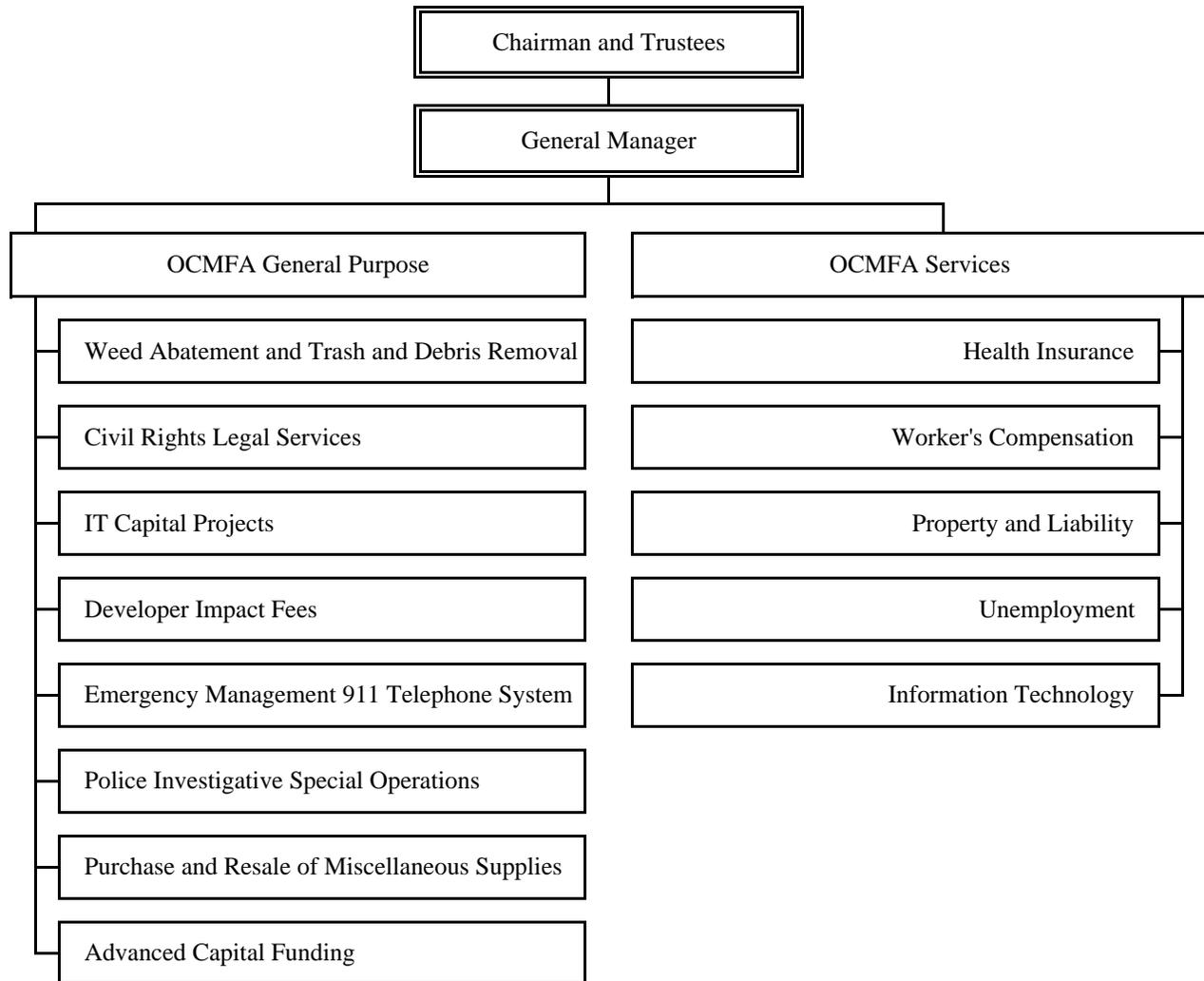
OKLAHOMA CITY MUNICIPAL FACILITIES AUTHORITY

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Oklahoma City Municipal Facilities Authority Organization Chart



Introductory Section



The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 6, 2013

The Board of Trustees
Oklahoma City Municipal Facilities Authority

The Oklahoma City Municipal Facilities Authority (Authority) annual financial report (annual report) provides a comprehensive overview of the Authority's financial position and the results of operations during the past fiscal year. It complies with reporting requirements specified by Oklahoma State Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with accounting principles generally accepted in the United States of America. It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Authority.

The Authority's annual report includes the reports of independent auditors, management's discussion and analysis (MD&A), Authority-wide, fund and combining financial statements and related notes. Management's narrative on the financial activities of the Authority for the fiscal year ended June 30, 2013, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Authority's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Authority. The Authority is a blended component unit of the City of Oklahoma City (City) and, as such, is included within the funds of the City's Comprehensive Annual Financial Report (CAFR).

The Authority was created by the City Council on November 17, 1976 to acquire, maintain, construct or equip industrial and cultural facilities. The General Purpose Fund was formed to prefund services to citizens such as weed abatement and drainage improvements and serves as the general fund of the Authority. The OCMFA Services Fund was created to administer long-term contracts for insurance and capital related information technology projects for the City.

In fiscal year 2011, the City entered into a new flexible benefit plan agreement with American Fidelity Assurance Co. The OCMFA Services Fund transitioned to American Fidelity Assurance Co. for management of these benefits. During the fiscal year 2013, the General Purpose Fund prefunded bond projects mainly for street widening and improvements. This prefunding process continues to serve as an effective tool in shortening the length of construction time on voter approved general obligation bond projects.

The current economic environment and the economic outlook for Oklahoma City remain very positive. Because of a cost of living rating consistently below the national average; a strong industry presence; low commuting times; convenient airline travel; quality education, entertainment and sports opportunities; favorable weather; and a central location, Oklahoma City continues to receive numerous top accolades for metropolitan cities in the United States including Forbes February 25, 2013 ranking of Oklahoma City as one of the best cities for good jobs. These factors promise an immediate and sustainable economic growth outlook for the next several years.

In a report prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), dated January 31, 2013 and entitled "City of Oklahoma City Economic Outlook", the Institute reported that calendar year 2013, while remaining in a general recovery mode, will be another year of underperformance nationally, citing unresolved Federal issues. On the other hand the Institute cites historical patterns of economic activity in Oklahoma as reasons Oklahoma City has and will not closely follow the national trend. As a result they report that Oklahoma City should continue to enjoy broad growth as long as the national economy is in a general recovery mode. The Institute reported that recent employment and earnings growth should result in positive sales tax momentum with a general projection of 4.4 percent annual growth in sales tax revenues for calendar years 2013 and 2014 with a range from 2.6 percent to 7.4 percent depending on the national economy. Personal income is expected to grow 4.3 percent and 3.7 percent for calendar years 2013 and 2014, respectively. Without any significant changes in the national economy, overall job growth is expected to be around 2.5 percent for calendar years 2013 and 2014 and possibly in excess of 4 percent in some job sectors.

Fiscal year 2013, in terms of sales tax revenue growth, substantiates this positive outlook, with an increase for the year of over 5 percent. Expenditures for the year, predicated on this growth, allowed for increases in several programs. Budgeted expenditures for fiscal year 2014 also were based on the positive projected economic growth.

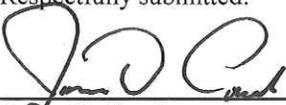
Any economic outlook is predicated on sustainable factors. The City Council has a continuing priority to its citizens to fulfill the promises made to them with regard to completing the projects established in voter initiatives to invest in the City. In addition, the City Council is focused on pursuing a financial model that provides adequate resources to meet the expectations for services as Oklahoma City grows and maintaining strong financial management that is evidenced by the highest possible rating of the City's general obligation bonds by both Moody's and Standard and Poor's.

Services and activities of the Authority, provided on behalf of the City, include financing, partial operation, and capital purchases for administration of the City's risk management activities, information technology, capital leasing, and other general government activities. The City's Mayor and Council serve as the Authority's trustees and the City Manager is General Manager.

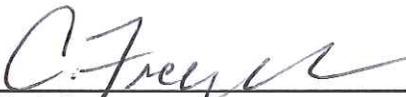
The Authority participates in the City's comprehensive accounting and budgetary system. Additionally, the Authority's management maintains budgetary controls to ensure effective financial oversight.

By City Council resolution, public trusts of which the City is the beneficiary are encouraged to use the independent auditors competitively selected by the City. In compliance with that resolution, the Authority engaged BKD LLP to conduct its annual audit. The Authority acknowledges the professional and competent services of its independent auditors.

Respectfully submitted:



James D. Couch
General Manager



Craig Freeman
City of Oklahoma City Finance Director



Glen D. Earley, CPA
City of Oklahoma City Controller

Financial Section

Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Trustees
Oklahoma City Municipal Facilities Authority
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Oklahoma Municipal Facilities Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma, as of and for the year ended June 30, 2013, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Authority'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 Authority'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Authority as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements, as listed in the table of contents, are presented for 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 Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The transmittal letter preceding this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. That letter has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, 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.


Oklahoma City, Oklahoma
December 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Municipal Facilities Authority (Authority) annual financial report, the Authority's management provides narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2013. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Authority is a blended component unit of the City of Oklahoma City (City).

Financial Summary

- Authority assets exceeded liabilities by \$44,015,634 (net position) at June 30, 2013. This compares to the previous year when assets exceeded liabilities by \$45,963,769.
- Total assets for the Authority increased by \$5,060,297 (5.3%) to \$100,765,827 during the fiscal year.
- Total liabilities for the Authority increased by \$7,008,432 (14.1%) to \$56,750,193 during the fiscal year.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets for 2013 of \$15,644,400, include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted net position for capital projects for 2013 of \$864,550 is constrained for capital projects.
 - (3) Restricted net position for public safety for 2013 of \$852,560 is constrained for federal and state asset forfeiture and purchase and maintenance of police and fire equipment.
 - (4) Unrestricted net position is \$26,654,124 at June 30, 2013.
- The Authority's governmental fund reported total ending fund balance of \$20,764,723 this year. This compares to the prior year ending fund balance of \$19,892,074, showing an increase of \$872,649 during the current year.

