



GROWING TOGETHER

Oklahoma City Municipal Facilities Authority

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

Annual Financial Report | for the Fiscal Year ended June 30, 2012

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, 2012

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

Introductory Section

OKLAHOMA CITY MUNICIPAL FACILITIES AUTHORITY

TABLE OF CONTENTS

For the Fiscal Year Ended June 30, 2012

	PAGE
Transmittal Letter	ii
Oklahoma City Municipal Facilities Authority Organization Chart	iv
Independent Accountants' Report on Financial Statements and Supplementary Information	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
<i>Authority-wide Statements:</i>	
Statement of Net Assets	10
Statement of Activities	11
<i>Fund Financial Statements:</i>	
Governmental Fund:	
Balance Sheet	12
Statement of Revenues, Expenditures, and Changes in Fund Balance	13
Proprietary Funds:	
Statement of Net Assets	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets	15
Statement of Cash Flows	16
Notes to Financial Statements	17
Combining Financial Statements:	
<i>OCMFA Services Fund</i>	
Combining Statement of Net Assets	34
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	35
Combining Statement of Cash Flows	37
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38



The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 12, 2012

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 accountants, 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, 2012, is in the MD&A section of this report, immediately following the independent accountants' 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 Utilities Fund was created to issue bonds to finance water and sewer infrastructure. In 2011, the capital assets of this fund were transferred to the City Water and Wastewater Fund. 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 2012, 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, many of which were a number one ranking. This promises an immediate and sustainable economic growth outlook for the next several years.

In a report of the 2012 Economic Forecast: State and Oklahoma City Outlook, prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), the Institute reported the U.S. national economy is still in a recovery mode. However, the Institute reported in Oklahoma nearly all jobs have been recovered or projected shortly for recovery, indicating the issue for Oklahoma City is now one of sustainable trajectory. While there were impacts of the economy for Oklahoma City, many of the effects of the recession were largely passed over according to this report. In addition to job recovery and as a result of it, sales tax receipts have been impressive and were projected by the Institute to grow by 3.15% in FY 2012 and 1.84% in FY 2013. Sales tax receipts, which are evaluated to determine the health of the economy of Oklahoma City, exceeded these projections in FY 2012, increasing by 6.43%.

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.

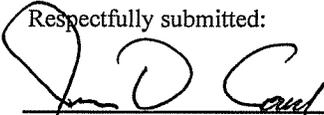
The economy in Oklahoma City has been strong in the past two years and the future for Oklahoma City is bright. Oklahoma City is poised to meet the challenges of the future as it has done so well in the past.

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 accountants 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 accountants.

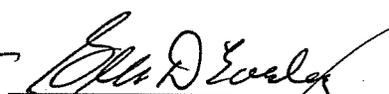
Respectfully submitted:



James D. Couch
General Manager

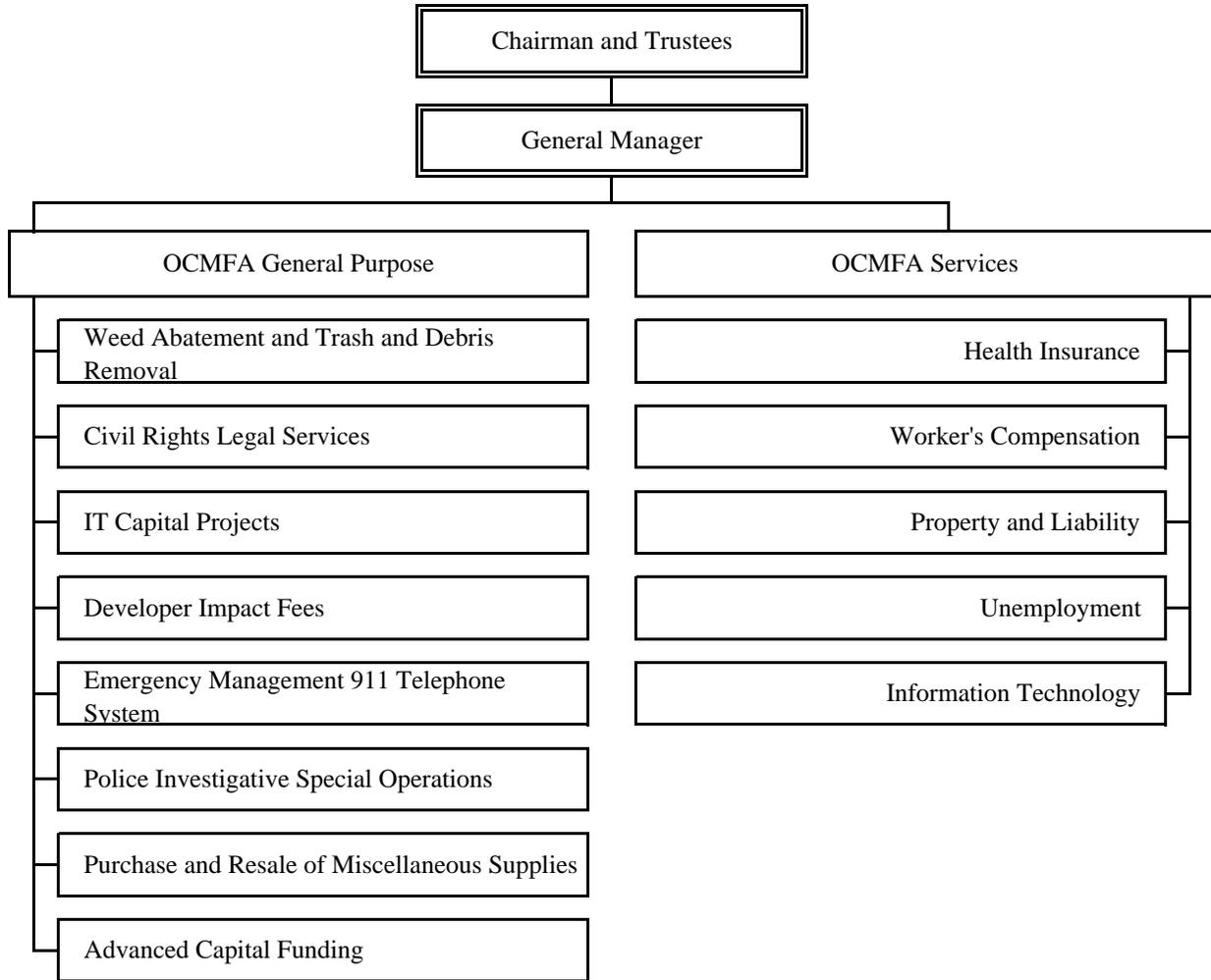


Craig Freeman
City of Oklahoma City Finance Director



Glen D. Earley
City of Oklahoma City Controller

Oklahoma City Municipal Facilities Authority Organization Chart



Financial Section

Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying basic financial statements of 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, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note III, the previously issued 2011 financial statements have been restated. Our previously issued report on those financial statements dated December 2, 2011, is no longer to be relied upon because the previously issued 2011 financial statements were materially misstated and that report is replaced by this report on the restated 2011 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, 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* and should be considered in assessing the results of our audit.

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; however, we noted that the 2011 balances presented in the management's discussion and analysis do not reflect the prior period adjustment disclosed in Note III.

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 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.

BKD, LLP

December 12, 2012

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, 2012. 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 \$45,963,769 (net assets) at June 30, 2012. This compares to the previous year when assets exceeded liabilities by \$28,851,230.
- Total assets for the Authority increased by \$20,739,857 (27.7%) to \$95,705,530 during the fiscal year.
- Total liabilities for the Authority increased by \$3,627,318 (7.9%) to \$49,741,761 during the fiscal year.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets for 2012 of \$18,734,322, include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted net assets for capital projects for 2012 of \$696,362 are constrained for capital projects.
 - (3) Restricted net assets for public safety for 2012 of \$594,492 are constrained for federal and state asset forfeiture and purchase and maintenance of police and fire equipment.
 - (4) Unrestricted net assets are \$25,938,593 at June 30, 2012.
- The Authority's governmental fund reported total ending fund balance of \$19,892,074 this year. This compares to the prior year ending fund balance of \$16,989,671, as restated, showing an increase of \$2,902,403 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 assets. This is the statement of position presenting information that includes all of the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets 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 assets 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 Funds

Proprietary funds are reported in the fund financial statements and generally report services for which the Authority charges customers a fee. The Authority reports these as enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the Authority-wide statements.

Proprietary fund statements provide 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 ordinances 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 assets at fiscal year-end are \$45,963,769. This is an increase of \$17,112,539 from last year's net assets. Overall the Authority's financial position improved during fiscal year 2012. The 2011 balances have not been adjusted to reflect the restatement of prior year balances related to a prior period adjustment. See Note III for more information.

Summary of Net Assets (Deficit)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2012	2011	2012	2011	2012	2011	
Assets							
Current assets	\$20,274,653	\$17,318,678	\$32,679,136	\$34,952,145	\$52,953,789	\$52,270,823	1.3%
Capital assets, net	12,547,533	13,284,987	6,271,012	8,219,612	18,818,545	21,504,599	(12.5)
Other non-current assets	291,140	376,695	23,642,056	813,556	23,933,196	1,190,251	1910.8
Total assets	<u>33,113,326</u>	<u>30,980,360</u>	<u>62,592,204</u>	<u>43,985,313</u>	<u>95,705,530</u>	<u>74,965,673</u>	27.7
Liabilities							
Current liabilities	654,805	681,146	16,254,548	13,861,367	16,909,353	14,542,513	16.3
Non-current liabilities	-	-	32,832,408	31,571,930	32,832,408	31,571,930	4.0
Total liabilities	<u>654,805</u>	<u>681,146</u>	<u>49,086,956</u>	<u>45,433,297</u>	<u>49,741,761</u>	<u>46,114,443</u>	7.9
Net assets (deficit)							
Invested in capital assets, net of related debt	12,547,533	13,284,987	6,186,789	8,190,989	18,734,322	21,475,976	(12.8)
Capital projects	696,362	577,902	-	-	696,362	577,902	20.5
Public safety	594,492	661,836	-	-	594,492	661,836	(10.2)
Unrestricted	18,620,134	15,774,489	7,318,459	(9,638,973)	25,938,593	6,135,516	322.8
Total net assets (deficit)	<u>\$32,458,521</u>	<u>\$30,299,214</u>	<u>\$13,505,248</u>	<u>(\$1,447,984)</u>	<u>\$45,963,769</u>	<u>\$28,851,230</u>	59.3

Current assets increased by \$2.96 million and decreased by \$2.27 million in governmental and business-type activities, respectively. Cash and investments decreased \$1.93 million for governmental activities and \$834 thousand for business-type activities. Business-type activities accounts receivable decreased \$3.10 million related to 2011 amounts receivable for insurance recoveries. Governmental due from other funds increased \$4.49 million which includes \$2.24 million due from the City General Fund primarily for \$2 million dollars transferred to cover costs related to a software upgrade project and an increase of \$2.25 million due from the City General Obligation Bond Fund for prefunded project costs.

Governmental activities capital assets, net, decreased \$737 thousand primarily related to the purchase of equipment of \$58 thousand and current year depreciation of \$795 thousand. Capital assets, net, for business-type activities decreased \$1.95 million primarily due to current year depreciation of \$2.05 million, offset by equipment purchases of \$97 thousand.

Other non-current assets increased \$22.82 million in business-type activities. Advances increased \$22.95 million in business-type activities related to \$23.21 million in cost reimbursements to the City Risk Management Fund for worker's compensation costs recognized in conjunction with a prior period adjustment, offset by debt service payments for advances to the Oklahoma City Public Property Authority of \$258 thousand.

Current liabilities for governmental activities decreased \$26 thousand related to an increase in accounts payable related to the timing of vendor payments of \$149 thousand and a decrease in amounts due to other funds of \$175 thousand primarily due to the City General Fund in 2011 related to prefunded general obligation bond fund costs. Business-type activities current liabilities increased \$2.39 million primarily due to changes in actuarially determined worker's compensation estimated claims payable decreases of \$2.76 million.

Non-current liabilities for business-type activities increased \$1.26 million. Estimated claims payable decreased \$4.08 million due to decreases in long-term estimated workers compensation liability and property damage insurance liability and advances from other funds increased \$5.34 million related to cost reimbursements to the City Risk Management and Information Technology Fund for costs recognized in conjunction with a prior period adjustment.

Summary of Changes in Net Assets (Deficit)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2012	2011	2012	2011	2012	2011	
Revenues							
Charges for services	\$1,243,665	\$998,535	\$36,432,747	\$38,463,926	\$37,676,412	\$39,462,461	(4.5%)
Operating grants and contributions	4,770	7,083	-	-	4,770	7,083	(32.7)
Capital grants and contributions	265	-	-	-	265	-	100.0
General revenues	<u>1,176,519</u>	<u>1,301,249</u>	<u>48,678</u>	<u>299,134</u>	<u>1,225,197</u>	<u>1,600,383</u>	(23.4)
Total operating revenues	<u>2,425,219</u>	<u>2,306,867</u>	<u>36,481,425</u>	<u>38,763,060</u>	<u>38,906,644</u>	<u>41,069,927</u>	(5.3)
Program expenses							
General government	990,791	1,423,715	-	-	990,791	1,423,715	(30.4)
Public safety	1,153,714	1,569,568	-	-	1,153,714	1,569,568	(26.5)
Public services	902,128	1,152,729	-	-	902,128	1,152,729	(21.7)
Culture and recreation	407,347	206,029	-	-	407,347	206,029	97.7
Water utilities	-	-	-	6,097,769	-	6,097,769	(100.0)
Risk management	-	-	36,391,514	57,745,219	36,391,514	57,745,219	(37.0)
Information technology	-	-	2,014,750	2,798,540	2,014,750	2,798,540	(28.0)
Total expenses	<u>3,453,980</u>	<u>4,352,041</u>	<u>38,406,264</u>	<u>66,641,528</u>	<u>41,860,244</u>	<u>70,993,569</u>	(41.0)
Transfers	<u>3,188,068</u>	<u>(10,853,962)</u>	<u>236,978</u>	<u>(6,390,410)</u>	<u>3,425,046</u>	<u>(17,244,372)</u>	119.9
Changes in net assets (deficit)	2,159,307	(12,899,136)	(1,687,861)	(34,268,878)	471,446	(47,168,014)	101.0
Beginning net assets (deficit)							
As previously reported	30,299,214	43,198,350	(1,447,984)	32,820,894	28,851,230	76,019,244	(62.0)
Prior period restatement	-	-	16,641,093	-	16,641,093	-	100.0
Beginning net assets	<u>30,299,214</u>	<u>43,198,350</u>	<u>15,193,109</u>	<u>32,820,894</u>	<u>45,492,323</u>	<u>76,019,244</u>	(40.2)
Ending net assets (deficit)	<u>\$32,458,521</u>	<u>\$30,299,214</u>	<u>\$13,505,248</u>	<u>(\$1,447,984)</u>	<u>\$45,963,769</u>	<u>\$28,851,230</u>	59.3

Governmental activities charges for services increased \$245 thousand primarily due to increases in impact fees for private development new construction of \$55 thousand and increased revenue collections of \$193 thousand for weed abatement and junk debris removal, offset by, a decrease of \$3 thousand from the sale of trash bags.