Overview of the Financial Statements

This discussion and analysis introduces the Authority's basic financial statements. The basic financial statements include: (1) Authority-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Authority-wide Financial Statements

The Authority's annual report includes two Authority-wide financial statements. These statements provide both long-term and short-term information about the overall status of the Authority. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these Authority-wide statements is the statement of net position. This statement presents information that includes all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating and identify financial strengths and weaknesses and assess liquidity.

The second Authority-wide statement is the statement of activities which reports how the Authority's net position changed during the current fiscal year and can be used to assess the Authority's operating results in its entirety and analyze how the Authority's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid.

Both Authority-wide financial statements distinguish governmental activities from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities column includes functions supporting general government, public safety, public services, and culture and recreation activities reported in the Authority's governmental fund. Business-type activities include risk management and information technology services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. All Authority funds are reported as major funds.

Governmental Fund

The governmental fund serves as the general fund of the Authority and is reported in the fund financial statements and reports general government, public safety, public services, and culture and recreation functions as reported in the Authority-wide financial statements. The fund statements provide short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements and the commitment of spendable resources for the near-term.

Since the Authority-wide statements' focus includes the long-term view, comparisons between the two perspectives may provide useful insights. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

Proprietary Fund

The proprietary fund is reported in the fund financial statements and generally reports services for which the Authority charges customers a fee. The Authority reports this as an enterprise fund. The enterprise fund essentially encompasses the same functions reported as business-type activities in the Authority-wide statements.

The proprietary fund statement provides both long-term and short-term financial information consistent with the focus provided by the Authority-wide financial statements. Supplementary information which comprises the OCMFA Services Fund is found in the combining statements in a later section of this report.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to gain a full understanding of the Authority-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis

Governmental activities include administration of prepaid projects including those funded by the City's general obligation bond issuances. The City's weed abatement and public nuisance ordinance enforcement programs are also reported in governmental activities. These activities are subsidized or reimbursed by the City.

Business-type activities are comprised of employee benefit and insurance program services provided to the employees of the City and related public trusts and information technology support services for long-term contracts and licenses of the City.

The Authority's net position at fiscal year-end is \$44,015,634. This is a decrease of \$1,948,135 from last year's net position. Overall the Authority's financial position declined during fiscal year 2013.

Summary of Net Position

	Governmental		Business-type		Total		Total % Change
	Activities		Activities				
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Assets							
Current assets	\$24,197,152	\$20,274,653	\$40,313,797	\$32,679,136	\$64,510,949	\$52,953,789	21.8%
Capital assets, net	11,298,932	12,547,533	4,345,468	6,271,012	15,644,400	18,818,545	(16.9)
Other non-current assets	<u>852,171</u>	<u>291,140</u>	<u>19,758,307</u>	<u>23,642,056</u>	<u>20,610,478</u>	<u>23,933,196</u>	(13.9)
Total assets	<u>36,348,255</u>	<u>33,113,326</u>	<u>64,417,572</u>	<u>62,592,204</u>	<u>100,765,827</u>	<u>95,705,530</u>	5.3
Liabilities							
Current liabilities	4,268,471	654,805	20,015,511	16,254,548	24,283,982	16,909,353	43.6
Non-current liabilities	-	-	<u>32,466,211</u>	<u>32,832,408</u>	<u>32,466,211</u>	<u>32,832,408</u>	(1.1)
Total liabilities	<u>4,268,471</u>	<u>654,805</u>	<u>52,481,722</u>	<u>49,086,956</u>	<u>56,750,193</u>	<u>49,741,761</u>	14.1
Net position							
Net investment in capital assets	11,298,932	12,547,533	4,345,468	6,186,789	15,644,400	18,734,322	(16.5)
Capital projects	864,550	696,362	-	-	864,550	696,362	24.2
Public safety	852,560	594,492	-	-	852,560	594,492	43.4
Unrestricted	<u>19,063,742</u>	<u>18,620,134</u>	<u>7,590,382</u>	<u>7,318,459</u>	<u>26,654,124</u>	<u>25,938,593</u>	2.8
Total net position	<u>\$32,079,784</u>	<u>\$32,458,521</u>	<u>\$11,935,850</u>	<u>\$13,505,248</u>	<u>\$44,015,634</u>	<u>\$45,963,769</u>	(4.2)

Current assets increased by \$3.92 million and \$7.63 million in governmental and business-type activities, respectively. Cash and investments increased \$6.71 million for governmental activities and \$4.09 million for business-type activities. Governmental activities amounts due from other funds decreased \$2.66 million related to \$2.24 million due from the City General Fund in 2012 for funding for a software upgrade project. Business-type activities accounts receivable increased \$3.97 million related to amounts receivable for insurance recoveries related to May 2013 storm damage.

Capital assets decreased \$1.25 million in governmental activities and \$1.93 million in business-type activities related to normal depreciation and biennial inventory retirements.

Business-type activities, other non-current assets, decreased \$3.88 million related to decreased unfunded liabilities from the City Risk Management Fund and City Information Technology Fund related to cost reimbursement advances.

Current liabilities for governmental activities increased \$3.61 million related primarily to \$1.50 million due to the City Police Fund and \$1.50 million due to the City Fire Fund for radio system upgrades. Business-type activities current liabilities increased \$3.76 million and non-current liabilities decreased \$366 thousand primarily due to changes in estimated claims payable of \$3.63 million and \$330 thousand related to additional costs related to property damage from May storms in current and non-current liabilities, respectively.

Summary of Changes in Net Position

	Governmental		Business-type		Total		Total % Change
	Activities		Activities				
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Revenues							
Charges for services	\$1,428,888	\$1,243,665	\$38,557,184	\$36,432,747	\$39,986,072	\$37,676,412	6.1%
Operating grants and contributions	3,625	4,770	-	-	3,625	4,770	(24.0)
Capital grants and contributions	240	265	-	-	240	265	(9.4)
General revenues	<u>928,507</u>	<u>1,176,519</u>	<u>30,208</u>	<u>48,678</u>	<u>958,715</u>	<u>1,225,197</u>	(21.8)
Total operating revenues	<u>2,361,260</u>	<u>2,425,219</u>	<u>38,587,392</u>	<u>36,481,425</u>	<u>40,948,652</u>	<u>38,906,644</u>	5.2
Program expenses							
General government	1,797,805	990,791	-	-	1,797,805	990,791	81.5
Public safety	978,779	1,153,714	-	-	978,779	1,153,714	(15.2)
Public services	1,771,193	902,128	-	-	1,771,193	902,128	96.3
Culture and recreation	578,257	407,347	-	-	578,257	407,347	42.0
Risk management	-	-	38,462,010	36,391,514	38,462,010	36,391,514	5.7
Information technology	-	-	<u>1,936,504</u>	<u>2,014,750</u>	<u>1,936,504</u>	<u>2,014,750</u>	(3.9)
Total expenses	<u>5,126,034</u>	<u>3,453,980</u>	<u>40,398,514</u>	<u>38,406,264</u>	<u>45,524,548</u>	<u>41,860,244</u>	8.8
Transfers	<u>2,386,037</u>	<u>3,188,068</u>	<u>241,724</u>	<u>236,978</u>	<u>2,627,761</u>	<u>3,425,046</u>	(23.3)
Changes in net position (deficit)	(378,737)	2,159,307	(1,569,398)	(1,687,861)	(1,948,135)	471,446	(513.2)
Beginning net position							
As previously reported	32,458,521	30,299,214	13,505,248	(1,447,984)	45,963,769	28,851,230	59.3
Prior period restatement	-	-	-	<u>16,641,093</u>	-	<u>16,641,093</u>	(100.0)
Beginning net position	<u>32,458,521</u>	<u>30,299,214</u>	<u>13,505,248</u>	<u>15,193,109</u>	<u>45,963,769</u>	<u>45,492,323</u>	1.0
Ending net position	<u>\$32,079,784</u>	<u>\$32,458,521</u>	<u>\$11,935,850</u>	<u>\$13,505,248</u>	<u>\$44,015,634</u>	<u>\$45,963,769</u>	(4.2)

Governmental activities charges for services increased \$185 thousand primarily due to increases in impact fees for private development new construction of \$51 thousand and increased revenue collections of \$137 thousand for weed abatement and junk debris removal. Governmental activities general revenues decreased \$248 thousand related to \$156 thousand decrease in oil and gas royalties related to a decline in demand and \$66 thousand in miscellaneous income related to decreased abandoned housing and other cost recoveries.

Business-type activities, charges for services increased \$2.12 million primarily related to increased premium revenues for life, dental and health insurance of \$2.07 million.

Governmental activities, program expenses for general government and public services increased \$807 thousand and \$869 thousand, respectively. The increase in general government expenses is primarily related to additional software support and licensing costs related to a upgrade for the financial reporting software scheduled to be completed in March of 2014. The increase for public services is related to the project costs reimbursements from outside parties of \$461 thousand and \$392 thousand in biennial inventory adjustments.

Business-type activities, program expenses for risk management program expenses decreased \$2.50 million primarily related to increases in life, dental and health insurance costs.

Net transfers for governmental activities decreased \$802 thousand due primarily to a decrease in transfers from the City General Fund of \$1.86 million to fund the upgrade of financial reporting software and increased transfers from the City Asset Forfeiture Fund of \$103 thousand offset by a decrease in transfers to the City Special Purpose Fund of \$1.15 million related to a prior year transfer to fund park related enhancements.

In 2012, a prior period adjustment was recorded to recognize the unfunded liabilities related to cost reimbursements from the City Risk Management and Information Technology Funds.