Business-type activities, charges for services decreased \$2.03 million primarily related to insurance reimbursements of \$5.14 million related to the damages sustained by the hail storm, flood and tornado that occurred in fiscal year 2010 offset by increased costs for life and health insurance of \$3.19 million.

Governmental activities, program expenses for general government and public safety decreased \$433 thousand and \$416 thousand, respectively. The decrease in general government expenses is primarily related to a decrease in legal services for workers compensation claims. The decrease for public safety is related to the decrease in depreciation cause by the transfer of assets to information technology in 2011.

Business-type activities, program expenses for water utilities decreased \$6.10 million due to a decrease in depreciation expense for assets that were transferred to the City Utility Fund. Risk management program expenses decreased \$21.35 million primarily related to 2011 cost reimbursement expenses of \$24.54 million netted with transfers in 2012 in conjunction with the prior period adjustment, offset by, \$3.25 million increase in health insurance costs. Information technology program expenses decreased \$784 thousand due to decreases in cost reimbursement expenses in 2012 of \$1.20 million, offset by increased depreciation of \$419 thousand.

Net transfers for both governmental and business-type activities increased \$14.04 million and \$6.63 million, respectively. Significant current year governmental transfers include \$2 million from the City General Fund for a software upgrade. Business-type transfers were affected by the netting of cost reimbursements against expenses in the OCMFA Services Fund in conjunction with the recording of the prior period adjustment.

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 \$19,892,074. Of this year-end total, approximately \$2,521,614 is unassigned, indicating availability for continuing Authority general service requirements.

The total ending fund balance of the governmental fund shows an increase of \$2,902,403 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 \$18,818,545.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total		Total % Change
	2012	2011	2012	2011	2012	2011	
Non-Depreciable Assets							
Land	\$5,401,779	\$5,401,779	\$ -	\$ -	\$5,401,779	\$5,401,779	0.0%
Construction in progress	<u>153,314</u>	<u>119,659</u>	-	-	<u>153,314</u>	<u>119,659</u>	28.1
Total non-depreciable assets	<u>5,555,093</u>	<u>5,521,438</u>	-	-	<u>5,555,093</u>	<u>5,521,438</u>	0.6
Depreciable Assets							
Improvements other than buildings	5,238,449	5,677,879	-	-	5,238,449	5,677,879	(7.7)
Buildings	1,292,603	1,357,085	54,896	57,441	1,347,499	1,414,526	(4.7)
Furniture, machinery, and equipment	<u>461,388</u>	<u>728,585</u>	<u>6,216,116</u>	<u>8,162,171</u>	<u>6,677,504</u>	<u>8,890,756</u>	(24.9)
Total depreciable assets	<u>6,992,440</u>	<u>7,763,549</u>	<u>6,271,012</u>	<u>8,219,612</u>	<u>13,263,452</u>	<u>15,983,161</u>	(17.0)
	<u>\$12,547,533</u>	<u>\$13,284,987</u>	<u>\$6,271,012</u>	<u>\$8,219,612</u>	<u>\$18,818,545</u>	<u>\$21,504,599</u>	(12.5)

The Authority's net capital assets for governmental and business-type activities as of June 30, 2012 was \$12.55 million and \$6.27 million, respectively. The governmental activities decrease of \$737 thousand is due to a \$9.66 million transfer of assets to OCMFA Services Fund, Information Technology, and current year depreciation of \$1.53 million offset by capital outlay of \$273 thousand and asset retirements of surplus assets of \$228 thousand. The business-type activities decrease of \$1.95 million is due to a \$30.33 million transfer of assets to the City Water and Wastewater Fund in 2011 and current year depreciation of \$7.72 million offset by \$9.66 million transfer of capital assets from the General Purpose Fund and capital outlay of \$25 thousand. See Note II. A. 3. for more information regarding capital assets.

Economic Factors

The improvements in the local economy lead to increases in revenues collected from weed abatement and junk debris removal. Other programs of the Authority were not affected by 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 water utilities, 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 ASSETS
June 30, 2012

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
CURRENT ASSETS			
Pooled cash-----	\$2,272,477	\$6,589,458	\$8,861,935
Non-pooled cash-----	31,870	-	31,870
Investments-----	8,451,811	24,459,527	32,911,338
Interest, dividends and royalties receivable-----	74,201	215,157	289,358
Due within the Authority-----	380,425	(380,425)	-
Due from other funds-----	8,957,559	1,054,639	10,012,198
Receivable from component units-----	-	2,905	2,905
Prepays-----	106,310	737,875	844,185
Total current assets-----	20,274,653	32,679,136	52,953,789
NON-CURRENT ASSETS			
Advance to other funds-----	-	23,620,453	23,620,453
Non-current prepaids-----	291,140	21,603	312,743
Capital assets:			
Land and construction in progress-----	5,555,093	-	5,555,093
Other capital assets, net of accumulated depreciation-----	6,992,440	6,271,012	13,263,452
Capital assets, net-----	12,547,533	6,271,012	18,818,545
Total non-current assets-----	12,838,673	29,913,068	42,751,741
Total assets-----	33,113,326	62,592,204	95,705,530
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable-----	644,680	1,266,600	1,911,280
Due to other funds-----	10,125	696,565	706,690
Estimated claims payable-----	-	14,291,383	14,291,383
Total current liabilities-----	654,805	16,254,548	16,909,353
NON-CURRENT LIABILITIES			
Estimated claims payable-----	-	27,492,000	27,492,000
Advance from other funds-----	-	5,340,408	5,340,408
Total non-current liabilities-----	-	32,832,408	32,832,408
Total liabilities-----	654,805	49,086,956	49,741,761
NET ASSETS			
Invested in capital assets, net of related debt-----	12,547,533	6,186,789	18,734,322
Restricted for:			
Capital projects-----	696,362	-	696,362
Public safety-----	594,492	-	594,492
Unrestricted-----	18,620,134	7,318,459	25,938,593
Total net assets-----	\$32,458,521	\$13,505,248	\$45,963,769

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Program Revenues			Governmental Activities	Business Type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
GOVERNMENTAL ACTIVITIES							
General government	\$990,791	\$ -	\$ -	\$265	(\$990,526)	\$ -	(\$990,526)
Public safety:							
Police-----	1,886	-	-	-	(1,886)	-	(1,886)
Other-----	1,151,828	-	1,385	-	(1,150,443)	-	(1,150,443)
Public services-----	902,128	1,239,244	3,385	-	340,501	-	340,501
Culture and recreation-----	407,347	4,421	-	-	(402,926)	-	(402,926)
Total governmental activities-----	<u>3,453,980</u>	<u>1,243,665</u>	<u>4,770</u>	<u>265</u>	<u>(2,205,280)</u>	<u>-</u>	<u>(2,205,280)</u>
BUSINESS-TYPE ACTIVITIES							
Risk management-----	36,391,514	36,432,747	-	-	-	41,233	41,233
Information technology-----	2,014,750	-	-	-	-	(2,014,750)	(2,014,750)
Total business-type activities-----	<u>38,406,264</u>	<u>36,432,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,973,517)</u>	<u>(1,973,517)</u>
Total-----	<u>\$41,860,244</u>	<u>\$37,676,412</u>	<u>\$4,770</u>	<u>\$265</u>	<u>(2,205,280)</u>	<u>(1,973,517)</u>	<u>(4,178,797)</u>
GENERAL REVENUES							
Oil and gas royalties-----					912,462	-	912,462
Unrestricted investment income-----					59,306	48,678	107,984
Miscellaneous-----					204,751	-	204,751
Total general revenues-----					<u>1,176,519</u>	<u>48,678</u>	<u>1,225,197</u>
Transfers within the City-----					3,188,068	236,978	3,425,046
Changes in net assets-----					<u>2,159,307</u>	<u>(1,687,861)</u>	<u>471,446</u>
Net assets (deficit)-beginning							
As previously reported-----					30,299,214	(1,447,984)	28,851,230
Prior period adjustment-----					-	16,641,093	16,641,093
As restated-----					<u>30,299,214</u>	<u>15,193,109</u>	<u>45,492,323</u>
Net assets-ending-----					<u>\$32,458,521</u>	<u>\$13,505,248</u>	<u>\$45,963,769</u>

See accompanying notes to financial statements.

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2012**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	General Purpose Fund
ASSETS	
Pooled cash-----	\$2,272,477
Non-pooled cash-----	31,870
Investments-----	8,451,811
Interest, dividends, and royalties receivable-----	74,201
Due within the Authority-----	380,425
Due from other funds-----	8,957,559
Prepays-----	397,449
Total assets-----	<u><u>\$20,565,792</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable-----	\$644,679
Due to other funds-----	10,125
Deferred revenue-----	18,914
Total liabilities-----	<u><u>673,718</u></u>
FUND BALANCES	
Non-spendable-----	397,449
Restricted-----	912,552
Committed-----	224,996
Assigned-----	15,835,463
Unassigned-----	2,521,614
Total fund balance-----	<u><u>19,892,074</u></u>
Total liabilities and fund balances-----	<u><u>20,565,792</u></u>
RECONCILIATION OF THE BALANCE SHEET, GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS, GOVERNMENTAL ACTIVITIES	
Total fund balance-----	\$19,892,074
Capital assets, net of accumulated depreciation-----	12,547,533
Deferred investment income earned but unavailable-----	18,914
Net assets-governmental activities-----	<u><u>\$32,458,521</u></u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended June 30, 2012**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	General Purpose Fund
<u>REVENUES</u>	
Licenses and permits-----	\$115,076
Oil and gas royalties-----	912,462
Fines and forfeitures-----	1,121,529
Investment income-----	69,718
Charges for services-----	2,639
Rental income-----	4,421
Other-----	204,751
Total revenues-----	<u>2,430,596</u>
<u>EXPENDITURES</u>	
<u>CURRENT</u>	
General government-----	706,914
Public safety other-----	1,030,872
Public services-----	640,224
Culture and recreation-----	280,162
Capital Outlay-----	58,354
Total expenditures-----	<u>2,716,526</u>
Deficiency of revenues under expenditures-----	(285,930)
<u>OTHER FINANCING SOURCES</u>	
Transfers from other funds-----	4,338,068
Transfers to other funds-----	(1,150,000)
Sale of assets-----	265
Net other financing sources-----	<u>3,188,333</u>
Net change in fund balances-----	2,902,403
<u>FUND BALANCE, BEGINNING</u>	
Fund balance, beginning-----	16,989,671
Fund balances, ending-----	<u>\$19,892,074</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-----	\$2,902,403
Recognition of earned but unavailable deferred investment income-----	(5,642)
Depreciation expense-----	(795,808)
Capital outlay-----	58,354
Change in net assets-governmental activities-----	<u>\$2,159,307</u>

See accompanying notes to financial statements.

**STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2012**

**OKLAHOMA CITY MUNICIPAL
 FACILITIES AUTHORITY**

	<u>Enterprise Fund</u> <u>OCMFA</u> <u>Services</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Pooled cash-----	\$6,589,458
Investments-----	24,459,527
Interest, dividends, and royalties receivable-----	215,157
Due within the Authority-----	(380,425)
Due from other funds-----	1,054,639
Receivable from component units-----	2,905
Prepays-----	737,875
Total current assets-----	32,679,136
<u>NON-CURRENT ASSETS</u>	
Advance to other funds-----	23,620,453
Non-current prepaids-----	21,603
Capital assets:	
Other capital assets, net of accumulated depreciation-----	6,271,012
Capital assets, net-----	6,271,012
Total non-current assets-----	29,913,068
Total assets-----	62,592,204
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts payable-----	1,266,600
Due to other funds-----	696,565
Estimated claims payable-----	14,291,383
Total current liabilities-----	16,254,548
<u>NON-CURRENT LIABILITIES</u>	
Estimated claims payable-----	27,492,000
Advance from other funds-----	5,340,408
Total liabilities-----	49,086,956
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt-----	6,186,789
Unrestricted-----	7,318,459
Total net assets-----	\$13,505,248

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2012**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	<u>Enterprise Fund</u> <u>OCMFA</u> <u>Services</u>
<u>OPERATING REVENUES</u>	
Service charges-----	\$36,432,742
Other charges-----	5
Total operating revenues-----	<u>36,432,747</u>
<u>OPERATING EXPENSES</u>	
Maintenance, operations, and contractual services-----	36,354,138
Materials and supplies-----	5,675
Depreciation-----	2,046,451
Total operating expenses-----	<u>38,406,264</u>
Operating loss-----	<u>(1,973,517)</u>
<u>NON-OPERATING REVENUE</u>	
Investment income-----	48,678
Non-Operating Revenue-----	<u>48,678</u>
Transfers-----	236,978
Change in net assets (deficit)-----	<u>(1,687,861)</u>
Total net assets (deficit), beginning, as previously reported-----	(1,447,984)
Prior period adjustment-----	16,641,093
Total net assets, beginning, as restated-----	15,193,109
Total net assets, ending-----	<u>\$13,505,248</u>

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2012**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	Enterprise Fund OCMFA Services
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from customers-----	\$36,477,494
Cash payments to suppliers for goods and services-----	(53,194,274)
Cost reimbursements from (to) other funds-----	13,724,769
Other cash receipts-----	3,259,587
Net cash provided by operating activities-----	<u>267,576</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Transfers received from (paid to) other funds-----	493,325
Net cash provided by non-capital financing activities-----	<u>493,325</u>
<u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u>	
Payments for acquisition and construction of capital assets-----	(23,920)
Net cash used by capital and capital related financing activities-----	<u>(23,920)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Changes in pooled investments-----	(3,660,701)
Investment income received-----	148,578
Purchased interest-----	5,640
Net cash used by investing activities-----	<u>(3,506,483)</u>
Net decrease in cash-----	<u>(2,769,502)</u>
Cash, beginning-----	9,358,960
Cash, ending-----	<u>\$6,589,458</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating income (loss)-----	(\$1,973,517)
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Depreciation-----	2,046,451
Non-operating revenue (expense)-----	(138,878)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable-----	3,101,880
(Increase) decrease in due from other funds-----	(3,941,672)
(Increase) decrease in receivable from component units-----	(2,905)
(Increase) decrease in prepaid assets-----	(234,775)
(Increase) decrease in other assets-----	121,325
Increase (decrease) in accounts payable-----	(595,569)
Increase (decrease) in due to other funds-----	3,276,625
Increase (decrease) in payable to component unit-----	(73,466)
Increase (decrease) in long-term liabilities-----	(1,317,923)
Total adjustments-----	<u>2,241,093</u>
Net cash provided by operating activities-----	<u>\$267,576</u>
<u>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>	
Net increase (decrease) in fair value of investments-----	(\$57,779)
Total non-cash investing, capital, and financing activities-----	<u>(\$57,779)</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, 2012.