Governmental Fund

As discussed, the Authority governmental fund is reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The Authority governmental fund reported an ending fund balance of \$20,764,723. Of this year-end total, approximately \$4,282,159 is unassigned, indicating availability for continuing Authority general service requirements.

The total ending fund balance of the governmental fund shows an increase of \$872,649 over the prior year. This increase is primarily the result of the events and programs described within the analysis of the Authority's governmental activities.

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, at fiscal year-end is \$15,644,400.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total		Total % Change
	2013	2012	2013	2012	2013	2012	
Non-Depreciable Assets							
Land	\$5,401,779	\$5,401,779	\$ -	\$ -	\$5,401,779	\$5,401,779	0.0%
Construction in progress	<u>12,017</u>	<u>153,314</u>	-	-	<u>12,017</u>	<u>153,314</u>	(92.2)
Total non-depreciable assets	<u>5,413,796</u>	<u>5,555,093</u>	-	-	<u>5,413,796</u>	<u>5,555,093</u>	(2.5)
Depreciable Assets							
Improvements other than buildings	4,533,345	5,238,449	-	-	4,533,345	5,238,449	(13.5)
Buildings	1,202,999	1,292,603	52,352	54,896	1,255,351	1,347,499	(6.8)
Furniture, machinery, and equipment	<u>148,792</u>	<u>461,388</u>	<u>4,293,116</u>	<u>6,216,116</u>	<u>4,441,908</u>	<u>6,677,504</u>	(33.5)
Total depreciable assets	<u>5,885,136</u>	<u>6,992,440</u>	<u>4,345,468</u>	<u>6,271,012</u>	<u>10,230,604</u>	<u>13,263,452</u>	(22.9)
	<u>\$11,298,932</u>	<u>\$12,547,533</u>	<u>\$4,345,468</u>	<u>\$6,271,012</u>	<u>\$15,644,400</u>	<u>\$18,818,545</u>	(16.9)

The Authority's net capital assets for governmental and business-type activities as of June 30, 2013 was \$11.30 million and \$4.35 million, respectively. The governmental activities decrease of \$1.25 million is due to current year depreciation of \$753 thousand and asset retirements related to the biennial inventory of \$496 thousand. The business-type activities decrease of \$1.93 million is due to current year depreciation of \$2.00 million offset by capital outlay of \$72 thousand. See Note II. D. for more information regarding capital assets.

Economic Factors

The improvements in the local economy led to increases in revenues collected from weed abatement and junk debris removal. Other programs of the Authority were not affected by changes in the economy.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances, comply with finance-related laws and regulations, and demonstrate commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

Basic Financial Statements

Authority-wide Financial Statements

Provide both long-term and short-term information about the Authority's overall status using full accrual accounting.

- * ***Governmental Activities*** – *Reports general government, public safety, public services, culture and recreation, and the general revenues of the Authority.*
- * ***Business-Type Activities*** – *Reports, risk management and information technology activities.*

Fund Financial Statements

Focus on the Authority's most significant funds. Major funds are separately reported while all others are combined into a single, aggregated presentation.

Governmental Fund Financial Statements

Encompass essentially the same functions reported as governmental activities in the Authority-wide financial statements using modified accrual accounting and report the annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Proprietary Fund Financial Statements

Provide both long-term and short-term information about the Authority's overall status using full accrual accounting.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

STATEMENT OF NET POSITION
June 30, 2013

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

	Governmental	Business-type	
	Activities	Activities	Total
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Pooled cash-----	\$2,280,841	\$4,596,637	\$6,877,478
Non-pooled cash-----	28,777	-	28,777
Investments-----	15,158,617	30,539,839	45,698,456
Accounts receivable, net-----	24,204	3,971,470	3,995,674
Interest, dividends and royalties receivable-----	90,242	181,867	272,109
Due within the Authority-----	20,450	(20,450)	-
Due from other funds-----	6,294,995	212,734	6,507,729
Receivable from component units-----	-	4,856	4,856
Intergovernmental receivables-----	-	31,250	31,250
Prepays-----	299,026	795,594	1,094,620
Total current assets-----	24,197,152	40,313,797	64,510,949
<u>NON-CURRENT ASSETS</u>			
Advance to other funds-----	-	19,754,899	19,754,899
Non-current prepaids-----	852,171	3,408	855,579
Capital assets:			
Land and construction in progress-----	5,413,796	-	5,413,796
Other capital assets, net of accumulated depreciation-----	5,885,136	4,345,468	10,230,604
Capital assets, net-----	11,298,932	4,345,468	15,644,400
Total non-current assets-----	12,151,103	24,103,775	36,254,878
Total assets-----	36,348,255	64,417,572	100,765,827
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable-----	932,166	2,073,801	3,005,967
Due to other funds-----	3,336,305	18,624	3,354,929
Estimated claims payable-----	-	17,923,086	17,923,086
Total current liabilities-----	4,268,471	20,015,511	24,283,982
<u>NON-CURRENT LIABILITIES</u>			
Estimated claims payable-----	-	27,822,000	27,822,000
Advance from other funds-----	-	4,644,211	4,644,211
Total non-current liabilities-----	-	32,466,211	32,466,211
Total liabilities-----	4,268,471	52,481,722	56,750,193
<u>NET POSITION</u>			
Net investment in capital assets-----	11,298,932	4,345,468	15,644,400
Restricted for:			
Capital projects-----	864,550	-	864,550
Public safety-----	852,560	-	852,560
Unrestricted-----	19,063,742	7,590,382	26,654,124
Total net position-----	\$32,079,784	\$11,935,850	\$44,015,634

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Governmental Activities	Business Type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
<u>GOVERNMENTAL ACTIVITIES</u>							
General government	\$1,797,805	\$ -	\$198	\$240	(\$1,797,367)	\$ -	(\$1,797,367)
Public safety:							
Police-----	1,887	-	-	-	(1,887)	-	(1,887)
Other-----	976,892	-	1,065	-	(975,827)	-	(975,827)
Public services-----	1,771,193	1,424,392	2,339	-	(344,462)	-	(344,462)
Culture and recreation-----	578,257	4,496	23	-	(573,738)	-	(573,738)
Total governmental activities----	<u>5,126,034</u>	<u>1,428,888</u>	<u>3,625</u>	<u>240</u>	<u>(3,693,281)</u>	<u>-</u>	<u>(3,693,281)</u>
<u>BUSINESS-TYPE ACTIVITIES</u>							
Risk management-----	38,462,010	38,557,184	-	-	-	95,174	95,174
Information technology-----	1,936,504	-	-	-	-	(1,936,504)	(1,936,504)
Total business-type activities----	<u>40,398,514</u>	<u>38,557,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,841,330)</u>	<u>(1,841,330)</u>
Total -----	<u>\$45,524,548</u>	<u>\$39,986,072</u>	<u>\$3,625</u>	<u>\$240</u>	<u>(3,693,281)</u>	<u>(1,841,330)</u>	<u>(5,534,611)</u>
<u>GENERAL REVENUES</u>							
Oil and gas royalties-----					756,904	-	756,904
Unrestricted investment income-----					33,408	30,208	63,616
Miscellaneous-----					138,195	-	138,195
Total general revenues -----					<u>928,507</u>	<u>30,208</u>	<u>958,715</u>
Transfers within the City-----					2,386,037	241,724	2,627,761
Changes in net position -----					<u>(378,737)</u>	<u>(1,569,398)</u>	<u>(1,948,135)</u>
Net position-beginning-----					32,458,521	13,505,248	45,963,769
Net position-ending -----					<u>\$32,079,784</u>	<u>\$11,935,850</u>	<u>\$44,015,634</u>

See accompanying notes to financial statements.

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2013**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	General Purpose Fund
<u>ASSETS</u>	
Pooled cash-----	\$2,280,841
Non-pooled cash-----	28,777
Investments-----	15,158,617
Accounts receivable-----	24,204
Interest, dividends, and royalties receivable-----	90,242
Due within the Authority-----	20,450
Due from other funds-----	6,294,995
Prepays-----	1,151,197
Total assets-----	<u>25,049,323</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	
<u>LIABILITIES</u>	
Accounts payable-----	\$932,166
Due to other funds-----	3,336,305
Total liabilities-----	<u>4,268,471</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
	<u>16,129</u>
<u>FUND BALANCES</u>	
Non-spendable-----	1,151,197
Restricted-----	1,219,584
Committed-----	184,847
Assigned-----	13,926,936
Unassigned-----	4,282,159
Total fund balance-----	<u>20,764,723</u>
Total liabilities, deferred inflows of resources, and fund balances-----	<u>25,033,194</u>
 <u>RECONCILIATION OF THE BALANCE SHEET, GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION, GOVERNMENTAL ACTIVITIES</u>	
Total fund balance-----	\$20,764,723
Capital assets, net of accumulated depreciation-----	11,298,932
Revenue earned but unavailable-----	16,129
Net position-governmental activities-----	<u>32,079,784</u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended June 30, 2013**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	General Purpose Fund
<u>REVENUES</u>	
Licenses and permits-----	\$165,849
Oil and gas royalties-----	756,904
Fines and forfeitures-----	1,258,543
Investment income-----	39,815
Rental income-----	4,496
Other-----	138,195
Total revenues-----	<u>2,363,802</u>
<u>EXPENDITURES</u>	
<u>CURRENT</u>	
General government-----	1,495,599
Public safety other-----	839,560
Public services-----	1,094,564
Culture and recreation-----	447,707
Total expenditures-----	<u>3,877,430</u>
Deficiency of revenues under expenditures-----	(1,513,628)
<u>OTHER FINANCING SOURCES</u>	
Transfers from other funds-----	2,441,438
Transfers to other funds-----	(55,401)
Sale of assets-----	240
Net other financing sources-----	<u>2,386,277</u>
Net change in fund balances-----	872,649
Fund balance, beginning-----	<u>19,892,074</u>
Fund balances, ending-----	<u>\$20,764,723</u>
<u>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES, GOVERNMENTAL ACTIVITIES</u>	
Net change in fund balance-----	\$872,649
Recognition of earned but unavailable revenue-----	(2,784)
Depreciation expense-----	(752,869)
Loss on disposal of assets-----	(495,733)
Change in net deficit-governmental activities-----	<u>(\$378,737)</u>

See accompanying notes to financial statements.