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 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 assets 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

Implementation of New Accounting Standard

Effective July 1, 2011 the Authority implemented Governmental Accounting Standards Board (GASB) statement number 62, Codification of Accounting and Financial Reporting Guidance contained in FASB and Accounting Standards Board (APB) opinions issued on or before November 30, 1989. This statement places all Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, within the authoritative GASB literature. Prior to implementation, the Authority applied all relevant reporting guidance contained in FASB pronouncements, therefore implementation had no financial or reporting impact to the Authority's financial statements.

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 Funds

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 assets.

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 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 AND LIABILITIES

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 March 2011.

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. 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. 3. ACCOUNTS RECEIVABLE

Significant receivables includes receivables for property damage recoveries and Fringe Benefit Management Company (FBMC) plan forfeitures. Receivables related to insurance recoveries are recorded when the amount is considered realized or realizable. FBMC claims are managed by a third-party and are remitted to the Authority annually and represent amounts due at June 30, 2012. These receivables are due within one year and are expected to be fully collected and therefore no allowance for doubtful accounts has been recorded.

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.

Net transfers reported on the statement of changes in net assets 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 with estimated useful lives ranging from 2 to 50 years. 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 Assets

Net assets invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Net Assets Invested in Capital Assets, Net of Related Debt

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 assets.

Restricted Net Assets

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 assets restricted for capital projects include unspent debt proceeds legally restricted for capital outlays. Restricted net assets 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

The Authority's OCMFA Services Fund and the City Risk Management Fund administer employee life, employee health, property and liability, workers' compensation, unemployment, and disability insurance programs for the City and related Trusts, Authorities and System. All insurance programs administered by the Authority for the City, except the employee health plans, are administered on an agency basis on behalf of the City, and result in no profit or loss to the Authority. The City through the Authority offers several different employee health options, which, except for the indemnity health plan are fully insured. The indemnity health plan is covered by stop-loss coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The Authority collects a premium from other Trusts, Authorities and City funds for the employee health insurance plans and bears the risk of profit or loss in the administration of the employee health insurance plans.

Other than the risk related to the health insurance plan, the Authority's primary risk exposure is for property and liability risk for its own capital assets. The Authority pays a premium to the City to cover its estimated share of the current costs incurred by the property and liability insurance program administered by the City through the Authority. Significant property and liability losses are covered by commercial insurance. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Authority records estimated liabilities for indemnity health care, worker's compensation, torts, and other claims against the City and related Trusts and Authorities. Claims liabilities reported by the Authority are based on estimates of the ultimate costs of reported claims (including claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific, incremental claim adjustment expenses, and are reduced by estimated recoveries on unsettled claims such as subrogation.

The Authority operates in an agency role for the City in administering the property and liability and workers' compensation programs. Therefore the Authority records a receivable or advance from the City to the extent that its recorded claims liabilities exceed other net assets available in the fund to cover the recorded claims liabilities. Retiree health insurance claims liabilities are reported in the Oklahoma City Post-Employment Benefits Trust. The Authority does not recognize any separate liabilities related to risk management.

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 LIABILITIES

II. A. ASSETS

II. A. 1. 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, 2012, the Authority's cash is collateralized with securities held by the pledging financial institution in the name of the Authority, 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/ <u>Carrying Amount</u>	<u>Cost</u>	<u>Rating (1)</u>	Weighted Average Months to <u>Maturity (2)</u>
<u>POOLED INVESTMENTS</u>				
Fannie Mae	\$9,225,045	\$9,284,630	AA+/Aaa	16.36
Federal obligations	18,650,754	18,992,556	AA+/Aaa	10.71
U.S. Treasury notes	4,053,124	4,072,344	N/A	9.92
Money market funds	<u>982,415</u>	<u>982,415</u>	AAA/Aaa	1.80
	<u>\$32,911,338</u>	<u>\$33,331,945</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 or 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. A. 4. PREPAIDS

The Authority reported prepaid balances of \$106,310 and \$737,875 for prepaid expenses in the General Purpose Fund and OCMFA Services Fund, respectively. The General Purpose Fund reported prepaid software license and support agreements of \$397,450 including \$291,140 reported as non-current. The OCMFA Services Fund reported \$602,373 including \$9,007 reported as non-current for prepaid insurance, and \$157,105 for prepaid software license and support agreements including \$12,596 reported as non-current.

II. A. 4. CAPITAL ASSETS

Changes in Capital Assets

	Capital Assets, not depreciated			Capital Assets, depreciated				Total Capital Assets, net
	Land	Construction		Improvements Other Than Buildings	Buildings	Furniture, Machinery, & Equipment	Total	
		In Progress	Total					
<i>Governmental Activities</i>								
<u>CAPITAL ASSETS</u>								
Balance, June 30, 2011	\$5,401,779	\$119,659	\$5,521,438	\$15,895,912	\$7,238,392	\$11,790,897	\$34,925,201	\$40,446,639
Increases	-	33,655	33,655	-	-	24,699	24,699	58,354
Balance, June 30, 2012	<u>5,401,779</u>	<u>153,314</u>	<u>5,555,093</u>	<u>15,895,912</u>	<u>7,238,392</u>	<u>11,815,596</u>	<u>34,949,900</u>	<u>40,504,993</u>
<u>ACCUMULATED DEPRECIATION</u>								
Balance, June 30, 2011				10,218,033	5,881,307	11,062,312	27,161,652	27,161,652
Increases				439,430	64,482	291,896	795,808	795,808
Balance, June 30, 2012				<u>10,657,463</u>	<u>5,945,789</u>	<u>11,354,208</u>	<u>27,957,460</u>	<u>27,957,460</u>
Governmental activities capital assets, net	<u>5,401,779</u>	<u>153,314</u>	<u>5,555,093</u>	<u>5,238,449</u>	<u>1,292,603</u>	<u>461,388</u>	<u>6,992,440</u>	<u>12,547,533</u>
<i>Business-type Activities</i>								
<u>CAPITAL ASSETS</u>								
Balance, June 30, 2011					\$218,700	\$24,448,589	\$24,667,289	\$24,667,289
Increases					-	97,851	97,851	97,851
Balance, June 30, 2012					<u>218,700</u>	<u>24,546,440</u>	<u>24,765,140</u>	<u>24,765,140</u>
<u>ACCUMULATED DEPRECIATION</u>								
Balance, June 30, 2011					161,259	16,286,418	16,447,677	16,447,677
Increases					2,545	2,043,906	2,046,451	2,046,451
Balance, June 30, 2012					<u>163,804</u>	<u>18,330,324</u>	<u>18,494,128</u>	<u>18,494,128</u>
Business-type activities capital assets, net					<u>54,896</u>	<u>6,216,116</u>	<u>6,271,012</u>	<u>6,271,012</u>
Capital assets, net	<u>\$5,401,779</u>	<u>\$153,314</u>	<u>\$5,555,093</u>	<u>\$5,238,449</u>	<u>\$1,347,499</u>	<u>\$6,677,504</u>	<u>\$13,263,452</u>	<u>\$18,818,545</u>

Depreciation Expense

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$283,881	Risk Management	\$31,702
Police public safety	1,887	Information Technology	<u>2,014,749</u>
Public safety other	120,956		<u>\$2,046,451</u>
Public services	261,900		
Culture and recreation	<u>127,184</u>		
	<u>\$795,808</u>		

II. B. LIABILITIES

II. B. 1. ESTIMATED CLAIMS PAYABLE

Risk Management Claims Payable

A significant portion of the City's risk management activities is recorded in the Authority's OCMFA Services Fund. The purpose of the fund is to administer employee life, health, property and liability, workers' compensation, unemployment, and disability insurance programs of the City on a cost-reimbursement basis. This fund accounts for the risk financing activities of the City but does not constitute a transfer of risk from the City.

Health insurance claims incurred but not reported for the City's active self-insured group indemnity Plan (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. 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 claims incurred but not yet paid are calculated by a third-party 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, 2012 is \$0. Claims are discounted to present value factors implicit in the U.S. Treasury yields as of June 30, 2012. A copy of the third party report can be obtained from Risk Management, 420 W. Main, Suite 110, Oklahoma City, OK 73102.

OCMFA Services Fund functions as the insurance policy carrier for all property of the City. OCMFA Services Fund carries property insurance to cover insurance claims. The City Risk Management Fund charges City funds and transfers amounts to the OCMFA Services Fund to fund expenses for property insurance. When an insurable event occurs, the OCMFA Services Fund records a liability for the estimated loss incurred. Revenues and receivables for any insurance recovery are recorded when the claim is considered realized or realizable.

The health insurance and worker's compensation programs are self-insured. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the previous two 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 approximate aggregate liabilities for the City for fiscal year 2012.

	Health <u>Care</u>	Worker's <u>Compensation</u>	Property <u>Damage</u>	<u>Total</u>
Liability balance, July 1, 2010	\$988,100	\$29,665,000	\$ -	\$30,653,100
Claims and changes in estimates	14,267,001	12,975,433	6,139,553	33,381,987
Claims payments	<u>(14,228,866)</u>	<u>(4,714,085)</u>	<u>(1,990,830)</u>	<u>(20,933,781)</u>
Liability balance, June 30, 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	<u>\$1,265,470</u>	<u>\$39,967,000</u>	<u>\$550,913</u>	<u>\$41,783,383</u>
Assets available to pay claims at year end	<u>\$8,620,411</u>	<u>\$40,044,946</u>	<u>\$550,913</u>	<u>\$49,216,270</u>

The Authority records an estimated liability for indemnity health care, workers' compensation, and other claims against the City. 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 Authority's Risk Management Fund is used to accumulate a reserve to pay workers' compensation claims. From time to time, the reserve is used to provide operating and capital advances to other City funds. These advances accrue interest.

Estimated Claims Payment Requirements to Maturity

Fiscal Year	<u>Principal</u>
2012	\$14,291,383
2013	<u>27,492,000</u>
	<u>\$41,783,383</u>

II. B. 2. CHANGES IN LONG-TERM LIABILITIES

	Balance July 1, 2011	Incurring	Paid	Balance June 30, 2012	Due Within One Year	Due After One Year
Estimated claims payable - OCMFA Services						
Risk Management	<u>\$43,101,306</u>	<u>\$27,152,176</u>	<u>\$28,470,099</u>	<u>\$41,783,383</u>	<u>\$14,291,383</u>	<u>\$27,492,000</u>

II. C. 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	\$380,425
<i>Business-type activities</i>	
OCMFA Services	<u>(380,425)</u>
	<u>\$-</u>

Due Within City

	<u>DUE TO</u>			<u>DUE FROM</u>	
	<i>Governmental Activities</i>	<i>Business-type Activities</i>		<i>Governmental Activities</i>	<i>Business-type Activities</i>
	<u>General Purpose Fund</u>	<u>OCMFA Services</u>		<u>General Purpose Fund</u>	<u>OCMFA Services</u>
<u>DUE FROM OTHER FUNDS</u>			<u>DUE TO OTHER FUNDS</u>		
City General Fund	\$2,244,094	\$916,426	City Stormwater Drainage Fund	\$10,125	\$ -
City General Obligation Bond Fund	6,712,391	-	Oklahoma City Water Utilities Trust	-	679,281
City Grants Management	1,074	137,319	City Water and Wastewater Fund	<u>-</u>	<u>17,284</u>
Oklahoma City Water Utilities Trust	<u>-</u>	<u>894</u>		<u>\$10,125</u>	<u>\$696,565</u>
Total due to other funds	<u>\$8,957,559</u>	<u>\$1,054,639</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 2012, the Authority prefunded \$2,244,094 related to City general obligation bond projects. At June 30, 2012, the Authority reported an amount due from the City General Obligation Bond Fund of \$6,712,391 for unreimbursed prefunded fees.

Advances To (From) the City

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

In February 2001 a loan for \$407,253 to the OCPPA from the Authority's workers compensation reserves was approved for reconstruction of the greens at Trosper Park Golf Course. The loan was refinanced in November 2004 for a longer period, at a lower interest rate of 4.6%, with the final payment due in March 2012.

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. The principal due at June 30, 2012 is \$411,557 and accrued interest of \$1,223.

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>
2013	\$237,124	\$10,904	\$248,028
2014	<u>174,433</u>	<u>2,678</u>	<u>177,111</u>
	<u>\$411,557</u>	<u>\$13,582</u>	<u>\$425,139</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 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, 2012.

	<u>Worker's Compensation</u>	<u>Property and Liability</u>	<u>Information Technology</u>	<u>Total</u>
Advance balance, July 1, 2011	\$19,345,880	(\$1,455,970)	(\$1,248,817)	\$16,641,093
Other services	12,562,249	494,843	2,228,038	15,285,130
Materials and supplies	-	-	10,820	10,820
Investment income	(106,647)	(23,457)	(8,774)	(138,878)
Other income	(122,379)	(83,752)	-	(206,131)
Reimbursement from the City	<u>(8,471,430)</u>	<u>(2,851,351)</u>	<u>(2,401,988)</u>	<u>(13,724,769)</u>
Advance balance, June 30, 2012	<u>\$23,207,673</u>	<u>(\$3,919,687)</u>	<u>(\$1,420,721)</u>	<u>\$17,867,265</u>

III. FUND EQUITY

Prior Period Adjustment

Cost Reimbursements to (from) Other Funds

The Authority manages the worker's compensation and property and liability activities and contracts for the City Risk Management Fund. The authority also manages certain contracts for the City Information Technology Fund. In prior years, the Authority recorded 100 percent of the estimated worker's compensation claims liability. The Authority is not legally liable for these claims, but reported the liability so that it was reflected in one location rather than splitting the liability between the Authority and the City. A prior period adjustment was required to reflect that the City is legally responsible to fund the estimated worker's compensation claims liability reported by the Authority. The City funds have also historically reimbursed the Authority for the worker's compensation, property and liability and information technology costs incurred by the Authority. In prior years, a receivable or liability had not been reflected for costs incurred by these activities that had been under or over funded by City funds. The effect of the prior period adjustment increased previously reported 2011 changes in net assets of \$6,420,910 for the Authorities enterprise fund and business-type activities.