**STATEMENT OF NET POSITION
 PROPRIETARY FUND
 June 30, 2013**

**OKLAHOMA CITY MUNICIPAL
 FACILITIES AUTHORITY**

	OCMFA Services
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Pooled cash-----	\$4,596,637
Investments-----	30,539,839
Accounts receivable, net-----	3,971,470
Interest, dividends, and royalties receivable-----	181,867
Due within the Authority-----	(20,450)
Due from other funds-----	212,734
Receivable from component units-----	4,856
Intergovernmental receivables-----	31,250
Prepays-----	795,594
Total current assets-----	<u>40,313,797</u>
<u>NON-CURRENT ASSETS</u>	
Advance to other funds-----	19,754,899
Non-current prepaids-----	3,408
Capital assets:	
Other capital assets, net of accumulated depreciation-----	4,345,468
Capital assets, net-----	<u>4,345,468</u>
Total non-current assets-----	<u>24,103,775</u>
Total assets-----	<u>64,417,572</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts payable-----	2,073,801
Due to other funds-----	18,624
Estimated claims payable-----	17,923,086
Total current liabilities-----	<u>20,015,511</u>
<u>NON-CURRENT LIABILITIES</u>	
Estimated claims payable-----	27,822,000
Advance from other funds-----	4,644,211
Total non-current liabilities-----	<u>32,466,211</u>
Total liabilities-----	<u>52,481,722</u>
<u>NET POSITION</u>	
Net investment in capital assets-----	4,345,468
Unrestricted-----	7,590,382
Total net position-----	<u>\$11,935,850</u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2013**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	<u>OCMFA Services</u>
<u>OPERATING REVENUES</u>	
Service charges-----	\$38,504,718
Other charges-----	85
Fines and forfeitures-----	47,394
Other-----	4,990
Total operating revenues-----	<u>38,557,187</u>
<u>OPERATING EXPENSES</u>	
Maintenance, operations, and contractual services-----	38,393,166
Materials and supplies-----	7,832
Depreciation-----	1,997,519
Total operating expenses-----	<u>40,398,517</u>
Operating loss-----	<u>(1,841,330)</u>
<u>NON-OPERATING REVENUE</u>	
Investment income-----	30,208
Non-Operating Revenue-----	<u>30,208</u>
Transfers-----	241,724
Change in net position (deficit)-----	<u>(1,569,398)</u>
<u>Total net position, beginning</u>	
Total net position, beginning-----	13,505,248
Total net position, ending-----	<u>\$11,935,850</u>

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2013**

	OCMFA Services
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers-----	\$38,666,182
Cash payments to suppliers for goods and services-----	(57,825,903)
Cost reimbursements from (to) other funds-----	16,322,137
Other cash receipts-----	5,495,099
Net cash provided by operating activities-----	<u>2,657,515</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Transfers received from other funds-----	1,444,772
Net cash provided by non-capital financing activities-----	<u>1,444,772</u>
<u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u>	
Payments for acquisition and construction of capital assets-----	(156,198)
Net cash used by capital and capital related financing activities-----	<u>(156,198)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Changes in pooled investments-----	(6,170,070)
Investment income received-----	231,160
Net cash used by investing activities-----	<u>(5,938,910)</u>
Net decrease in cash-----	<u>(1,992,821)</u>
Cash, beginning-----	6,589,458
Cash, ending-----	<u>\$4,596,637</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating income (loss)-----	(\$1,841,330)
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Depreciation-----	1,997,519
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable-----	(3,971,470)
(Increase) decrease in due from other funds-----	3,452,154
(Increase) decrease in receivable from component units-----	(1,951)
(Increase) decrease in prepaid assets-----	(39,523)
(Increase) decrease in intergovernmental receivable-----	(31,250)
Increase (decrease) in accounts payable-----	891,426
Increase (decrease) in due to other funds-----	(1,759,763)
Increase (decrease) in long-term liabilities-----	3,961,703
Total adjustments-----	4,498,845
Net cash provided by operating activities-----	<u>\$2,657,515</u>
<u>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>	
Net increase (decrease) in fair value of investments-----	(\$89,784)
Total non-cash investing, capital, and financing activities-----	<u>(\$89,784)</u>

See accompanying notes to financial statements.

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Oklahoma City Municipal Facilities Authority (Authority) financial activities for the fiscal year ended June 30, 2013.

I. B. BASIS OF PRESENTATION

I. B. 1. REPORTING ENTITY AND RELATIONSHIP TO THE CITY OF OKLAHOMA CITY, OKLAHOMA

Due to restrictions of the state constitution relating to municipal debt, public trusts are created to finance Oklahoma City (City) services with revenue bonds, or other non-general obligation financing, and to provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government although retaining separate legal identity.

The Authority was formed as a public trust pursuant to Title 60 of the Oklahoma Statutes, section 176, et. seq., on November 10, 1976, with the City as the beneficiary. The purpose of the Authority is to provide a means of financing and constructing various utility and service projects, to maintain and administer any leasehold rights in physical properties transferred to the City, and additional purposes authorized by the City Council and the Trustees of the Authority.

The provisions of the trust agreement provide that the Authority will lease or manage the related property and improvements financed by the Authority. The Authority will receive all revenues generated from the related properties to pay the principal and interest on any revenue bonds or other debt instruments issued by the Authority plus costs and expenses related to the management, operation, maintenance, and conservation of the Authority. The Authority has no revenue bonds outstanding. Therefore, there are no revenues of the kind discussed above at this time.

Generally, the Authority serves as an administrative conduit for the City. The City is statutorily limited in the type and duration of agreements into which it may enter. Therefore, the Authority is used as a vehicle to accomplish certain long-range objectives that the City might otherwise be unable to accomplish. In addition, the City transfers monies from other funds of the City to the Authority because these amounts cannot be expended by the City without formal appropriations, which lapse at the end of each fiscal year. Monies transferred in this way are limited to specific purposes authorized by the City Council when transfers are appropriated.

The Mayor and the members of the City Council serve as the Trustees of the Authority. The City Manager serves as the General Manager. The Authority does not have the power to levy taxes. The City has no obligation for debt issued by the Authority.

Method of Reporting in the City's Comprehensive Annual Financial Report (CAFR)

The Authority is presented as a blended component unit of the City and is included in the City's financial reporting entity. The Authority meets the requirements for blending because the Authority's governing body is identical to the City's elected governing board (City Council). In addition, the Authority is managed as a department of the City under the direction of the City Manager using City employees.

The Authority is included in the City's financial reporting entity as a blended component unit. The City's CAFR may be obtained from Finance Department, Accounting Services Division, 100 N. Walker, Suite 300, Oklahoma City, OK 73102.

Authority Administration

The Authority has no employees. All activities of the Authority are performed by City employees.

I. B. 2. BASIC FINANCIAL STATEMENTS

Authority-wide Financial Statements

The Authority-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Authority as a whole. Individual funds are not displayed but the statements distinguish governmental activities from business-type activities, which are generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges for services which report fees and other charges to users of the Authority's services and operating grants and contributions related to specific functions. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. All funds of the Authority are considered major.

I. B. 3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Generally Accepted Accounting Principles (U.S. GAAP)

The financial statements of the Authority are prepared in accordance with U.S. GAAP. The Authority applies all relevant GASB pronouncements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Governmental Fund

Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are included on the balance sheet. The operating statement presents sources and uses of available, spendable resources during a given period.

General Purpose Fund

Used by the Authority to account for specific revenues including the collection of fines and fees which are designated to finance general government functions or activities of the Authority such as legal fees, public works, parks, police, property management, and City-wide improvements.

Proprietary Fund

Proprietary funds account for financial activity using the economic resources measurement focus. All assets and liabilities (whether current or noncurrent) associated with a proprietary fund's activities are included on its statement of net position.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Enterprise Fund

OCMFA Services Fund

The OCMFA Services Fund manage property and worker's compensation insurance long-term contracts for costs of the City Risk Management Fund and information technology long-term contracts for the City Information Technology Fund. The City Funds reimburse the Authority for these costs. The costs are reported as expenses of the City. The OCMFA Services Fund also manages and reports health care and unemployment costs. These costs are funded through chargebacks to City funds. These costs are the responsibility of the Authority and are reported as expenses of the Authority.

I. C. BUDGET LAW AND PRACTICE

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. Accordingly, the Authority's budget is submitted to its governing body for approval. Appropriations are recorded and available for encumbrance or expense/expenditure as revenue is received in cash. Budgetary control is exercised on a project-length basis. Therefore, appropriations are carried forward each year until projects are completed. Management's policy prohibits expenses/expenditures to exceed appropriations at the detail, line-item level. Management may transfer appropriations without governing body approval.

I. D. POLICIES RELATED TO ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY

Implementation of New Accounting Standard

Effective July 1, 2012, the Authority implemented Governmental Accounting Standards Board (GASB) statement number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement defines deferred outflows and deferred inflows of resources and where they are to be reported in the financial statements and redefine and provide new calculations for the classifications of net position.

I. D. 1. CASH AND INVESTMENTS

The Authority participates in the investment policy approved by the City Council. The Authority's governing board formally adopted the City's updated deposit and investment policy in October 2012.

The Authority maintains and controls a cash and investment operating pool which functions as a demand deposit account for participating funds of the Authority. This pool is allocated to the funds. Fund pooled cash and investments are allocated based on the fund's position in the pool and reported as pooled cash and investments. In addition, non-pooled cash and investments are separately held and reflected in respective funds as non-pooled cash and investments. The Authority engages in non-pooled investing activity for functionally separate activities.

Investments are reported at fair value, which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash equivalents are reported with investments. Cash deposits are reported at carrying amount, which approximates fair value.

I. D. 2. ACCOUNTS RECEIVABLE

Significant receivables includes receivables for property damage recoveries. Receivables related to insurance recoveries are recorded when the amount is considered realized or realizable. These receivables are expected to be fully collected and therefore no allowance for doubtful accounts has been recorded.

I. D. 3. PREPAIDS

Prepays are payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepays are similarly reported in Authority-wide and fund financial statements.

I. D. 4. INTERFUND BALANCES

Generally, outstanding balances between funds reported as due to/from other funds include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, or other miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All activity between governmental and business-type activities of the Authority is eliminated and any residual balances outstanding between the activities are reported in the Authority-wide financial statements as internal balances.

Certain outstanding balances (due to/from and advances from) have not been eliminated in the Authority-wide statements because they include amounts due to/from the City or other component units of the City.

Net transfers reported on the statement of revenues, expenses, and changes in net position do not net to zero. The amounts reported include transfers to/from the City. Transfers within the Authority are presented separately and net to zero.

I. D. 5. CAPITAL ASSETS AND DEPRECIATION

Property and equipment are stated at actual or estimated historical cost. Donated capital assets are stated at their fair market value on the date donated. The Authority generally capitalizes assets with cost of \$7,500 or more as purchases and construction outlays occur. Capital assets are reported in the Authority-wide statements and respective proprietary funds and are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts with the resulting gain or loss recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10 - 50
Infrastructure and improvements other than buildings	10 - 50
Mobile equipment, furniture, machinery, and equipment	5 - 20

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The Authority capitalizes interest as a component of capital assets constructed for its own use.

I. D. 6. FUND EQUITY

Fund Balance

Non-Spendable Fund Balance

Fund balance reported as non-spendable includes amounts that cannot be spent because it is not in spendable form or is not expected to be converted to cash including inventories, prepaid expenses and non-current receivables and advances.

Restricted Fund Balance

Restricted fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation including City ordinances approved by a vote of the citizens.

Committed Fund Balance

Committed fund balance includes amounts that are constrained for specific purposes that are internally imposed by a vote of the Board of Trustees. Commitments of fund balance do not lapse at year-end.

Assigned Fund Balance

Assigned fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by formal action of the City Finance Director.

Unassigned Fund Balance

Unassigned fund balance includes fund balance within the General Purpose Fund which has not been classified within the above mentioned categories.

Fund Balance Usage

The Authority uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreements requiring dollar for dollar spending. Additionally, the Authority uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Net Position

Net investment in capital assets and legally restricted amounts are separated from unrestricted net position.

Net investment in Capital Assets

The amount reported is calculated as total capital assets less accumulated depreciation and outstanding debt used to purchase the assets net of unspent portions. Unspent portions of debt, along with any amounts used to fund debt reserves, are included with restricted net position.

Restricted Net Position

Amounts reported as restricted for debt service include those amounts held in restricted accounts as required by the debt instrument. Restricted amounts held to pay bond interest are reduced by accrued interest payable. Net position restricted for capital projects include unspent debt proceeds legally restricted for capital outlays. Restricted net position also include purpose restrictions from enabling legislation and other external sources.

I. D. 7. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

I. D. 8. RISK MANAGEMENT AND ESTIMATED CLAIMS PAYABLE

The City's risk management activities are recorded in the City Risk Management and the OCMFA Services Funds and the Oklahoma City Post-Employment Benefit Trust (OCPEBT). The purpose of these funds is to administer employee life, employee health, property and liability, workers' compensation, unemployment, and disability insurance programs. These funds account for the risk financing activities of the City and certain component units of the City and constitute a transfer of risk from the other City funds and certain component units of the City.

The City funds and certain component units of the City pay a premium for insurance coverage and have no further costs or liabilities. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the City Risk Management Fund or the OCMFA Services Fund. Retiree health insurance claims costs and liabilities are reported in OCPEBT.

Estimated claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific, incremental claim adjustment expenses, allocated loss adjustment expenses, and are reduced for estimated recoveries on unsettled claims such as salvage or subrogation.

Employee Life and Health

Significant losses are covered by commercial insurance for all major programs except the self-insured group indemnity plan (Indemnity Plan), which is covered by stop-loss commercial insurance. The OCMFA Services Fund retains the risk of loss for uninsured employee health costs. The City and employees pay a portion of the established premiums to the OCMFA Services Fund. Insurance premiums and Indemnity Plan claims are paid from the OCMFA Services Fund. Health insurance claims incurred but not reported for the Indemnity Plan are calculated by a third-party using the one-day weighted average of annual claims over the weighted average days lag in claims reporting. The third-party also recommends the premium necessary to recover claim costs and maintain reserves. A copy of the third-party report can be obtained from Human Resources, 420 W. Main, Suite 110, Oklahoma City, OK 73102.

Worker's Compensation

Worker's compensation programs are self-insured. The City Risk Management Fund provides worker's compensation coverage for the City and certain component units. Risk of loss is with the City Risk Management Fund. The City Risk Management Fund charges City funds and component units and reimburses the OCMFA Services Fund for expenses for claims. The OCMFA Services Fund manages claims. Worker's compensation claims incurred but not yet paid are calculated by a third-party using the chain-ladder and additive distribution methods. The OCMFA Services Fund records estimated claims payable at the discounted amount. The discount rate is 2.5%. Claim costs are reported in the City Risk Management Fund. A copy of the third-party report can be obtained from Risk Management, 420 W. Main, Suite 110, Oklahoma City, OK 73102.

Property and Liability

Property and liability losses are covered by stop-loss commercial insurance. The City Risk Management Fund functions as the property and liability insurance fund for the City and certain component units. Risk of loss is with the City Risk Management Fund. The City Risk Management Fund charges City funds and component units and reimburses the OCMFA Services Fund for expenses for stop-loss property insurance and claims. The OCMFA Services Fund manages property claims and stop-loss insurance coverage. When an event occurs, the OCMFA Services Fund records a liability for the estimated loss incurred. Receivables for any insurance recovery are recorded when the claim is considered realized or realizable. Estimated claim costs and related insurance recovery revenues are recorded in the City Risk Management Fund.

Unemployment and Disability Insurance

The OCMFA Services Fund retains the risk of loss for unemployment and disability claims costs for the City and certain component units. The OCMFA Services Fund receives chargebacks from the City and component units which are calculated to cover the cost of claims and maintain reserves. Claims are paid from the OCMFA Services Fund. Unemployment claims incurred but not reported are not expected to be significant. No estimate of claims payable is recorded.

I. E. MAJOR REVENUES

Program revenues reported in governmental activities include charges for services such as impact fees, fines for weed abatement and trash and debris removal as well as the sale of trash bags. The OCMFA Services Fund provides charges for services for healthcare to other City funds.

I. F. TAX STATUS

The Authority is exempt from Federal and state income taxes under Section 115 of the Internal Revenue Code for any trade or business related to the Authority's tax-exempt purpose or function.

I. G. RETAINAGES

It is the policy of the Authority to retain a percentage of construction contracts until a completed project has been accepted by the Trustees. Contractors may request to opt out of this retainage by providing a certificate of deposit with the City. The City holds the certificate of deposit and the Authority retains the risk of incurring costs related to a contractor's failure to perform. However, in the event of non-performance, the City calls the certificate and pays the proceeds to the Authority to cover any costs incurred. The Authority does not record the effect of holding the certificates of deposit.

II. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

II. A. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires deposits to be 110 percent secured by collateral valued at market less the amount of the Federal depository insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health, as determined by the bank's institutional rating on each of the performance evaluations conducted pursuant to the Federal Community Reinvestment Act, 12 United States Code, Section 2901. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of the City Treasurer.

At June 30, 2013, the Authority's cash is collateralized with securities held by the pledging financial institution in the name of the Authority or the City, less Federal depository insurance.

Investments

The Authority invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Authority's financial position. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

	Fair Value/ Carrying Amount	Cost	Rating (1)	Weighted Average Months to Maturity (2)
POOLED INVESTMENTS				
Certificate of deposit	\$250,000	\$250,000	N/A	1.70
Fannie Mae	7,079,267	7,106,490	AA+/Aaa	6.41
Federal obligations	25,265,150	26,095,955	AA+/Aaa	11.98
U.S. Treasury notes	2,015,624	2,067,500	N/A	5.10
Money market funds	<u>11,088,415</u>	<u>11,088,415</u>	AAA/Aaa	1.73
	<u>\$45,698,456</u>	<u>\$46,608,360</u>		

- (1) Ratings are provided where applicable to indicate associated credit risk.
- (2) Interest rate risk is estimated using weighted average months to maturity.

Investment policy

The Authority's investment policy is maintained by the City Treasurer. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Authority funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged; (2) Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those insured by or fully guaranteed as principal and interest by Federal agencies or U.S. government-sponsored enterprises; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in Oklahoma when secured by appropriate collateral or fully insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located outside of Oklahoma; (4) repurchase agreements that have underlying collateral of direct obligations or obligations of the U.S. government, its agencies, and instrumentalities; (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law; (6) savings accounts or certificates of savings and loan associations, banks, and credit unions, to the extent the accounts are fully insured by Federal depository insurance; (7) State and Local Government Series (SLGS); (8) City direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the City is a beneficiary and judgments rendered against the City by a court of record, provided it is a prudent investment; (9) prime commercial paper with a maturity date less than 180 days which represents less than 10% of the outstanding paper of an issuing corporation.

Under the policy, the Authority may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset values and/or has no call options prior to the desired maturity or is a variable rate instrument. Collateralization is further restricted to permitted investments shown previously as items (1) and (2).

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. Cumulatively, portfolios of the Authority may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total Authority portfolio may be placed with any single financial institution. U.S. government securities, SLGS, City judgments, repurchase agreements, and money market funds are excluded from these restrictions.