	<u>Worker's Compensation</u>	<u>Property and Liability</u>	<u>Information Technology</u>	<u>Total</u>
Advance to City Risk Management Fund	\$19,345,880	(\$1,455,970)	\$ -	\$17,889,910
Advance from City Information Technology Fund	-	-	(1,248,817)	(1,248,817)
	<u>\$19,345,880</u>	<u>(\$1,455,970)</u>	<u>(\$1,248,817)</u>	<u>\$16,641,093</u>

III. A. FUND BALANCE

Non-Spendable Fund Balance

Prepays	<u>\$397,449</u>
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Restricted Fund Balance

Restricted for federal and state asset forfeiture	\$61,290
Restricted for purchase and maintenance of police and fire equipment	156,115
Restricted for capital projects	695,147
	<u>\$912,552</u>

Committed Fund Balance

Committed for 911 services	<u>\$224,996</u>
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Assigned Fund Balance

Assigned for Information Technology projects	\$3,334,220
Assigned for civil defense legal fees	108,627
Assigned for parks improvements, creation and maintenance	2,863,008
Assigned for bond capital projects	7,611,287
Assigned for encumbrances	1,918,321
	<u>\$15,835,463</u>

Unassigned

Unassigned	<u>\$2,521,614</u>
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III. B. NET ASSETS

Invested in Capital Assets, Net of Related Debt

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Capital assets, net	\$12,547,533	\$6,271,012	\$18,818,545
Retainage and accounts payable	-	(84,223)	(84,223)
	<u>\$12,547,533</u>	<u>\$6,186,789</u>	<u>\$18,734,322</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>\$696,362</u>	<u>\$ -</u>	<u>\$696,362</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	\$61,410	\$ -	\$61,410
Restricted for purchase and maintenance of police and fire equipment	533,082	-	533,082
	<u>\$594,492</u>	<u>\$ -</u>	<u>\$594,492</u>

Unrestricted

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Unrestricted	<u>\$18,620,134</u>	<u>\$7,318,459</u>	<u>\$25,938,593</u>

IV. INTERFUND TRANSFERS

Transfers Within the City

<u>TRANSFERS TO</u>		<u>TRANSFERS FROM</u>	
	<i>Governmental Activities</i>		<i>Governmental Activities</i>
	<u>General Purpose Fund</u>		<u>General Purpose Fund</u>
<u>TRANSFERS FROM</u>		<u>TRANSFERS TO</u>	
City General Fund	\$2,580,800	City Special Purpose Fund	<u>\$1,150,000</u>
City Asset Forfeiture Fund	97,000		
City Capital Improvement Fund	293,268		
City Information Technology Fund	<u>1,367,000</u>		
	<u>\$4,338,068</u>		
<u>TRANSFERS TO</u>			
	<i>Business-type Activities</i>		
	<u>OCMFA Services Fund</u>		
<u>TRANSFERS FROM</u>			
City General Fund	\$208,408		
City Risk Management Fund	<u>28,570</u>		
	<u>\$236,978</u>		

Combining Financial Statements

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**COMBINING STATEMENT OF NET ASSETS
OCMFA SERVICES FUND
June 30, 2012**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	Risk Management						Information Technology	Total
	Health Care Insurance	Worker's Compensation	Property and Liability	Unemployment Insurance	Total Risk Management			
ASSETS								
CURRENT ASSETS								
Pooled cash-----	\$1,969,242	\$3,581,447	\$749,516	\$432	\$6,300,637	\$288,821	\$6,589,458	
Investments-----	7,307,956	13,298,620	2,778,721	1,838	23,387,135	1,072,392	24,459,527	
Interest, dividends and royalties receivable-----	64,300	116,938	24,473	14	205,725	9,432	215,157	
Due within the Authority-----	58,997	(474,392)	26,137	(223)	(389,481)	9,056	(380,425)	
Due from other funds-----	7,807	-	1,037,081	1	1,044,889	9,750	1,054,639	
Receivable from component units-----	-	-	-	-	-	2,905	2,905	
Prepays-----	-	-	593,366	-	593,366	144,509	737,875	
Total current assets-----	9,408,302	16,522,613	5,209,294	2,062	31,142,271	1,536,865	32,679,136	
NON-CURRENT ASSETS								
Advance to other funds-----	-	23,620,453	-	-	23,620,453	-	23,620,453	
Prepays-----	-	-	9,007	-	9,007	12,596	21,603	
Capital assets:								
Other capital assets, net of accumulated depreciation---	-	162,167	-	-	162,167	6,108,845	6,271,012	
Capital assets, net-----	-	162,167	-	-	162,167	6,108,845	6,271,012	
Total non-current assets-----	-	23,782,620	9,007	-	23,791,627	6,121,441	29,913,068	
Total assets-----	9,408,302	40,305,233	5,218,301	2,062	54,933,898	7,658,306	62,592,204	
LIABILITIES								
CURRENT LIABILITIES								
Accounts payable-----	787,891	260,287	51,136	38,544	1,137,858	128,742	1,266,600	
Due to other funds-----	-	-	696,565	-	696,565	-	696,565	
Estimated claims payable-----	1,265,470	12,475,000	550,913	-	14,291,383	-	14,291,383	
Total current liabilities-----	2,053,361	12,735,287	1,298,614	38,544	16,125,806	128,742	16,254,548	
NON-CURRENT LIABILITIES								
Estimated claims payable-----	-	27,492,000	-	-	27,492,000	-	27,492,000	
Advance from other funds-----	-	-	3,919,687	-	3,919,687	1,420,721	5,340,408	
Total non-current liabilities-----	-	27,492,000	3,919,687	-	31,411,687	1,420,721	32,832,408	
Total liabilities-----	2,053,361	40,227,287	5,218,301	38,544	47,537,493	1,549,463	49,086,956	
NET ASSETS								
Invested in capital assets, net of related debt-----	-	77,946	-	-	77,946	6,108,843	6,186,789	
Unrestricted-----	7,354,941	-	-	(36,482)	7,318,459	-	7,318,459	
Total net assets (deficit)-----	\$7,354,941	\$77,946	\$ -	(\$36,482)	\$7,396,405	\$6,108,843	\$13,505,248	

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
OCMFA SERVICES FUND
For the Year Ended June 30, 2012**

**OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY**

	Risk Management					Information Technology	Total
	Health Care Insurance	Worker's Compensation	Property and Liability	Unemployment Insurance	Total Risk Management		
<u>OPERATING REVENUES</u>							
<u>CHARGES FOR SERVICES</u>							
Service charges-----	\$36,432,742	\$ -	\$ -	\$ -	\$36,432,742	\$ -	\$36,432,742
Other charges-----	5	-	-	-	5	-	5
Total charges for services-----	36,432,747	-	-	-	36,432,747	-	36,432,747
Total operating revenues-----	36,432,747	-	-	-	36,432,747	-	36,432,747
<u>OPERATING EXPENSES</u>							
Maintenance, operations, and contractual services-	36,139,187	-	-	214,951	36,354,138	-	36,354,138
Materials and supplies-----	5,675	-	-	-	5,675	-	5,675
Depreciation-----	1,516	30,185	-	-	31,701	2,014,750	2,046,451
Total operating expenses-----	36,146,378	30,185	-	214,951	36,391,514	2,014,750	38,406,264
Operating income (loss)-----	286,369	(30,185)	-	(214,951)	41,233	(2,014,750)	(1,973,517)
<u>NON-OPERATING EXPENSE</u>							
Investment income-----	48,508	-	-	170	48,678	-	48,678
Net non-operating revenue-----	48,508	-	-	170	48,678	-	48,678
<u>TRANSFERS</u>							
Transfers from other funds-----	-	28,570	-	208,408	236,978	-	236,978
Total transfers-----	-	28,570	-	208,408	236,978	-	236,978
Changes in net assets-----	334,877	(1,615)	-	(6,373)	326,889	(2,014,750)	(1,687,861)
Total net assets, beginning, as previously reported-----	7,020,064	(19,266,319)	1,455,970	(30,109)	(10,820,394)	9,372,410	(1,447,984)
Prior period adjustment-----	-	19,345,880	(1,455,970)	-	17,889,910	(1,248,817)	16,641,093
Total net assets, beginning, as restated-----	7,020,064	79,561	-	(30,109)	7,069,516	8,123,593	15,193,109
Total net assets (deficit), ending-----	\$7,354,941	\$77,946	\$ -	(\$36,482)	\$7,396,405	\$6,108,843	\$13,505,248