Portfolio Structure (1)

Investment Type Limitations		Maturity Limitations	
Percentage of Total Invested Principal		Percentage of Total Invested Principal	
	<u>Maximum % (2)</u>		<u>Maximum % (4)</u>
Repurchase agreements	100.0%	0-1 year	100%
U.S. Treasury securities (3)	100.0	1-3 years	90
Certificates of deposit	50.0	3-5 years	90
Money market funds	100.0		
Savings accounts	100.0		
U.S. noncallable agencies securities	100.0		
U.S. Callable Agency Securities	20.0		
Prime Commercial Paper	7.5		
City judgments	5.0		

- (1) Specifically matched cash flows are excluded.
- (2) For investments listed, there is no minimum percentage specified under the policy.
- (3) Includes SLGS.
- (4) For maturities limited to 0-1 year, the minimum percentages allowed under the policy are 5-25%.

The policy also allows surplus cash, certificates of deposit, and repurchase agreements to be collateralized with securities with longer maturities if such maturity does not exceed ten years.

Investments Held by Others

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Policy provides that investment collateral is held by a third party custodian with whom the Authority has a current custodial agreement in the Authority's name or be held in the name of both parties by the Federal Reserve Bank servicing Oklahoma. Investments of the Authority are insured or collateralized with securities held by the Authority, its agent in the Authority's name.

Compliance with State Restrictions

Authority investment policy is more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma Statutes and the standards of the Oklahoma Uniform Prudent Investor Act. These statutes restrict public trust investing to the Prudent Investor Rule defined by Title 60 Oklahoma Statutes to consider the purposes, terms, distribution requirements, and other circumstances of the Authority and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the Authority's portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Authority.

II. B. PREPAIDS

The General Purpose Fund reported prepaid software license and support agreements of \$1,151,197 including \$852,171 reported as non-current. The OCMFA Services Fund reported \$623,777 including \$3,408 reported as non-current for prepaid insurance and \$175,225 for prepaid software license and support agreements.

II. C. INTERGOVERNMENTAL RECEIVABLE

In May 2013, severe weather resulted in the declaration of a disaster for damage to City property. A Federal Emergency Management Agency grant was awarded. In connection with this award, the OCMFA Services Fund will receive \$31,250 from the Oklahoma Emergency Management Agency to supplement matching fund requirements.

II. D. CAPITAL ASSETS

Changes in Capital Assets

	Capital Assets, not depreciated			Capital Assets, depreciated				Total Capital Assets, net
	Land	Construction In Progress	Total	Improvements Other Than Buildings	Buildings	Furniture, & Machinery, & Equipment	Total	
<i>Governmental Activities</i>								
<u>CAPITAL ASSETS</u>								
Balance, June 30, 2012	\$5,401,779	\$153,314	\$5,555,093	\$15,895,912	\$7,238,392	\$11,815,596	\$34,949,900	\$40,504,993
Increases	-	-	-	-	127,296	-	127,296	127,296
Decreases	-	(141,297)	(141,297)	(850,826)	(202,412)	(3,122,051)	(4,175,289)	(4,316,586)
Balance, June 30, 2013	<u>5,401,779</u>	<u>12,017</u>	<u>5,413,796</u>	<u>15,045,086</u>	<u>7,163,276</u>	<u>8,693,545</u>	<u>30,901,907</u>	<u>36,315,703</u>
<u>ACCUMULATED DEPRECIATION</u>								
Balance, June 30, 2012				10,657,463	5,945,789	11,354,208	27,957,460	27,957,460
Increases				457,522	66,778	228,569	752,869	752,869
Decreases				(603,244)	(52,290)	(3,038,024)	(3,693,558)	(3,693,558)
Balance, June 30, 2013				<u>10,511,741</u>	<u>5,960,277</u>	<u>8,544,753</u>	<u>25,016,771</u>	<u>25,016,771</u>
Governmental activities								
capital assets, net	<u>5,401,779</u>	<u>12,017</u>	<u>5,413,796</u>	<u>4,533,345</u>	<u>1,202,999</u>	<u>148,792</u>	<u>5,885,136</u>	<u>11,298,932</u>
<i>Business-type Activities</i>								
<u>CAPITAL ASSETS</u>								
Balance, June 30, 2012					\$218,700	\$24,546,440	\$24,765,140	\$24,765,140
Increases					-	71,975	71,975	71,975
Decreases					-	(4,107)	(4,107)	(4,107)
Balance, June 30, 2013					<u>218,700</u>	<u>24,614,308</u>	<u>24,833,008</u>	<u>24,833,008</u>
<u>ACCUMULATED DEPRECIATION</u>								
Balance, June 30, 2012					163,804	18,330,324	18,494,128	18,494,128
Increases					2,544	1,994,975	1,997,519	1,997,519
Decreases					-	(4,107)	(4,107)	(4,107)
Balance, June 30, 2013					<u>166,348</u>	<u>20,321,192</u>	<u>20,487,540</u>	<u>20,487,540</u>
Business-type activities								
capital assets, net					<u>52,352</u>	<u>4,293,116</u>	<u>4,345,468</u>	<u>4,345,468</u>
Capital assets, net	<u>5,401,779</u>	<u>12,017</u>	<u>5,413,796</u>	<u>4,533,345</u>	<u>1,255,351</u>	<u>4,441,908</u>	<u>10,230,604</u>	<u>15,644,400</u>

Depreciation Expense

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$204,193	Risk Management	\$61,012
Police public safety	1,887	Information Technology	<u>1,936,507</u>
Public safety other	137,332		<u>\$1,997,519</u>
Public services	284,152		
Culture and recreation	<u>125,305</u>		
	<u>\$752,869</u>		

III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

III. A. ESTIMATED CLAIMS PAYABLE

Risk Management Claims Payable

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the change in claims liabilities for the OCMFA Services Fund for fiscal year 2013.

	<u>Health Care</u>	<u>Worker's Compensation (1)</u>	<u>Property Damage</u>	<u>Total</u>
Liability balance, July 1, 2011	\$1,026,235	\$37,926,348	\$4,148,723	\$43,101,306
Claims and changes in estimates	15,658,173	13,120,156	(1,626,153)	27,152,176
Claims payments	<u>(15,418,938)</u>	<u>(11,079,504)</u>	<u>(1,971,657)</u>	<u>(28,470,099)</u>
Liability balance, June 30, 2012	1,265,470	39,967,000	550,913	41,783,383
Claims and changes in estimates	16,092,774	7,103,092	4,684,860	27,880,726
Claims payments	<u>(15,946,706)</u>	<u>(7,463,092)</u>	<u>(509,225)</u>	<u>(23,919,023)</u>
Liability balance, June 30, 2013	<u>\$1,411,538</u>	<u>\$39,607,000</u>	<u>\$4,726,548</u>	<u>\$45,745,086</u>
Assets available to pay claims at year end (2)	<u>\$9,128,024</u>	<u>\$19,805,634</u>	<u>\$7,849,509</u>	<u>\$36,783,167</u>

- (1) Worker's compensation estimated claims are calculated using the chain-ladder and additive distribution methods. The City records worker's compensation claims payable at the discounted amount. The undiscounted carrying value at June 30, 2013 is \$44,747,000. Claims are discounted at 2.5% at June 30, 2013.
- (2) Assets available to pay claims does not include cost reimbursement advances to/from the City Risk Management Fund as these advances result in a deficit net position in the City Risk Management Fund and therefore are not available to pay the claims.

The Authority records an estimated liability for indemnity health care, workers' compensation, and property damage claims against the City and certain component units. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims, which have been incurred but not reported, based on historical experience. Claims liabilities include specific incremental claim adjustment expenses, allocated loss adjustment expenses, and are reduced for estimated recoveries on unsettled claims such as salvage or subrogation.

The OCMFA Services Fund is used to accumulate a reserve to pay claims. From time to time, the worker's compensation reserve is used to provide operating and capital advances to other City funds. These advances accrue interest.

Property and Liability Claims

The OCMFA Services Fund Property and Liability incurred costs relating to property damage during fiscal year 2013. The costs are reimbursed by the City Risk Management Fund. The claims in the current year relate primarily to the storms on May 31, 2013 in which numerous City facilities sustained wind, hail and flood damage.

Estimated Claims Payment Requirements to Maturity

Fiscal Year	<u>Principal</u>
2013	\$17,923,086
2014	<u>27,822,000</u>
	<u>\$45,745,086</u>

III. B. CHANGES IN LONG-TERM LIABILITIES

	Balance July 1, 2012	Incurred	Paid	Balance June 30, 2013	Due Within One Year	Due After One Year
Estimated claims payable - OCMFA Services Fund Risk Management	<u>\$41,783,383</u>	<u>\$27,880,726</u>	<u>\$23,919,023</u>	<u>\$45,745,086</u>	<u>\$17,923,086</u>	<u>\$27,822,000</u>

III. F. DEFERRED INFLOWS OF RESOURCES

Implementation of New Accounting Standard

Effective July 1, 2012, the Trust implemented GASB statement number 65, Items Previously Reported as Assets and Liabilities. This statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows and deferred inflows of resources including revenue earned but unavailable in governmental funds. Unavailable revenues were previously reported with unearned revenues, a liability.

Unavailable Revenue

Unavailable revenue in the governmental fund financial statements includes revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). At June 30, 2013, revenue earned but unavailable for governmental activities is \$16,129.