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COMBINING STATEMENT OF CASH FLOWS
OCMFA SERVICES FUND
For the Year Ended For the Year Ended June 30, 2012

OKLAHOMA CITY MUNICIPAL
FACILITIES AUTHORITY

	Risk Management						Total
	Health Care Insurance	Worker's Compensation	Property and Liability	Unemployment Insurance	Total Risk Management	Information Technology	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>							
Cash received from customers-----	\$36,477,494	\$ -	\$ -	\$ -	\$36,477,494	\$ -	\$36,477,494
Cash payments to suppliers for goods and services-----	(36,103,954)	(9,823,796)	(4,828,254)	(207,795)	(50,963,799)	(2,230,475)	(53,194,274)
Cost reimbursements from (to) other funds-----	-	8,471,430	2,851,351	-	11,322,781	2,401,988	13,724,769
Other cash receipts-----	-	122,379	3,137,208	-	3,259,587	-	3,259,587
Net cash provided (used) by operating activities-----	373,540	(1,229,987)	1,160,305	(207,795)	96,063	171,513	267,576
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>							
Transfers received from (paid to) other funds-----	-	284,917	-	208,408	493,325	-	493,325
Net cash provided by non-capital financing activities-----	-	284,917	-	208,408	493,325	-	493,325
<u>CASH FLOWS FROM CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</u>							
Payments for acquisition and construction of capital assets-----	-	(23,920)	-	-	(23,920)	-	(23,920)
Net cash provided (used) by capital and related financing activities-----	-	(23,920)	-	-	(23,920)	-	(23,920)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>							
Changes in pooled investments-----	(1,195,448)	(1,051,756)	(1,155,927)	(673)	(3,403,804)	(256,897)	(3,660,701)
Investment income received-----	37,906	83,592	18,215	280	139,993	8,585	148,578
Purchased interest-----	1,581	4,029	(118)	-	5,492	148	5,640
Net cash used by investing activities-----	(1,155,961)	(964,135)	(1,137,830)	(393)	(3,258,319)	(248,164)	(3,506,483)
Net increase (decrease) in cash-----	(782,421)	(1,933,125)	22,475	220	(2,692,851)	(76,651)	(2,769,502)
Cash, beginning-----	2,751,663	5,514,572	727,041	212	8,993,488	365,472	9,358,960
Cash, ending-----	\$1,969,242	\$3,581,447	\$749,516	\$432	\$6,300,637	\$288,821	\$6,589,458
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>							
Operating income (loss)-----	\$286,369	(\$30,185)	\$ -	(\$214,951)	\$41,233	(\$2,014,750)	(\$1,973,517)
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>							
Depreciation-----	1,516	30,185	-	-	31,701	2,014,750	2,046,451
Non-operating revenue (expense)-----	-	(106,647)	(23,457)	-	(130,104)	(8,774)	(138,878)
(Increase) decrease in accounts receivable-----	48,424	-	3,053,456	-	3,101,880	-	3,101,880
(Increase) decrease in due from other funds-----	(3,674)	(3,860,293)	(61,312)	-	(3,925,279)	(16,393)	(3,941,672)
(Increase) decrease in receivable from component units-----	-	-	-	-	-	(2,905)	(2,905)
(Increase) decrease in prepaid assets-----	-	155,969	(273,315)	-	(117,346)	(117,429)	(234,775)
(Increase) decrease in other assets-----	-	-	(9,007)	-	(9,007)	130,332	121,325
Increase (decrease) in accounts payable-----	(139,328)	65,940	(544,786)	6,933	(611,241)	15,672	(595,569)
Increase (decrease) in due to other funds-----	(59,002)	474,392	2,690,002	223	3,105,615	171,010	3,276,625
Increase (decrease) in payable to component unit-----	-	-	(73,466)	-	(73,466)	-	(73,466)
Increase (decrease) in long-term liabilities-----	239,235	2,040,652	(3,597,810)	-	(1,317,923)	-	(1,317,923)
Total adjustments-----	87,171	(1,199,802)	1,160,305	7,156	54,830	2,186,263	2,241,093
Net cash provided (used) by operating activities-----	\$373,540	(\$1,229,987)	\$1,160,305	(\$207,795)	\$96,063	\$171,513	\$267,576
<u>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>							
Net increase (decrease) in fair value of investments-----	(\$17,304)	(\$31,069)	(\$6,869)	\$27	(\$55,215)	(\$2,564)	(\$57,779)
Total non-cash investing, capital, and financing activities-----	(\$17,304)	(\$31,069)	(\$6,869)	\$27	(\$55,215)	(\$2,564)	(\$57,779)

**Independent Accountants' 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 the basic financial statements of 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), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 12, 2012, which included an explanatory paragraph disclosing that the 2011 financial statements have been restated. 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.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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 12-01 to be a material weakness.

Compliance and Other Matters

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*.

We also noted certain matters that we reported to the Authority's management in a separate letter dated December 12, 2012.

The Independent Accountants' 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 Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, the City, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

December 12, 2012

Oklahoma City Municipal Facilities Authority
Schedule of Findings and Responses
Year Ended June 30, 2012

Reference Number	Finding
12-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The Authority manages the workers’ compensation and property and liability activities and contracts for the City Risk Management Fund. The Authority also manages certain contracts for the City Information Technology Fund. In prior years, the Authority recorded 100% of the estimated workers’ compensation claims liability. The Authority is not legally liable for these claims, but reported the liability so that it was reflected in one location rather than splitting the liability between the Authority and the City. A prior period adjustment was required to reflect that the City is legally responsible to fund the estimated workers’ compensation claims liability reported by the Authority. The City funds have also historically reimbursed the Authority for the workers’ compensation, property and liability and information technology costs incurred by the Authority. In prior years, the reimbursements were recorded as transfers between the Authority and the City and the expenses were reported in the Authority instead of City funds. In prior years, a receivable or liability had not been reflected for costs incurred by these activities that had been under or over funded by City funds. This matter also resulted in a prior period adjustment.</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 a restatement of prior year’s financial statements.</p> <p>Cause – Previously issued accounting guidance was not properly implemented and the accruals recorded by the Authority were not properly monitored.</p> <p>Recommendation – We recommend management increase monitoring of activity/transactions of the Authority to ensure accounting for liabilities reflected by the Authority, proper year-end accruals and proper presentation in accordance with prescribed guidance.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the recommended change in the treatment of the identified liabilities and have properly recorded their affect in the financial statements. We will monitor accounting transactions for the identification of the ultimate responsibility for liabilities recorded in financial records.</p>