IV. FUND EQUITY

IV. A. FUND BALANCE

Non-Spendable Fund Balance

Prepays	<u>\$1,151,197</u>
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Restricted Fund Balance

Restricted for Federal and state asset forfeiture	\$201,467
Restricted for purchase and maintenance of police and fire equipment	154,369
Restricted for capital projects	863,748
	<u>\$1,219,584</u>

Committed Fund Balance

Committed for 911 services	<u>\$184,847</u>
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Assigned Fund Balance

Assigned for information technology projects	\$2,561,175
Assigned for civil defense legal fees	109,778
Assigned for parks improvements, creation and maintenance	3,182,979
Assigned for Myriad Botanical Gardens operations	4,498
Assigned for bond capital projects	7,595,300
Assigned for encumbrances	473,206
	<u>\$13,926,936</u>

Unassigned

Unassigned	<u>\$4,282,159</u>
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IV. B. NET POSITION

Net Investment in Capital Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Capital assets, net	<u>\$11,298,932</u>	<u>\$4,345,468</u>	<u>\$15,644,400</u>

Restricted for Capital Projects

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Restricted for capital projects	<u>\$864,550</u>	<u>\$ -</u>	<u>\$864,550</u>

Restricted for Public Safety

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Restricted for federal and state asset forfeiture	\$201,662	\$ -	\$201,662
Restricted for purchase and maintenance of police and fire equipment	650,898	-	650,898
	<u>\$852,560</u>	<u>\$ -</u>	<u>\$852,560</u>

Unrestricted

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Unrestricted	<u>\$19,063,742</u>	<u>\$7,590,382</u>	<u>\$26,654,124</u>

V. INTERFUND TRANSACTIONS

V. A. INTERFUND BALANCES

Due Within The Authority

All activity between governmental and business-type activities are eliminated and any residual balances outstanding between the activities are reported in the Authority-wide financial statements as internal balances.

<i>Governmental activities</i>	General Purpose Fund	Pooled cash overdraft	\$20,450
<i>Business-type activities</i>	OCMFA Services	Pooled cash overdraft	<u>(20,450)</u>
			<u>\$-</u>

Due Within City

		<u>DUE TO</u>	
		<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
		General	OCMFA
<u>Purpose</u>		<u>Purpose Fund</u>	<u>Services</u>
<u>DUE FROM OTHER FUNDS</u>			
City General Fund	Equipment & insurance purchases	\$ -	\$12,361
City General Obligation Bonds Fund	Prefunded costs	6,294,995	-
City Courts Administration & Training	Cell phone equipment for courts	-	882
City Grants Management	Grant related cost reimbursement	-	187,905
City Fire Fund	Equipment purchases	-	591
City Information Technology Fund	Cell phone equipment	-	3,716
City Schools Sales Tax Fund	Cell phone equipment	-	517
City Water and Wastewater Fund	Cell phone equipment	-	<u>6,762</u>
		<u>\$6,294,995</u>	<u>\$212,734</u>

		<u>DUE FROM</u>	
		<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
		General	OCMFA
<u>Purpose</u>		<u>Purpose Fund</u>	<u>Services</u>
<u>DUE TO OTHER FUNDS</u>			
City General Fund	Bond prefunded project costs	\$333,118	\$ -
City Stormwater Drainage Fund	Bond prefunded project costs	3,187	-
City Police Fund	Equipment purchases	1,500,000	-
City Fire Fund	Equipment purchases	1,500,000	-
City Print Shop Fund	Postage	-	446
City Water and Wastewater Fund	Insurance claim reimbursement	-	<u>18,178</u>
		<u>\$3,336,305</u>	<u>\$18,624</u>

Pre-funded Costs

The Authority pays for initial architectural and engineering fees for the City and related trust construction projects before the funding is finalized. This process allows more timely initiation of capital projects due to the length of time involved in finalizing debt and contracts for construction by the City and related trusts. When the funding is finalized and construction begins, the City or related trust reimburses the Authority for the cost of the prefunded fees. Any amounts outstanding are reported with interfund balances. During 2013, the Authority prefunded \$2,629,316 related to City general obligation bond projects and was reimbursed for \$2,952,014. At June 30, 2013, the Authority reported an amount due from the City General Obligation Bond Fund of \$6,294,995 for unreimbursed prefunded fees.

Advances To (From) the City

Advance to Oklahoma City Public Property Authority (OCPPA) Golf Courses Funds

On February 26, 2008 a loan for \$1,270,000 from the Authority workers compensation reserves to the OCPPA was approved for the purchase of new golf carts. The loan was made to 3 golf courses as follows:

Earlywine Park Golf Course	\$485,000
Lincoln Park Golf Course	505,000
Trosper Park Golf Course	280,000

The loan will be repaid over six years at an annual rate of 3.67% beginning April 1, 2008 with the final payment due March 1, 2014. During 2013, Lincoln Park Golf Course repaid the remaining principal due. The principal due at June 30, 2013 is \$109,279 and accrued interest of \$452.

Annual Debt Service Requirements to Maturity for OCPPA Advances from the Authority

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$109,279</u>	<u>\$1,292</u>	<u>\$110,571</u>

Cost Reimbursement Advances to (from) City Internal Services Funds

The City Risk Management and Information Technology Funds charge City funds for centralized services. The OCMFA Services Fund manages long-term contracts for costs related to these services. The City Risk Management and Information Technology Funds reimburse the Authority for these costs. The advance represents the under (over) funded liabilities of the OCMFA Services Fund at June 30, 2013.

	<u>Worker's Compensation</u>	<u>Property and Liability</u>	<u>Information Technology</u>	<u>Total</u>
Advance balance, July 1, 2012	\$23,207,673	(\$3,919,687)	(\$1,420,721)	\$17,867,265
Charges for services	(110,292)	-	-	(110,292)
Other services	8,360,141	8,325,148	2,307,907	18,993,196
Materials and supplies	-	-	10,343	10,343
Investment income	(58,125)	(13,909)	(5,875)	(77,909)
Other income	(1,087)	(5,357,468)	(953)	(5,359,508)
Reimbursement from the City	<u>(11,753,142)</u>	<u>(2,157,046)</u>	<u>(2,411,950)</u>	<u>(16,322,138)</u>
Advance balance, June 30, 2013	<u>\$19,645,168</u>	<u>(\$3,122,962)</u>	<u>(\$1,521,249)</u>	<u>\$15,000,957</u>

Receivable From Component Units

The OCMFA Services Fund Information Technology reported \$4,856 receivable from component units of the City which included \$276 receivable from Central Oklahoma Transportation and Parking Authority for cell phone equipment and \$4,580 receivable from the Oklahoma City Water Utilities Trust for software licenses.

V. B. INTERFUND TRANSFERS

Transfers Within the City

		TRANSFERS TO	
		<u>Governmental</u>	<u>Business-type</u>
		<u>Activities</u>	<u>Activities</u>
		General	OCMFA
<u>TRANSFERS FROM</u>	<u>Purpose</u>	<u>Purpose Fund</u>	<u>Services Fund</u>
City General Fund	Software upgrades & unemployment	\$720,438	\$211,724
City Asset Forfeiture Fund	Federal & state asset forfeiture	200,000	-
City Capital Improvement Fund	Software licensing	-	30,000
City Information Technology Fund	Information technology projects	<u>1,521,000</u>	<u>-</u>
		<u>\$2,441,438</u>	<u>\$241,724</u>
		TRANSFERS FROM	
		<u>Governmental</u>	
		<u>Activities</u>	
		General	
		<u>Purpose Fund</u>	
<u>TRANSFERS TO</u>			
City Capital Improvement Fund	Capital projects	<u>\$55,401</u>	

VI. CONSTRUCTION COMMITMENTS

	<u>General Purpose Fund</u>
Infrastructure	<u>\$20,901</u>

Combining Financial Statements

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**COMBINING STATEMENT OF NET POSITION
OCMFA SERVICES FUND
June 30, 2013**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	Risk Management						Information Technology	Total
	Health Care	Worker's Compensation	Property and Liability	Unemployment Insurance	Total Risk Management			
	Insurance	Compensation	Liability	Insurance	Management			
ASSETS								
CURRENT ASSETS								
Pooled cash-----	\$1,318,923	\$2,534,054	\$540,289	\$229	\$4,393,495	\$203,142	\$4,596,637	
Investments-----	8,761,038	16,843,115	3,584,730	1,752	29,190,635	1,349,204	30,539,839	
Accounts receivable, net-----	-	-	3,971,470	-	3,971,470	-	3,971,470	
Interest, dividends and royalties receivable-----	52,184	100,261	21,376	9	173,830	8,037	181,867	
Due within the Authority-----	(77,266)	95,205	(26,222)	101	(8,182)	(12,268)	(20,450)	
Due from other funds-----	8,253	100	187,903	-	196,256	16,478	212,734	
Receivable from component units-----	-	-	-	-	-	4,856	4,856	
Intergovernmental receivables-----	-	-	31,250	-	31,250	-	31,250	
Prepays-----	-	239,204	381,165	-	620,369	175,225	795,594	
Total current assets-----	10,063,132	19,811,939	8,691,961	2,091	38,569,123	1,744,674	40,313,797	
NON-CURRENT ASSETS								
Advance to other funds-----	-	19,754,899	-	-	19,754,899	-	19,754,899	
Prepays-----	-	-	3,408	-	3,408	-	3,408	
Capital assets:								
Other capital assets, net of accumulated depreciation---	-	173,131	-	-	173,131	4,172,337	4,345,468	
Capital assets, net-----	-	173,131	-	-	173,131	4,172,337	4,345,468	
Total non-current assets-----	-	19,928,030	3,408	-	19,931,438	4,172,337	24,103,775	
Total assets-----	10,063,132	39,739,969	8,695,369	2,091	58,500,561	5,917,011	64,417,572	
LIABILITIES								
CURRENT LIABILITIES								
Accounts payable-----	936,659	116,035	827,681	-	1,880,375	193,426	2,073,801	
Due to other funds-----	446	-	18,178	-	18,624	-	18,624	
Estimated claims payable-----	1,411,538	11,785,000	4,726,548	-	17,923,086	-	17,923,086	
Total current liabilities-----	2,348,643	11,901,035	5,572,407	-	19,822,085	193,426	20,015,511	
NON-CURRENT LIABILITIES								
Estimated claims payable-----	-	27,822,000	-	-	27,822,000	-	27,822,000	
Advance from other funds-----	-	-	3,122,962	-	3,122,962	1,521,249	4,644,211	
Total non-current liabilities-----	-	27,822,000	3,122,962	-	30,944,962	1,521,249	32,466,211	
Total liabilities-----	2,348,643	39,723,035	8,695,369	-	50,767,047	1,714,675	52,481,722	
NET POSITION								
Net investment in capital assets-----	-	173,131	-	-	173,131	4,172,337	4,345,468	
Unrestricted-----	7,714,489	(156,197)	-	2,091	7,560,383	29,999	7,590,382	
Total net position (deficit)-----	\$7,714,489	\$16,934	\$ -	\$2,091	\$7,733,514	\$4,202,336	\$11,935,850	

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
OCMFA SERVICES FUND
For the Year Ended June 30, 2013**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	Risk Management					Information Technology	Total
	Health Care	Worker's Compensation	Property and Liability	Unemployment Insurance	Total Risk Management		
	Insurance	Compensation	Liability	Insurance	Management		
OPERATING REVENUES							
CHARGES FOR SERVICES							
Service charges-----	\$38,504,718	\$ -	\$ -	\$ -	\$38,504,718	\$ -	\$38,504,718
Other charges-----	85	-	-	-	85	-	85
Total charges for services-----	38,504,803	-	-	-	38,504,803	-	38,504,803
Fines and forfeitures-----	47,394	-	-	-	47,394	-	47,394
Other-----	4,990	-	-	-	4,990	-	4,990
Total operating revenues-----	38,557,187	-	-	-	38,557,187	-	38,557,187
OPERATING EXPENSES							
Maintenance, operations, and contractual services-----	38,219,986	-	-	173,180	38,393,166	-	38,393,166
Materials and supplies-----	7,832	-	-	-	7,832	-	7,832
Depreciation-----	-	61,012	-	-	61,012	1,936,507	1,997,519
Total operating expenses-----	38,227,818	61,012	-	173,180	38,462,010	1,936,507	40,398,517
Operating income (loss)-----	329,369	(61,012)	-	(173,180)	95,177	(1,936,507)	(1,841,330)
NON-OPERATING EXPENSE							
Investment income-----	30,179	-	-	29	30,208	-	30,208
Net non-operating revenue-----	30,179	-	-	29	30,208	-	30,208
TRANSFERS							
Transfers from other funds-----	-	-	-	211,724	211,724	30,000	241,724
Changes in net position-----	359,548	(61,012)	-	38,573	337,109	(1,906,507)	(1,569,398)
Total net position (deficit), beginning-----	7,354,941	77,946	-	(36,482)	7,396,405	6,108,843	13,505,248
Total net position (deficit), ending-----	\$7,714,489	\$16,934	\$ -	\$2,091	\$7,733,514	\$4,202,336	\$11,935,850

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COMBINING STATEMENT OF CASH FLOWS
OCMFA SERVICES FUND
For the Year Ended June 30, 2013

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

	Risk Management						Information Technology	Total
	Health Care	Worker's Compensation	Property and Liability	Unemployment Insurance	Total Risk Management			
	Insurance	Compensation	Liability	Insurance	Management	Technology		
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>								
Cash received from customers-----	\$38,554,802	\$111,380	\$ -	\$ -	\$38,666,182	\$ -	\$38,666,182	
Cash payments to suppliers for goods and services-----	(37,794,333)	(9,589,074)	(7,971,414)	(212,047)	(55,566,868)	(2,259,035)	(57,825,903)	
Cost reimbursements from (to) other funds-----	-	11,753,142	2,157,045	-	13,910,187	2,411,950	16,322,137	
Other cash receipts-----	-	-	5,494,146	-	5,494,146	953	5,495,099	
Net cash provided (used) by operating activities-----	760,469	2,275,448	(320,223)	(212,047)	2,503,647	153,868	2,657,515	
<u>CASH FLOWS FROM NON-CAPITAL</u>								
<u>FINANCING ACTIVITIES</u>								
Transfers received from other funds-----	-	303,049	900,000	211,723	1,414,772	30,000	1,444,772	
Net cash provided by non-capital financing activities-----	-	303,049	900,000	211,723	1,414,772	30,000	1,444,772	
<u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u>								
Payments for acquisition and construction of capital assets-----	-	(156,198)	-	-	(156,198)	-	(156,198)	
Net cash provided (used) by capital and related financing activities-----	-	(156,198)	-	-	(156,198)	-	(156,198)	
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>								
Changes in pooled investments-----	(1,480,267)	(3,590,709)	(817,643)	74	(5,888,545)	(281,525)	(6,170,070)	
Investment income received-----	69,479	121,017	28,639	47	219,182	11,978	231,160	
Net cash provided (used) by investing activities-----	(1,410,788)	(3,469,692)	(789,004)	121	(5,669,363)	(269,547)	(5,938,910)	
Net decrease in cash-----	(650,319)	(1,047,393)	(209,227)	(203)	(1,907,142)	(85,679)	(1,992,821)	
Cash, beginning-----	1,969,242	3,581,447	749,516	432	6,300,637	288,821	6,589,458	
Cash, ending-----	\$1,318,923	\$2,534,054	\$540,289	\$229	\$4,393,495	\$203,142	\$4,596,637	
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>								
Operating income (loss)-----	\$329,369	(\$61,012)	\$ -	(\$173,180)	\$95,177	(\$1,936,507)	(\$1,841,330)	
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>								
Depreciation-----	-	61,012	-	-	61,012	1,936,507	1,997,519	
(Increase) decrease in accounts receivable-----	-	-	(3,971,470)	-	(3,971,470)	-	(3,971,470)	
(Increase) decrease in due from other funds-----	(446)	3,504,280	(50,821)	-	3,453,013	(859)	3,452,154	
(Increase) decrease in receivable from component units-----	-	-	-	-	-	(1,951)	(1,951)	
(Increase) decrease in prepaid assets-----	-	(239,203)	217,801	-	(21,402)	(18,121)	(39,523)	
(Increase) decrease in intergovernmental receivable-----	-	-	(31,250)	-	(31,250)	-	(31,250)	
Increase (decrease) in accounts payable-----	148,768	(60,033)	776,545	(38,544)	826,736	64,690	891,426	
Increase (decrease) in due to other funds-----	136,710	(569,596)	(1,436,663)	(323)	(1,869,872)	110,109	(1,759,763)	
Increase (decrease) in long-term liabilities-----	146,068	(360,000)	4,175,635	-	3,961,703	-	3,961,703	
Total adjustments-----	431,100	2,336,460	(320,223)	(38,867)	2,408,470	2,090,375	4,498,845	
Net cash provided (used) by operating activities-----	\$760,469	\$2,275,448	(\$320,223)	(\$212,047)	\$2,503,647	\$153,868	\$2,657,515	
<u>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>								
Net increase (decrease) in fair value of investments-----	(\$27,184)	(\$46,213)	(\$11,664)	(\$13)	(\$85,074)	(\$4,710)	(\$89,784)	
Total non-cash investing, capital, and financing activities-----	(\$27,184)	(\$46,213)	(\$11,664)	(\$13)	(\$85,074)	(\$4,710)	(\$89,784)	

**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 Trustees
Oklahoma City Municipal Facilities 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 governmental activities, the business-type activities and each major fund of the Oklahoma City Municipal Facilities Authority (the Authority), a component unit of the City of Oklahoma City, Oklahoma (the City), which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 6, 2013.

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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance that all material weaknesses or significant deficiencies have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 13-01 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 13-02 to be a significant deficiency.

Compliance

As part of obtaining reasonable assurance about whether the Authority's 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 Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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.

Other Matter

We also noted certain matters that we reported to the Authority's management in a separate letter dated December 6, 2013.

The 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* of the City should be read in conjunction with this report.

The purpose of this communication 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 compliance. This communication 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 6, 2013

Oklahoma City Municipal Facilities Authority
Schedule of Findings and Responses
Year Ended June 30, 2013

Reference Number	Finding
13-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – During the course of the audit, we identified one insurance contract for coverage from April 2013 to April 2014 had all been expensed during 2013 instead of being accrued as a prepaid expense and amortized over the life of the coverage. In addition, during our testing of prepaid expenses, we identified certain licensing fees which were being amortized over one year, instead of five years, which is the estimated useful life of the licensing period.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Material misstatements in the financial statements resulted from errors that occurred and were not detected and/or corrected in a timely manner, resulting in adjustments to the current year financial statements.</p> <p>Cause – The review process for identifying significant fluctuations from prior year failed to identify the errors.</p> <p>Recommendation – We recommend management provide additional training over the process for identifying significant fluctuations from the prior year to ensure that adequate review and supervision is being performed on the fluctuation analysis.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. We will continue to train and develop our professional staff to perform reviews effectively.</p>

Oklahoma City Municipal Facilities Authority
Schedule of Findings and Responses
Year Ended June 30, 2013

Reference Number	Finding
13-02	<p>Criteria or Specific Requirement – Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – During 2013, the Finance Department requested that an inventory be conducted to verify the accuracy of the Authority’s capital asset records. When this capital asset inventory was completed, it was determined that significant adjustments were needed to the capital asset records to remove items listed in the capital asset records that had been disposed of in prior years. This resulted in a significant passed adjustment that was not recorded in the Authority’s 2013 financial statements.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Misstatements in the financial statements resulted from errors that occurred and were not detected and/or corrected in a timely manner resulting in a significant passed adjustment that was not posted to the Authority’s 2013 financial statements.</p> <p>Cause – Capital assets have not historically been properly removed in the period that the assets were demolished or otherwise disposed of.</p> <p>Recommendation – The Finance Department should continue its efforts to educate and train management throughout the City and related component units regarding appropriate capital asset accounting policies and procedures.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. We will continue our efforts to educate and train management staff throughout the City and related component units to improve capital asset records.</p>

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